Routledge Studies in the Modern World Economy

GEOECONOMICS OF THE ISRAEL–PALESTINE CONFLICT

GOVERNANCE, GLOBAL TRADE, AND REGIONAL DYNAMICS

Edited by
Rajesh Kumar, Debasis Neogi, Prasoon M. Tripathi,
and Dayanand Pandey

ROUTLEDGE

Geoeconomics of the Israel–Palestine Conflict

The Israel–Palestine conflict, a persistent geopolitical dilemma, wields substantial influence on the global economic landscape. With the potential to disrupt international trade, reconfigure intricate supply chains, and significantly impact macroeconomic indicators, this conflict stands as an underappreciated economic phenomenon. This book provides a comprehensive understanding of the multifaceted economic and geopolitical repercussions of the Israel–Palestine conflict on the global order, exploring its potential influence on issues related to governance, global trade, and regional dynamics.

The book offers a thorough analysis of the various economic effects of the conflict between Israel and Palestine. With the help of insights from a variety of fields, such as economics, political science, international relations, and humanitarian studies, it provides a comprehensive explanation of how this geopolitical battle affects the world economy. It goes beyond theory to include real-world case studies that show the conflict's true economic repercussions. The book is up-to-date and discusses the state of the Israel–Palestine conflict, which is relevant given how geopolitical conflicts are constantly changing. It examines the financial ramifications in light of current affairs, making it an important and topical reference for everyone trying to figure out how this protracted battle affects the world economy.

Scholars and researchers in fields such as international relations, economics, political science, global studies, and conflict resolution will find the book valuable for its in-depth analysis and research on the Israel–Palestine conflict's geopolitical and economic dimensions. Policymakers and international organizations looking for workable solutions to deal with the economic difficulties brought on by geopolitical tensions will learn from the insights presented in the book.

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Introduction

Rajesh Kumar, Debasis Neogi, Prasoon M. Tripathi and Dayanand Pandey

The persistent Israel–Palestine conflict has significantly altered both geopolitical and economic conditions throughout the region. The tensions between Israel and Palestine have deeply affected governance frameworks and global trade systems, while altering the entire regional dynamics beyond their direct humanitarian effects. This issue transcends regional boundaries and affects international relationships while also threatening global security and economic systems.

The Israeli–Palestinian conflict stands as the Middle East's most intricate and durable issue because of its profound historical foundations and political and social complexities. The Israeli–Palestinian conflict has drawn extensive academic inquiry from scholars across multiple fields who strive to decipher its foundational causes and evolving dynamics. The origins of the conflict date back to the early 20th century as the British Mandate of Palestine was formed after the Ottoman Empire fell. The arrival of Jewish immigrants along with Zionist expansion and Palestinian displacement resulted in rising tensions that brought about the creation of Israel in 1948. The conflict has transformed into a complex geopolitical dispute involving contested territorial claims as well as disputes over natural resources and national self-determination rights.

Researchers have examined the psychological aspects of the conflict. The dispute has provoked profound distrust and polarization between both parties which pushed each side toward more extreme positions (Sharvit et al., 2012). These developments have resulted in growing challenges to achieve a mutual understanding and establish a lasting solution (Sharvit et al., 2012). Both social and political consensus fragmentation and endemic violence risk stand out as critical factors that have sustained the conflict over the years.

The enduring Israel–Palestine conflict creates significant geoeconomic effects with the Gaza Strip as a prime example. As a densely populated coastal enclave, Gaza stands at the heart of this enduring dispute as its special economic and demographic features influence regional geopolitical relations (Kollias et al., 2013; Etkes & Zimring, 2015). People living in Gaza mostly originate from refugees of the 1948 Arab–Israeli War who have remained in refugee camps while also existing separately from an indigenous minority population. The unique demographic makeup of Gaza has produced specific political demands from its inhabitants that

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frequently differ from the Palestinian national movement's broader objectives. The Gazan economy remains highly dependent on Israeli labor opportunities and foreign remittances which makes it especially susceptible to conflicts that disrupt these economic supports.

Economic fragmentation results from the ongoing conflict which creates major effects on fresh food supply and distribution as well as market demand in the region. The Israeli blockade on Gaza imposed from 2007 to 2010 caused a severe decline in the living standards of Gazan households by 14% to 27% (Etkes & Zimring, 2015). Etkes and Zimring (2015) explain the decline as a result of workers having to move from manufacturing to service sectors and away from industries that depend on imported inputs or exports because of resource reallocation and decreased productivity.

Medical care provision in Gaza faces significant challenges because the ongoing blockade acts as a "totalizing social determinant of public health." War led to Gaza's healthcare system becoming severely overburdened as its existing strains worsened, while medical practitioners faced difficulties in coordination with colleagues in other sectors and lacked significant international support which intensified the crisis. The distinct geopolitical and economic obstacles in Gaza highlight how essential it is to understand the geoeconomic effects of the Israel–Palestine conflict while providers face difficulties in delivering quality healthcare due to limited coordination with other sectors and insufficient international support. The Israeli–Palestinian conflict demonstrates how geopolitical factors critically impact the economic and social well-being of populations in the region according to research from Etkes and Zimring (2015). The existing level of knowledge in this area indicates that additional research and analysis are essential to create better policy solutions that manage the intricate relationships between geography and political and economic conditions in the region.

Research conducted by scholars includes an examination of how external parties, such as Arab states and international bodies like the United States and European Union, influence the conflict's development. The actors in question have offered substantial political and economic backing along with military support to the conflicting parties which included efforts to mediate and settle the dispute. The primary problems of the conflict continue to persist even after multiple resolution efforts. The conflict's intricate nature combined with the conflicting goals of involved parties and entrenched psychological barriers has turned the issue into an exceptionally difficult and stubborn problem to solve (Sharvit et al., 2012).

Though multiple negotiation and conflict resolution efforts have been made the conflict remains mostly unresolved. The intricate nature of the issues at hand along with the fixed stances of the involved parties and the wider geopolitical factors at both regional and international levels have all played a role in making the conflict intractable. This edited volume investigates multiple dimensions of the conflict with special attention to its economic impact, governance difficulties, and international mediation strategies. This book gathers insights from multiple experts to deliver a full analysis of economic impacts caused by the conflict and recommends methods to achieve stability and growth. Different chapters within this volume explore various dimensions of the conflict including historical economic developments and trade disruptions as well as policy responses and potential conflict resolution methods. This book uses an interdisciplinary approach to address these issues with the goal of providing meaningful contributions to academic discourse and policy-making while supporting international peace initiatives.

The conflict persists as unresolved despite multiple attempts at negotiation and conflict resolution. The conflict's intractability stems from complex issues, entrenched party positions, and broader regional and international geopolitical factors.

Structure of the Book

This volume contains chapters that each offer a distinctive viewpoint on various elements of the Israel–Palestine conflict.

Ten chapters make up this book which addresses core elements of the Israel–Palestine conflict through historical, economic, political, and diplomatic lenses. The chapters provide a detailed examination of the conflict's multiple dimensions while suggesting ways to achieve stability and development.

Chapter 1: This narrative analyzes how the enduring Israeli–Palestinian conflict has affected economic development and institutional standards within Syria. This study probes into the economic results of instability and trade interruptions while evaluating how foreign investments impact the Middle East as a whole.

Chapter 2: This chapter provides a historical overview of the Israel–Palestine conflict by identifying critical turning points from the early 1900s up until today. The chapter examines how colonial powers influenced Israeli state formation and subsequent wars that established today's geopolitical landscape.

Chapter 3: The chapter examines how extended conflict has led to emerging challenges in governance. The analysis demonstrates institutional fragility and the impacts of political leadership while chronicling how continuous tensions disrupt governance and economic development within Israel and Palestine.

Chapter 4: This chapter examines the Israel–Palestine conflict as part of larger resource disputes in the Global South by analyzing the struggle for control over land, water, and economic resources. The analysis identifies connections between Israel–Palestine and other worldwide conflicts while offering practical strategies for resolving disputes centered on resources.

Chapter 5: This chapter examines the wide-ranging economic consequences of the Israel–Palestine conflict with a focus on effects experienced by developed economies. The analysis examines economic disruptions from trade issues and energy price volatility along with investor sentiment while also showing how the conflict affects international foreign policies and economic planning worldwide.

Chapter 6: The chapter examines how international organizations, like the United Nations and the European Union, as well as major global powers conduct diplomatic mediation efforts to resolve the conflict. The chapter examines historical peace agreements along with negotiation approaches and sustainable resolution pathways.

Chapter 7: This chapter offers a thorough examination of how the Israel–Palestine conflict affects trade patterns, employment rates, and foreign direct investment flows. The chapter delivers economic policy suggestions designed to build regional stability while supporting economic recovery and sustainable growth.

Chapter 8: This chapter serves as a synthesis of the book's primary insights while bringing together findings from earlier discussions. The chapter delivers a strategic plan for economic growth while addressing conflict resolution through combined diplomatic actions and government reform initiatives along with economic policy frameworks.

Chapter 9: This concluding chapter explores how the Israel–Palestine conflict affects international financial markets through its indirect influence on the Indian economic system. The analysis investigates how geopolitical tensions in the Middle East create changes in stock markets and affect sectoral performance and investment patterns.

Chapter 10: The chapter conducts a systematic review of academic literature from 2023 to 2024 about the Israel–Palestine conflict through the application of the PRISMA framework. The chapter identifies main topics including settler colonialism alongside humanitarian crises and international diplomacy. The research identifies the primary academic interests in human rights issues along with media narratives and geopolitical instability.

Through an interdisciplinary approach this book analyzes the conflict's complexities and suggests ways toward peace.

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1 Economics amid Israeli–Palestinian Conflict

The Case of Syria

Forat Suliman, Homam Khwanda, and Yasser Almeshref

Introduction

For decades, since the establishment of "Israel," a series of crises, wars, internal conflicts, and sanctions have impacted economic growth, social development patterns, and institutional quality in the MENA region, affecting all countries. The Palestinian–Israeli conflict has been detrimental to the entire region from 1948 to the latest Hamas operation known as "Al-Aqsa Flood." The 7th of October event has opened a Pandora's box, sparked the increased regional tensions across the Middle East, and unleashed the importance of a lasting end to the Israeli–Palestinian conflict. With reference to past events, the divergence and fragmentation between the two sides increased enormously, showing sterile talk that is not wedded to any concrete initiative or political process. The interference of European colonial powers, particularly Britain and France, followed by the USA's involvement after World War II and the creation of "Israel," has created *a perfect storm for political mischief, resulting in geopolitical madness and perpetual wars in the ME*. The ongoing conflict is deeply rooted in the long history of Palestinian oppression and denial of basic rights, as Israel holds a much stronger position compared to Palestine. The war has resulted in unprecedented levels of death and destruction, with significant regional and global implications at the political and economic levels. These ramifications stem from and reflect the cumulative effects of the unresolved Arab–Israeli conflict.

The historical absence of a "comprehensive peace" for the Palestinian cause, along with the prolonged burdens caused by conflict in the region, is steadily increasing, embroiling the entire region in several crises. In this context, "region" refers to the Middle East. As Sachs (2018) noted, it's not called "middle" for nothing; approximately 70% of global oil reserves are located in this region, making it a highly coveted asset for major world powers over centuries. Chomsky and Ilan (2013) highlighted the puzzling persistence of the Israeli–Palestinian conflict despite *near-universal consensus* on the support for a two-state solution based on 1967 borders. Consequently, and among many, Syria received the most historical burden of this conflict; the country has been plagued by prolonged instability, including 15 direct and indirect wars and operations with "Israel," and successive waves of mass displacement. The fallout of this long history of turmoil had affected

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the course of development, and growth levels dropped back significantly. The independent state of Syria was incapable of mobilizing domestic savings and could not translate the vast bulk of foreign savings into capital accumulation, capacity building, and resilient institutions.

One of the unresolved dilemmas is whether Syria's growth and prosperity is possible without, or feasible with, the resolution of the Israeli–Palestinian conflict. We argue that the course of conflicts and the multiplicity of stakeholder interventions were critical to the Syrian state, which has led to a beggar-thy-neighbor chaos that prevailed over decades after independence. Furthermore, although several important reforms and ambitious development initiatives were launched in the early 1990s, the institutions remain insufficient (with low state capacity and low fiscal space). As North (1990, 2003) argued, the institutional building and the agency that manages it are not operating separately from world politics; being developed is a story that emerges within a historical context and reflects the evolution of political and economic institutions.

Ultimately, "independent state" is not a sufficient replacement for "effective state." But to what extent does an independent state exist that permits the government to exert its own influence on the conduct of "organized rule" scripted in the constitution? How are we to account for the deterioration of the capacity of the state and subsequent persistent institutional backwardness in Syria? What are the roots and the basis of the current ineffective Syrian governance and its impact on economic outcomes?

This chapter aims to analyze the regional consequences of the Palestinian cause, with a specific reference to Syria. Following a de facto analysis, we argue that a long-standing institutional framework that hindered development has led to continuous economic underdevelopment in Syria. The deteriorations have been a result of episodes of conflict, where their repercussions cast a shadow over any serious efforts to achieve a system of governance and avoid a state's fragility that perpetuates chaos and poverty.

This chapter does not examine the Syrian crisis per se; instead, it highlights the conflict as an inherent consequence ("built-in war") of catastrophic political miscalculations, including sectarian repression, economic mismanagement, and alignment with adversarial foreign powers (Warren, 1980). The 13-year Syrian crisis has crystallized into a self-sustaining war economy—one where the deliberate collapse of formal institutions and the regime's survival strategies have created parallel systems of profit and power, stemming directly from an institutional vacuum, distorted markets, and international complicity (Suliman et al., 2024).

The focus of this chapter thus is on the long-lasting Palestinian–Israeli conflict that Syria was involved in, in one way or another, and had a severe impact on the trajectory of the Syrian economy. We look first at the contemporary Syrian economy and the impact of wars on macroeconomic stability, in comparison with "Israel." The second part of this chapter turns attention to the geopolitical factors that formed the social and economic context and contributed to the articulation of institutional failure in Syria, but not in Israel, through key transmission mechanisms (displacement's shocks, high exposure, and institutional deficiencies). The final section concludes and proposes a way forward.

Syria in the MENA: Contemporary Syrian Economy

The MENA region has undergone massive economic changes since the establishment of "Israel" in 1948. The creation of Israel was a fundamental crisis for the Syrian state, government, and people alike (Hitti, 1959; Shambrook, 1998). It caused exhaustion and a drain of human and physical capital directly through wars and indirectly through mobilizing the limited resources into defense expenditure. As a result, Syria's growth has consistently been affected by fluctuating periods of conflict and changes in oil prices, leading to boom-and-bust cycles (Suliman et al., 2023).

Macroeconomic Indicators

In this section, we look at the differences between Syria and "Israel" economies during the period 1990–2010, before the Syrian crisis of 2011.[1] Syria's income has continued to diverge from the MENA; GDP in the 1990s and in the 2000s was around 1.2% of MENA's GDP on average for each period, while 10% is the comparative number in Israel. Figure 1.1 and Table 1.1 reveal the growing gap between Syria and "Israel" in favor of the latter. In real terms (constant 2015 US$), the GDP of "Israel" showed a steady and strong growth for the entire period (1990–2010). It was 10-fold the GDP of Syria in the 1990s and in the 2000s. Per capita GDP in Syria was slightly lower than the average of the MENA (2.88%) for the same period. However, in absolute terms, the numbers are striking; Syria's GDP per

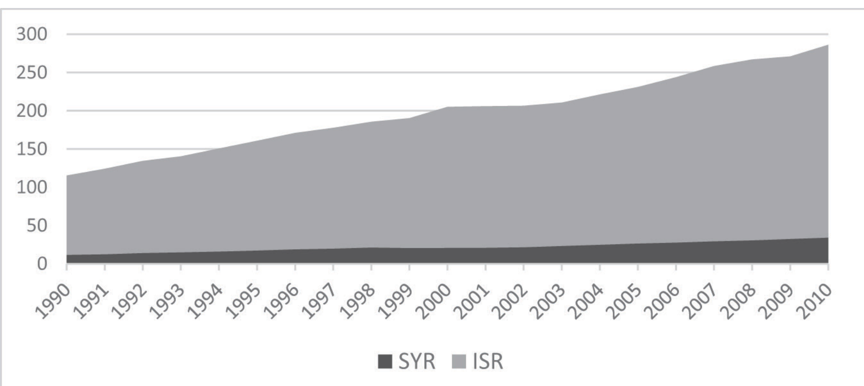

Figure 1.1 GDP of SYR & ISR (1990–2010) in constant 2015 US$B.

Source: World Bank Development Indicators.

Table 1.1 Main Macroeconomics Indicators for SYR & ISR

Country	*SYR*		*ISR*	
Period (average)	*1990–2000*	*2001–2010*	*1990–2000*	*2001–2010*
Agriculture, forestry, and fishing, value added (% of GDP)	27.8	22	1.84	1.81
Industry (including construction), value added (% of GDP)	23	30.8	23.6	21.2
Medium and high-tech manufacturing value added (% manufacturing value added)	19%	21%	50%	56%
Services, value added (% of GDP)	46.3	47	63.6	66.7
Employment in agriculture (% of total employment)	30	21.8	2.8	1.8
Employment in industry (% of total employment)	29.4	28.9	27.4	21.5
Employment in services (% of total employment)	41.3	49.3	70	76.63
Foreign direct investment, net inflows (% of GDP)	0.3	1.9	1.6	3.5
GDP per capita (current US$)	963	1,796	17,781	23,923
Military expenditure (% of GDP)	7	4.8	10	6.3
Oil rent % GDP	14%	5%	0.00059%	0.000186%

Source: World Bank Development Indicators.

capita in current US$ registered $963 and $1,796 during the 1990s and the 2000s. While 17.781 and 23.923 are the comparative numbers in "Israel."

Syria's trade amounted to 65% and 70% of GDP for the same periods under study, which is relatively elevated in comparison to the MENA region average (64.8 in the 1990s and 79.4 in the 2000s), and the opposite number for "Israel" is (60.4, 71%). However, the core problem is that Syria remains a resource export dependent; oil and agricultural exports remain the main source of foreign exchange earnings; oil exports constitute 70% of total exports and 50% of fiscal revenue, declining to 20% of total public revenue in 2009 (IMF Country Report, 2009, 2010). Oil rents as a percentage of GDP were 14% in 1990, declining to 5% on average (2000–2010), compared to 0.00059% and 0.000186% of GDP in "Israel" for the same periods (Table 1.1).

After 20 years of gradual and thorough reform, Syria still couldn't keep up with other countries in the region to mobilize domestic resources for development. This is especially true in the manufacturing sector, which remains weak, affecting the GDP negatively (−2.8%, −11%). During reform periods, Syria still relied on the agriculture and service sectors to generate growth (The World Bank, 2011, 2022). The agriculture sector represents the most significant share of GDP (27%, 22%), compared to less than 2% in "Israel," and is the second employment-generating activity after services (30% of total employment), while 1.8% is the comparative number in "Israel" (Table 1.2)[2] (The World Bank, 2017).

Table 1.2 Contribution to Annual GDP Growth by Sectors in Syria

	1990s		*2000s*	
Agriculture	1.45	60%	0.25	−7%
Industry	2.08	−2.80%	0.62	−11%
Service	2.43	42%	4.19	118%
GDP growth	5.9	100%	5.06	100%

Source: Syrian Central Bureau of Statistics.

As a key player in the Arab–Israeli conflict, Syria was at risk of being influenced by the unpredictable nature of Middle East politics, depending on Arab aid and Soviet help to cover increasing defense costs (Seeberg, 2014; Suliman et al., 2024). Military expenditure as a percent of GDP was 7% in the 1990s and declined to 4.8% in 2000s. The comparative numbers for “Israel” are approximately 1.5-fold (10% and 6.3%). However, these numbers did not affect “Israel” ’s ability to attract FDI, where net inflows doubled from 1.6% to 3.5% of GDP. In sharp contrast, Syria was unable to attract Arab and other foreign investments; net inflows in the 2000s were equal to net inflows of “Israel” in the 1990s. Within this comparison, it is more likely to argue that capital flow determinants in Syria are domestic/country-specific “pull” factors related to the overall investment climate rather than “push” factors (globally determined)[3] (The World Bank, 2011).

Human Development Indicators

In order to assess the long-term progress in basic human development, we look into the HDI’s summary for both countries. In 2010, before the outbreak of the Syrian crisis, “Israel” ’s HDI value for 2010 was 0.872—in the “very high” category, the country is ranked 15th out of 187 countries and territories in the human development category. In comparison, Syria’s HDI value was 0.589, placing it in the “medium human development” category and ranking it 111th out of 187 countries. The Syrian Arab Republic experienced a 30% rise in GNI per capita from 1980 to 2010. While “Israel” experienced an approximately 80% rise in GNI per capita during that timeframe (see Figure 1.2).

It is worth noting that Syria has been facing extensive waves of sanctions since December 1979. The USA has pursued sanctions as a device in its policy toward Syria, with the aim of limiting Syria’s influence in the region.[4] After 2011, sanctions were imposed on an unprecedented scale,[5] culminating in the passing of the Caesar Act in 2019. Thirteen years later, sanctions have had nothing to offer in terms of grabbing political concessions or improving human rights records (Figure 1.3). In June 2023, Human Rights Watch stated that “sanctions advocates said that sanctions include humanitarian exceptions and have no effect on Syrian people”[6]; however, reality is not so straightforward; sanctions had fueled the economic and social collapse in terms of health, food, education, and access to basic human needs (Suliman & Khwanda, 2020). Further, the impact of sanctions on political results in

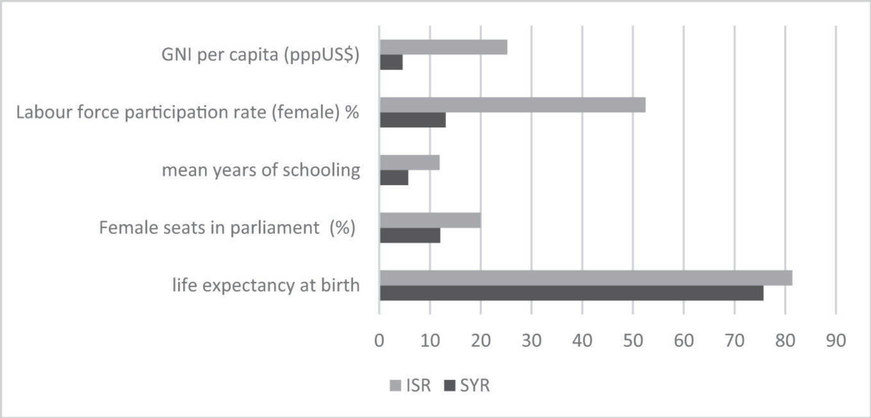

Figure 1.2 HDI main indicators (2010).

Source: World Bank Development Indicators.

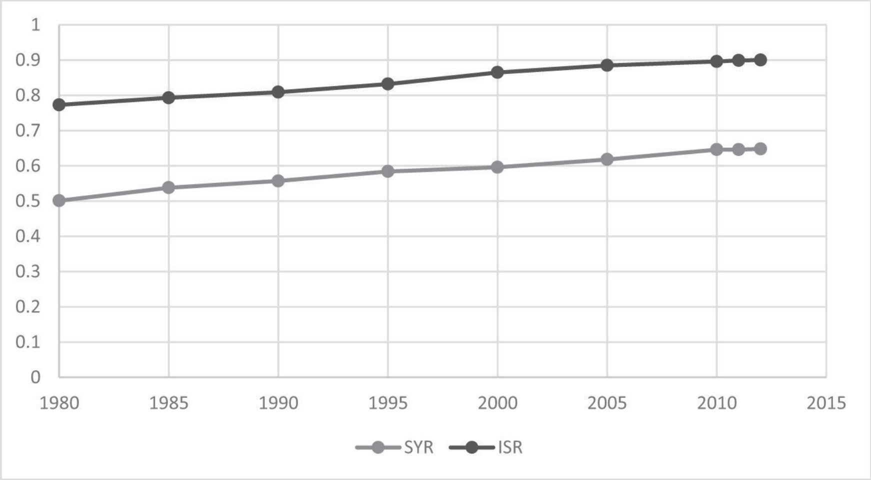

Figure 1.3 HDI values for SYR & ISR.

Source: World Bank Development Indicators.

Syria was minimal as the government did not collapse or alter its political actions. On the contrary, the government relied more on alliances: Iran and Russia. The relation among the triangle has intensified as a counter policy to resist the Western efforts to impose their geopolitical hegemony in the region. However, this was a strategic mistake done by the Syrian government, while these alliances helped Assad retain power, it has come at a high cost at many levels (especially when it comes to the gas pipelines).

As a result of the above-mentioned reasons, the state of Syria was unable to achieve inclusive growth and increase productivity to make the required changes within the Syrian economy. In the following, we argue that economics would never overcome politics, in sharp contrast to the WC. The historical course of Syria, tangled in war and instability, sanctions, and geopolitical mistakes, has constrained the policy choices available to the government and eroded the state's implementation capacity. *Geopolitics spilled over into domestic governance, causing "institutional failure," which resulted in an economic de-development of Syria.*

Geopolitical Considerations

The course of Syrian history has been shaped by specific resolutions and judgments, each with its own causality, affecting its development course. Geopolitical factors formed the social and economic context for those resolutions. In attempting to identify the common features underlying Syria's development success and failure, it is indispensable to go beyond purely economic considerations. The efficacy of any policy cannot be determined in isolation from the broader geopolitical context (Khan, 2014).

By geopolitical instability, we mean the risks that emerged from the perpetual wars that engulfed the region, causing a major shift in power (Kurecic, 2015). At least 15 major wars and violent confrontations have erupted in the MENA region since the establishment of the Israeli state in 1948.[7]

Further, after 1991, the World Imperial Center, its tools, and subordinates have been running continuous wars against Arab countries that had not yet integrated into neocolonial policies and were not subjected to the control of global financial institutions (Kurecic, 2015). Many of these countries were prone to the interventions of the imperialist center in the name of humanity, democracy, and human rights at times, and in the name of combating terrorism or under the pretext of chemical weapons and weapons of mass destruction at other times (Kinninmont, 2014).

Twenty years later, the U.S. domination imposed a relative stability over the regional power dynamics, accompanied by prolonged peace negotiations. Today, it might not be too different for the region, in light of the vulnerabilities and objectives of the regional and global powers, aiming to shape the "new Middle East" (Aras & Kardaş, 2021; Rezvani, 2020).

The Syrian conflict became the 21st century's most intricate proxy war, with regional (Iran, Turkey, Gulf states, Israel) and global (Russia, U.S.) powers fueling rival factions. Iran's "Axis of Resistance" (Hezbollah) clashed with Turkish-backed rebels and U.S.-supported Kurdish forces, while Russia backed Assad and Israel struck Iranian targets. Transnational jihadists and Hezbollah's \$1B+ Captagon trade exploited the chaos (Imran Haider & Khan, 2020; Ullah, 2018). UN reported that 70% of Syria's economy was foreign-controlled, turning the war into a laboratory for hybrid warfare and eroding sovereignty. Backed by Stockholm International Peace Research Institute (SIPRI) and UN data, this fractal conflict reflected broader struggles for regional dominance.

In September 2018, Brookings foreign policy program identified the future developments of U.S. policy in the Middle East and emerging geopolitical shifts in the region. According to the study, the U.S. military presence in the region is preserved, but the USA has stepped back from diplomatic leadership. Therefore, October 7th was one link in the series of power struggles in the area. In brief, changes in the Middle East's geopolitics have been significantly impacted by wars, revolutions, regional upheavals, U.S. war weariness, and the shale energy revolution.[8]

Ultimately, these wars had far-reaching implications on economic performance for the entire region. Directly or indirectly, the extent to which risk is pervasive across time in Syria is quite surprising. We contend that Syria's protracted exposure to geopolitical risks—including proxy warfare, economic sanctions, and foreign military interventions—has systematically eroded its institutional capacity and developmental potential. In contrast, Israel's strategic alliances, military deterrence capabilities, and integration into Western economic systems have insulated it from comparable destabilization effects.

Figure 1.4 demonstrates Syria's volatile economic trajectory since 1980, marked by erratic growth patterns and severe instability across distinct political and conflict periods (+25% in 1971 and −10% in 1989), reflecting Syria's vulnerability to conflict externalities, where the recurring Arab–Israeli tensions systematically undermined growth through: (i) diverted public investment, (ii) sanctions regimes, and (iii) lost regional economic integration opportunities. Later, during the second reform period (2000–2010), with the end of the peace talks in 1999 and the decline of the intensity of the conflict, GDP shows some degree of stability.

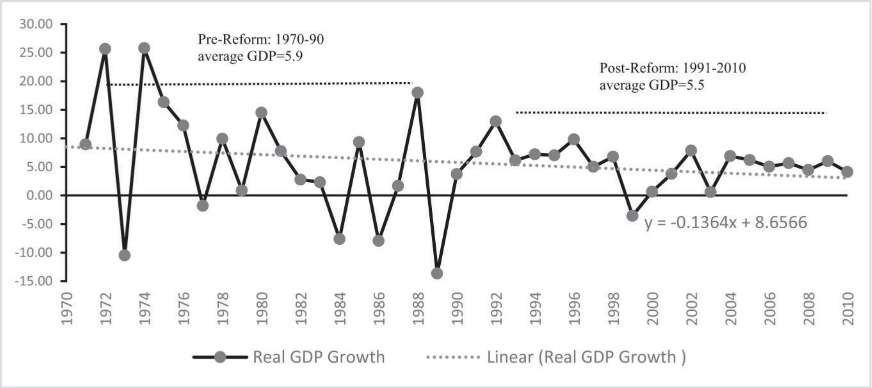

Figure 1.4 SYR GDP annual growth rate: 1970–2010.

Source: Syrian Central Bureau of Statistics.

In the following section we emphasize the fact that occupation is not static; it is dynamic. Syria, as a frontline state with "Israel," has incurred direct and indirect costs from warfare, leading to a suboptimal short-term macroeconomic policy that shortened policymakers' horizons for long-term development. The current section addresses key transmission mechanisms of the geopolitics of the Arab–Israeli conflict, focusing on the multifaceted impacts on Syria. As we have mentioned above, the Syrian economy is extremely sensitive to the world in terms of dependence on it, and the high index of economic exposure to the outside world must be taken into account. Therefore, an analysis that accounts for a shift must relate phenomena that appear to be specific to Syria to causal generalities in the MENA region. Among many, the absence of resolution of the Palestinian cause, with a faltering negotiations, has contributed to the region's challenges; it has caused significant economic and social damage to neighboring countries overall, with Syria being especially affected. This divergence between Syria and Israel manifests in three key dimensions: (i) forced displacement, (ii) exposure, and (iii) institutional weakness.

The Forced Displacement

The large influx of refugees from Palestine, Iraq, and Lebanon over decades had affected the economic outcomes in Syria as a host country. According to UNRWA (United Nations Relief and Works Agency for Palestine Refugees in the Near East), upon the influx of refugees displaced by the creation of "Israel" in the 1940s and 1960s, Syria received around 10% of total refugees (currently more than 581 thousand registered by the UNHCR). Further, Syria witnessed successive waves of mass forced displacement during the Iraq invasion of 2003[9] (up to 1.6 million Iraqi refugees fled in two waves in 1991 and 2003), the Lebanon War of 2006, the Gaza War of 2008–2009, the Second Intifada—which began in September 2000—the Gaza War of 2014, and the current Gaza War of 2023.

This large influx is more likely to have negative shocks, as the country receives little financial assistance through UNHCR and thus exerts significant pressure on the public deficit. Further, the Syrian government subsidizes key products for all residents, including immigrants, with the increased demand, and within the state capacity, had caused extra pressure on the strain placed on public services such as education, healthcare, infrastructure, water resources, and electricity consumption (IMF Country Report, 2010).

Higher levels of consumption and housing needs have led to an exceptional double-digit inflation rate since 2003 (IMF Country Report, 2009). According to the official data, within limited private sector absorption, the influx pushed refugees into the informal sector, increased informal employment, lowered wages, and raised the participation rate, notably among women and young people, where 62% of the workforce (15–34 years) are in the informal sector (IMF Country Report, 2007).

Overall, the fallout of the consecutive Palestinian–Israeli conflicts and others in Lebanon and Iraq affected the course of the Syrian economy and the annual output growth.

Exposure

Exposure to fallout from the conflicts in the MENA was extremely high in Syria. Resting at the intersections of major tectonic plates along major east-west trade routes, the country is severely affected by these conflicts, largely because they are taking place in a region that constitutes the "eye of the storm" or "field of operations" to restructure the international system, which is currently undergoing a major geopolitical transitional phase. Because Syria has a small and remarkably open economy, it has always been susceptible to external shocks. The economy proved to be highly sensitive to the external shocks and subject to geopolitical factors, which revealed its rental nature (Petar Kurecic, 2017; Schumacher, 1973). The overall economic growth, for many decades, took place in the form of "leaps" and "surprises," depending on foreign saving (Gulf Arab and Soviet Union aids), oil revenue, transit oil revenues, and remittances.[10] The share of foreign-financed investment in the 1970s and 1980s was 55%.[11] Share of oil exports (total exports) was 60% in 2003. However, Syrian remittances and transit revenues dropped significantly (from $1.8 billion a year in 1979–1983 to $500 million in 1986) as a consequence of political discrepancy with the Syrian government as it stood beside the Iranian government. Syria continued to rely on Soviet assistance to support the massive mounting of defense outlays during this period to support the "strategic balance program," which continued to divert resources from productive investments.[12]

Furthermore, time series data on public investment demonstrates significant annual fluctuations, exceeding two times the standard deviation. Private investment is also more unpredictable because of the characteristics and requirements of privately owned businesses; when shocks are more tense, there is a higher probability that private agents are not able to face these adverse shocks, and as a result, become more reluctant to invest and highly capricious. Private investment in Syria proved to be very high in boom periods and low in the period of depression. Thus, public investment has to ramp up to lift the growth and for cyclical adjustments to achieve fiscal goals.

As a result, the instability in the region worsened the situation, complicated international trade and debt servicing, increased transport and logistics costs, reduced the potential FDI, interrupted tourism, and weakened productive forces that could permit steady and long-term growth.

The Institutional Deficiencies

Compared to other regions, MENA, with its vast hydrocarbon resources, has relatively high scores in technological stagnation, low levels of literacy, lack of intellectual and scientific progress, insufficient human rights, and fragmented social structure (Ullah, 2018). We argue that, except for "Israel," the enduring underdevelopment is due to an entrenched system of counter-development institutions that control countries in the MENA region overall, with a focus on Syria specifically.[13] Besides forced displacement and exposure, Syria suffered significantly from

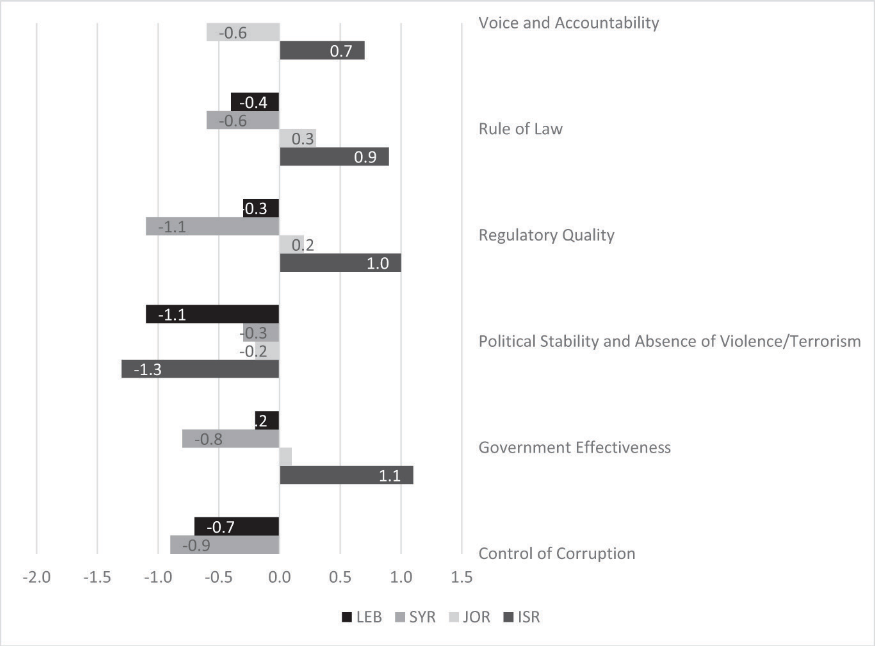

Figure 1.5 SYR and ISR Worldwide Governance Indicators (WGI) (1996–2010) on average.

Source: Global indicators for governance from the World Bank.

Approximation of governance levels vary from around −2.5 (low) to 2.5 (high) governance performance.

poor and non-cohesive institutions, which led to underinvestment in state capacity and fiscal space.

We evaluate the institutional framework in Syria, compared to that in "Israel." The two states were in confrontations for more than 75 years, and yet one of them was able to achieve high economic growth and was classified under the high-income category, with GNI per capita around US$40,850. While Syria is classified under the low-income category with less than US$1,050 per capita GNI.

Looking at "Israel" and its neighboring countries, the poor institutional quality is evidenced in data released by the Governance Indicators of the World Bank as depicted in Figure 1.5. There are four Arab countries that share the "Israel" borders; we have chosen three of them for the period of pre-2011 (1996–2010), reflecting reform periods in Syria. Among others, Syria displays the weakest quintile in each of the six governance dimensions (voice and accountability, rule of law, regulatory quality, political stability, government effectiveness, and control of corruption). On the contrary, "Israel" exhibits the best scores among all (except for the political stability). Syria's governance capacity and quality scored significantly below the MENA regional average performance.

In order to answer this geopolitical paradox, we follow World Bank (2020), and study the more readily apparent signs of institutional quality, such as state capacity and fiscal space, prior to the onset of the Syrian crisis in 2011. In this section we argue that occupation is not static but dynamic; it has imposed geopolitical complexity in the region. The perpetual wars entered the country into a vicious circle, increased the risk associated with the future economic benefits, and decreased the institutional resilience, which could have mitigated the crisis and shocks across 75 years more effectively. A viable solution comes from a viable institution (Caballero & Hammour, 2000; Campbell, 2001; Idrees Khawaja & Khan, 2009; North, 1990; Rutherford, 2016).

State Capacity

Before going into the state capacity index, it is crucial to explore the notion of state fragility and failure, which has recently become a distinct sphere of policy and intervention. Although fragility lacks a universal definition, all indicators focus on the inability of states to perform essential functions due to instability (USAID, 2005: 1).

Among the most widely used indexes for measuring fragility is "The World Bank list of fragile and conflict-affected situations (FCS)" on an annual basis. Since 2011, Syria has been listed in a high-intensity conflict-affected situation.[14] The World Bank describes fragility as a systemic condition marked by very weak institutional and governance capacity, hindering the state's ability to function well, uphold peace, and promote economic and social progress. Another commonly mentioned measure is the Fragile States Index, introduced by the Fund for Peace and Foreign Policy in 2005 (Table 1.3).

As indicated by the index, Syria ranked 33rd in 2006, with good improvement in 2010 as it ranked 48th among 178; the period is considered relatively stable compared to pre-2000. On the other hand, "Israel" ranked 67 and 61 for the same period. However, during the Syrian crisis, Syria ranked the third most fragile country in the world.

Table 1.3 State Fragility Index: Fund for Peace, for SYR & ISR

Fragile States Index: Rank/out of 178	*2006*	*2010*	*2022*
SYR	33	48	3
ISR	67	61	164
average MENA (rank)	72	88.5	77
Fragile States Index (Overall): Score			
SYR	88.6	87.9	108.4
ISR	79.4	54.6	42.6

Source: https://fragilestatesindex.org/excel/

Note: A score above 120 indicates a stronger, less vulnerable, or more stable situation in the country.

The primary focus of the Fund for Peace index is the evolution over time, whether it is for improvement or decline. Thus, the question is: why is "Israel" stable and Syria is fragile? This could be explained through different channels: (i) dependency of the Syrian economy on natural resources (Collier & Hoeffler, 2004; North et al., 2012; Ross, 2004); (ii) political settlements and elite pacts; and most importantly, (iii) the state capacity to obtain and deliver services that meet their expectations (Babajide et al., 2021; Geloso & Makovi, 2022).

The capacity of the state, as defined by the Wofrld Bank, refers to governments' capability to successfully carry out their policies and meet their objectives. Before the Syrian crisis began, we examined various aspects of state capacity to determine the functions, institutions, and abilities that the governments of Syria and "Israel" had.

Although significant reforms have been undertaken in Syria since the early 1990s, the results have frequently fallen short, due to potential regional security threats. The Syrian state has proven to have exceptionally weak socioeconomic policies, poor institutions, and governance, as we will see. Figure 1.6 represents the state capacity index (Hanson and Sigman's Index: HSI) for Syria and "Israel"; there is at least a 1.5-point difference between the two countries.

Institutional reform was the first and most important step of Syria's reform with the 10th Five-Year Plans (FYPs) (2006–2010), through a project signed with and financed by the EU, the Institutional and Sector Modernization Facility (ISMF). The project aimed at building capacity and strengthening the government institutions and governance and providing the roadmap to move from a social system toward a more market-oriented economy. Nevertheless, during the early 2000s, Syria still had one of the lowest state capacities globally. Syria was ranked 118 out of 183

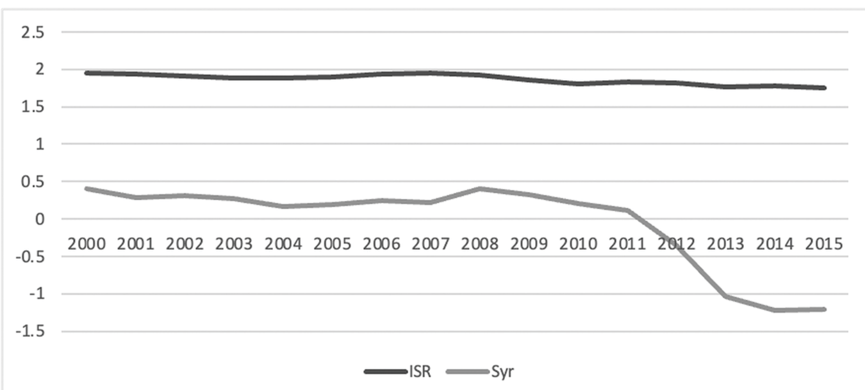

Figure 1.6 SYR and ISR State Capacity Index (HSI).

Source: https://ourworldindata.org/grapher/statecapacityindex?tab=table&time=2000..2015

Note: State capacity is assessed by merging 21 various indicators connected to three primary dimensions: ability to extract, ability to coerce, and administrative ability. Greater state capacity is indicated by higher values.

nations in terms of ease of conducting cross-border trades in 2010. Due to Syria's inability to tap into global financial markets, the country's monetary policy was constrained by the necessity to address the fiscal shortfall.

Furthermore, Syria's rankings in 2010 for ease of doing business, starting a business, getting credit, enforcing contracts, paying taxes, and protecting investors were 143, 133, 181, 176, 105, and 119 out of 183 countries, respectively. Despite reducing the minimum capital requirement in Syria from over 40 times income per capita to about 10 times, it still remains the highest in the world. The World Bank has consistently pointed out that institutional factors are a primary obstacle to conducting business in Syria. Syria is positioned unfavorably compared to other countries in MENA in terms of procedures, time, and cost paid in minimum capital, despite this being a common issue in the region.

In contrast, "Israel" ranked 29th in 2010 on ease of doing business, among the 10 easiest countries to get credit (4th), and 34th on starting a business. In addition, "Israel" ranked 5th on the strength of the investor's protection index and 9th on the ease of shareholders suits index, 83rd on paying taxes, and 99th on enforcing contracts.

Recently, according to the World Bank annual ratings (2020) (Guhan, 1998; Sanyal, 2007), the situation in Syria did not change much. Syria ranked 176 out of 190 countries surveyed in terms of ease of doing business, above the MENA regional average rank (105), while "Israel" ranked 35th in 2020.[15] Thus, "Israel" (an OECD country) performed above the MENA average in all dimensions of governance. The 2010 and 2020 Doing Business economy profile reports reported better scores for "Israel" than for any other MENA country.

For government effectiveness, Syria was below MENA averages and the lowest quantile between the countries neighboring Israel (Figure 1.2). The index measures how the public services are perceived, the quality and independence of the civil service, how policies are formulated and implemented, and the government's commitment to those policies (Kaufmann et al., 2011). During this period, Syria shifted from planning to indicative planning. However, Syria faced challenges due to its limited tax and customs administration capabilities. Syria's position for tax payment efficiency improved from 105 in 2010 to 91, despite a rise in the wage bill, overstaffing, and a decrease in state capacity.

Fiscal Space

Fiscal space and state capacity are crucial factors in governments' ability to address unforeseen consequences of any conflict. The concept of "fiscal space" refers to the flexibility in the budget that allows the government to offer public goods and services without compromising fiscal stability. Effective fiscal policy must balance two priorities: altering taxes or spending without raising debt, while avoiding undue crowding out of private financial markets.

The extent of the Israeli–Palestinian conflict's impact on nearby countries, including Syria, could affect the ability of governments to meet sudden rises in demand for public services such as education, healthcare, electricity, water, and

Table 1.4 Fiscal Space Indicators for SYR & ISR

2000s	*SYR*	*ISR*
total revenue, excluding grants (% GDP)	24%	35%
Oil rents (% of GDP)	5.174898	0.000702
Tax revenue (% of GDP)	14.2	25.0694
Taxes on income, profits, and capital gains (% of total taxes)	45.2	48.26387
Taxes on goods and services (% of revenue)	46.34	29.44
*Fiscal balance, % of GDP	−2.2236	−3.5301
*Fiscal balance, % of average tax revenues	−14.2882	7.122473
Statistical Capacity Score (Overall Average) (scale 0–100)	NA	59.16667

Source: World Bank Development Indicators (for "Israel") and IMF country report for Syria, 2010.

*World Bank: A Cross-Country Database of Fiscal Space, Version: Spring 2024, www.worldbank.org/en/research/brief/fiscal-space.

sanitation. With underfunding programs, it leads to inadequate healthcare services, lack of access to clean water, and insufficient food supplies for vulnerable populations. In Syria, as we have seen before, it faced several unexpected increases in demand for such services in response to successive waves of displacement. Syria was starting to create financial flexibility before the 2011 crisis, thanks to higher oil prices and extensive debt relief efforts. In 2010, fiscal revenues constituted about 25% of the GDP, 30% of the total amount came from oil earnings, and 70% were non-oil revenue (around 6%, 17% of GDP). Having relied on income from oil for a significant period of time, Syria's non-oil revenue increased slightly from 250 in 2005 to 360 billion Syrian pounds in 2008. Partially because of efficient tax collection methods, which were a result of better management and encouragement to pay overdue taxes. Government expenditures were increasing, reflecting an increase in public investment, averaging around 27% of GDP (see Table 1.4).

However, Syria still had insufficient tax capability; tax revenue as a percentage of GDP remained about 14% of GDP for the 2000s, while almost double the number in "Israel" (25%). The Syrian government drafted VAT law and a tax procedures code, along with substantial modernization of customs; the country's implementation of the VAT was postponed from its initial 2008 schedule because of delays in "preparing tax administrations." The tax system needs to be simplified, streamlined, and reduced in the personal income tax rates.[16] In the second half of the 2000s, between 2006 and 2010, the Syrian economy experienced significant growth of 5.06% annually due to positive external political factors. This surge was driven by fast expansion in the real estate and financial services sectors. However, the growth was not paired with an increase in state capacity and good governance. Insufficient merit-based practices resulted in excessive staffing and reduced effectiveness in government bureaucracy, fading "government effectiveness" and regulatory quality" measured by WGI as we have seen.

In general, it appears that the ongoing conflicts and wars in the area have had a significant impact on limiting the government's ability to function effectively in

Syria, but not in "Israel." Syria historically had an oil-oriented economy, and just a few years before 2011, the Syrian economy started to divert away from oil (Glaeser et al., 2004; Reed, 2009; World Bank, 2000, 2002). Further, the overreliance on oil and gas revenue, along with economic mismanagement and corruption, has left Syria in ruins, with little prospect for recovery without significant external support. This triple weakness (fiscal precarity, export vulnerability, and administrative incapacity) transformed Syria into a "fragility trap" institution, where external dependencies and internal institutional decay became mutually reinforcing. However, when Gaza war fueled instability in the region, it was an episode of a long series. Syria's exposure to external shocks has significant consequences for the economy and institutions. Motivated by the complicated political economy dynamics in the region, the Syrian government's ability to function effectively was negatively impacted by a lack of investment over a long period of time, along with an inefficient system of taxation, a failure to build inclusive governance which have left Syria in a precarious position. Syria was unable to build resilient institutions to which it can mitigate the conflict's consequences (Rezvani, 2020).

Thus, the unresolved Palestinian cause adversely affects Syria's development path by perpetuating political instability, exacerbating humanitarian crises, limiting economic opportunities, and ultimately hindering any meaningful progress toward sustainable development. The Syria–Israel dichotomy demonstrates how pre-existing institutional strength and geopolitical alignment mediate conflict impacts, supporting the "resilience asymmetry" framework in political economy literature (Acemoglu & Robinson, 2019).

Conclusion and Way Forward

The Middle East and North Africa region has experienced profound and uneven developmental transformations since the creation of "Israel" in 1948, with conflict serving as the primary determinant of divergent economic trajectories. The geopolitical shocks emanating from the Israeli–Palestinian conflict have generated persistent institutional weaknesses in neighboring states through three principal transmission channels: massive refugee displacements that strain fiscal capacities, commodity market volatilities that undermine macroeconomic stability, and the entrenchment of security-dominated governance models that divert resources from productive investment. Syria's subsequent collapse into protracted conflict exemplifies how these historical pressures intersect with contemporary great power rivalries, creating a self-reinforcing cycle of institutional decay and economic fragmentation. While Israel developed into a technologically advanced economy buttressed by consistent Western support, frontline Arab states saw their development pathways systematically distorted by recurring conflicts that privileged military expenditures over human capital formation. This structural divergence reflects what institutional economists describe as the "violence trap"—where initial geopolitical fractures generate extractive institutions that perpetuate underdevelopment. The resulting regional asymmetry demonstrates how conflict externalities transcend borders, with Syria's disintegration serving as the latest manifestation of this seven-decade pattern. Effective institutional restructuring in the region consequently requires not merely technical capacity building but fundamental political settlements that address these entrenched geopolitical economy dynamics (Bukenya & Yanguas, 2013).

The lack of an integrated regional development strategy is the main result of the conflicts' episodes. The intra-regional trade in MENA lags significantly behind other regions in the world. The chronic instability stemming from regional conflicts has fundamentally constrained the emergence of coherent development strategies across MENA, producing two structural economic pathologies. First, intra-regional trade remains anomalously low at just 15% of total trade volume—less than half the global average—reflecting persistent non-tariff barriers and securitized borders. Second, the hydrocarbon paradox has bifurcated development trajectories: while oil-exporting states recycled petrodollars into Western financial markets (accumulating $1.5 trillion in U.S. assets per Treasury Department audits figure 1.7), non-oil neighbors faced chronic capital flight and investment droughts. This hemorrhage of regional capital—equivalent to 65% of MENA's combined GDP—has starved local industrial ecosystems while subsidizing advanced economy financial sectors. The resulting fragmentation manifests in what economic geographers term "archipelago development"—isolated growth nodes like Dubai or Riyadh surrounded by underdeveloped hinterlands, all structurally dependent on external markets rather than regional complementarities. These distortions cannot be resolved through technical policy adjustments alone, as they originate in the region's deeper geopolitical economy of conflict and hydrocarbon dependency.

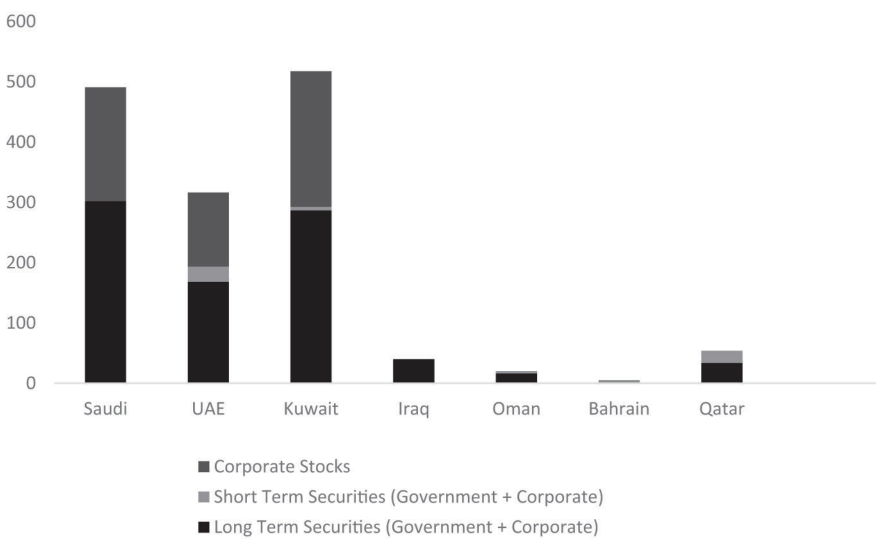

Figure 1.7 Prominent Arab investments in U.S. financial securities as of September 2022.

Source: U.S. Department of Treasury.

The politics of regional development, including industrial growth, demographic change, hydropolitics, oil and gas pipelines, electricity, and infrastructure for integrated regional trade, are the center of both the Oslo peace process and the status between Syria and "Israel."

Under Oslo II (1995), security and land exchange were to be in a great deal to be agreed upon before the final phase. However, until everything was agreed, nothing was agreed. Intensity and stall over occupied lands and soundness meant that the final situation of negotiations on land, refugees, water, security, and boundaries' demarcation fell behind timetable. On the relation with Syria, the government insisted on the comprehensive regional peace "land for peace principle". While "Israel" either did not use or have refused the American guarantees for security and water.

A Way Forward?

During the last decades, the Syrian crisis along with the current Gaza war has inexorably produced a "new" Middle East that is quite different from the region of 20 years ago (before the Iraq invasion in 2003). A Palestinian state with genuine domestic sovereignty and the scope to make its own way forward is de facto recognized by the world. The peace process initiated after the collapse of the USSR has never altered the region's geopolitics. "Israel" has always been reluctant to the peace initiative, which is "land for peace," especially after the assassination of Rabin.

The USA had increasingly supported the reluctant "Israel" for a regional peace and stability on Arab terms. On the other side, historically, Syria's strategic choice to serve as a linchpin for regional and global actors—hosting Hezbollah's operational infrastructure, facilitating Iran's "axis of resistance," and providing Russia its sole Mediterranean naval base—fundamentally distorted its political economy. While this patronage network preserved the regime's survival, it imposed catastrophic developmental costs on a midsize economy with limited rentier cushions. As a result, the state's transformation into a geopolitical battleground exacerbated its structural vulnerabilities, susceptibility to Western sanctions, and the hemorrhaging of human capital. Simultaneously maintaining its rhetorical commitment to the Palestinian cause through Hamas support further strained relations with potential Gulf investors. This triple burden of sustaining proxy networks while lacking substantive hydrocarbon rents created a "geopolitical overextension trap"—where security expenditures (35% of pre-war budget) systematically crowded out productive investment, leaving Syria uniquely exposed to global shocks despite its modest economic footprint. The resulting fragility underscores how smaller states pay disproportionate costs when serving as arenas for great power competition.

Recently, the eventual collapse of the Assad regime and subsequent Israeli–Syrian rapprochement under new leadership could create pathways for stabilization, yet meaningful recovery will require addressing deeply entrenched challenges. A sustainable peace must simultaneously demobilize foreign-backed militias, establish inclusive governance structures, and revive Syria's crippled economy through regional cooperation and international support. However, residual Iranian influence, competing great power interests, and the monumental task of reintegrating displaced populations present formidable obstacles to reconstruction. The international community's approach—whether prioritizing comprehensive political settlements or fragmented security arrangements—will determine whether Syria transitions toward stability or remains trapped in cycles of fragility.The geopolitics of Syria and the entire region plays a vital role in changing the current situation, turning it into "one world at peace," in case there is room for it. It should be noted that the normalization of relations between Israel and some Arab states (e.g., UAE, Bahrain) under the Abraham Accords creates a strategic opportunity for Syria's integration in the region. This pivotal moment calls for coordinated action that transcends narrow geopolitical rivalries and addresses the root causes of Syria's institutional collapse, while ensuring that post-war rebuilding benefits all Syrians rather than reproducing previous patterns of exclusion and inequality. However, the central dilemma will remains whether Syrian–Israel normalization come at Palestine's expense?

The potential reconciliation between Syria and "Israel"presents a fundamental contradiction: can Syria's post-war stabilization be achieved without sacrificing what remains of the Palestinian national struggle? This question exposes the core tension in contemporary Middle East diplomacy—whether regional security integration requires the deliberate abandonment of the Arab world's longest-standing solidarity cause.

Abbreviations

Names	*Abbreviations*
"Israel"	ISR
GDP	Gross Domestic Product
GNI	Gross National Income
HDI	Human Development Indicators
IMF	International Monetary Fund
MENA	Middle East and North Africa
Syria	SYR
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNRWA	The United Nations Relief and Works Agency for Palestine Refugees in the Near East
USSR	Soviet Union
WB	World Bank
WC	Washington Consensus

Notes

1 We have chosen this period as it covers the two rounds of reforms (gradual and comprehensive) during 1990s and 2000s.
2 The service sector witnessed a boom in the post-reform period; The service industry's contribution to total value-added rose from 45% in 2001 to 60% in 2010, and its contribution to the growth accounted for 118% compared to a negative contribution of both industrial (−11%) and agriculture (−7%) (Table 1.2). In contrast to the 1970s, the expansion in this sector is largely due to the inclusion of retail trade of oil products, commerce, transport, and communication (including tourism), while government services account for just under 10% of total GDP.
3 Syria ranked the last among other countries of the southern and eastern shores of the Mediterranean Sea, in terms of openness to foreign direct investments (15%, while Tunisia for example has 40%).
4 For more information on Syria and Syria related Sanction, visit www.state.gov/syria-sanctions/
5 Under the administrations of Barack Obama and Donald Trump.
6 Human Rights Watch Report: www.hrw.org/news/2023/06/22/questions-and-answers-how-sanctions-affect-humanitarian-response-syria
7 The region had witnessed at least 15 wars and operations (Al-Nakba [1948, 1956], water war [1964], Al-Naksa [1967], October war [1973], operation Litani [1978], operation Babylon in Iraq [1981], 1982 war in Lebanon, Brotherhood, 1987–1993 stone Intifada, 2000 second Intifada, 2006 Lebanon war, Gaza-Israel conflict, a series of aerial attacks made on targets in Syria since 2011).
8 The Brookings Foreign Policy program: www.brookings.edu/programs/foreign-policy/
9 Syria hosted the largest number of Iraqi refugees in the world. According to official data, there were 1.6 million Iraqis living in Syria after the 2003 invasion. A report from UNDP (United Nations Development Programme) boldly calculated the overall subsidies received by and assistance provided to Iraqis during the 2004 to 2006 timeframe. It is estimated to be at 2.5% of the GDP in 2006.
10 The high exposure of Syrian economy stemmed from the following: (i) the degree of openness of the economy; (ii) the dependency on foreign saving in the form of grants and remittances, foreign aid, foreign loans; (iii) the dependency on oil revenue and transit; and (iv) the sensitivity of tourism sector to regional instability.
11 During the 1970s, Syria received a bulk of aids from the Gulf Arab around $1.5 billion a year after 1973 war—totaling $7,779 million, soft foreign loans from the international financial institutions rose to $3.978 billion in 1981, remittances estimated at the end of the 1970s to $750 million annually, the transit oil revenues mainly from Iraq, accounted for $142 million annually until its suspension in 1982.
12 Syria's external debt was mainly of long-term public and publicly guaranteed debt with zero shares of private non-guaranteed debt and around 5% as private debt. Under the long-term obligation, a more significant share of debt in Syria was held by official bilateral creditors about 80%, mainly USSR, due to strategic orientation, and less than 10% in the form of multilateral (World Bank, 1992, https://documents1.worldbank.org/curated/en/403031468780283602/pdf/multi-page.pdf).
13 The political econ020omy of development literature contributed to the fall of neoliberalism and the WC agenda, like ILO (1977), Amartya Sen (1999), and North (1990, 1994). In addition, several studies and research papers have maintained that "governance matters" and illustrated through quantitative evidence the significance between

governance, institutional arrangements, and high economic performance, such as Khan (2014), Mehanna et al. (2010), Asian Development Bank (2014), Asian Development Bank (2014), Emara and Chiu (2016) and Asian Development Bank (2014).

14 List of Fragile and Conflict-affected Situations: https://thedocs.worldbank.org/en/doc/3d4356ac2aee9f0b2db90ae9ce49f639-0090082024/original/FCSList-FY06toFY24.pdf

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16 The current and capital budgets have been successfully merged, with a new program-based and performance-based budgeting method introduced for agriculture and education sectors in the 2010 budget for the first time. Yet, the budget suffered from insufficient strategic planning, Public expenditure monitoring and management should be improved by enhancing classification to better align with standardized economic classifications.

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2 The Israel–Palestine Conflict

A Century of Tensions and Transformations

Muskan Mishra, Anchal Mishra, and Ankush Mishra

Introduction

Israel and Palestine are located in the Middle East, bordering each other. The history of the two countries has been that of conflicts and international concern. On the borders of Israel, lie Lebanon and Syria to the North, the Mediterranean Sea to the West, the West Bank and Jordan to the East, and The Gaza Strip to the South, with Jerusalem as its capital. The majority population of the country practices Judaism, although other religions and people of other ethnicities also live in the country. The state gained independence in 1948 after years and years of endeavors by people and organizations (Galvin, 2014).

Although a few countries have their embassies in Tel Aviv, this is believed to be due to the conflict over the city of Jerusalem, which is considered to be the capital of Palestine by the country as well. It houses a considerable population of the Ashkenazi Jews. To avoid any sort of repercussions or effects of the conflict, some countries decided to have their embassy in the other city. Jerusalem is considered to be a sacred place and is of significant importance not just to the Jews, but also to the Christians and Muslims. It is one of the oldest cities in the world. Other than it's religious and cultural importance, it has a significant population of the Ashkenazi Jews who had migrated to Palestine from Central and Eastern Europe.

Palestine, the other country lies in the South Levant region of West Asia. The state borders with Jordan to its East, Egypt to its South-West, and Israel to its North. The majority of the population practices Islam, although, a small part of the population practices Christianity. The country claims Jerusalem to be its capital but the administrative activities take place in Ramallah. This is probably due to the ongoing conflict with Israel on the said topic. The country's claims over land and resources. A reason that can and does cause conflicts and/or aggravate them is cultural difference, mainly linguistic difference that may result in miscommunication or misinterpretation. Thus, in a plural arena, it is crucial to ensure that despite the differences in cultural and linguistic backgrounds, all the parties are clearly able to put forward their ideas and concerns without any scope of miscommunication. To understand the reason for conflict it is important to understand the scenario from the past.

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Historical Foundations: Early 20th Century Developments

The region has always been that of significance. The region has witnessed numerous attempts to gain control of the land and water bodies. At the beginning of the 20th century, the region was under Ottoman control and was ruled as Ottoman Syria. There were several decisions made by the Great powers and other prominent countries to determine the future of the region (Shafer Raviv, 2020). People often believe that the hostilities between the Arabs and the Jews began only after the First World War, but there have been numerous times when it has been observed, Arab opposition to Zionism and the Zionists, mainly through the newspapers published in the region. The Arabs wished to stop the immigration of Jews and opposed them buying land in the region. Despite this, the population of Jews only rose in the coming years (Sa'di-Ibraheem & Wilkof, 2025).

The two countries have been engaged in conflict ever since they were formed. Even today, they argue over the borders and the land. The desire to control the same piece of land stems from the feeling of lack of control in the past. Both the Arabs and the Jews believe that they were denied rights and not given importance in past and the other community exercised control over them. The two countries have also engaged in conflicts with other countries (Wallach, 2011). Engaging in such prominent international conflicts also became a challenge when it came to growth and development. Being a part of conflicts means excessive spending on defense instead of economy, education, healthcare, and other things vital to the development of a country. This also puts the country in a constant state of wonder, unaware of when there might be an attack, endangering the lives of the citizens of the country (Lloyd, 2012).

The British Mandate and Increasing Tensions

It all began with a letter by Arthur James Balfour, the British foreign secretary, to Lionel Walter Rothschild, a leader of the Anglo-Jewish community on November 2, 1917 which came to be known as the Balfour Declaration. According to the Balfour Declaration, Britain was to support the establishment of a national home for the Jews in Palestine. Although the preciseness of the exact statement is widely disputed, it is believed that the declaration contradicted the Sykes-Picot Agreement made a year before the declaration between Britain and France (Hawari, Plonski, & Weizman, 2019).

As pointed out by Gillon, the Sykes-Picot Agreement was a secret agreement made in 1916 between the leaders of the two countries according to which, Palestine was to be kept under an international regime, ergo, far from the control of any one country. But before these declarations and agreements took place, Britain had already made a promise to Hussein, the Sharif of Mecca which was to support an independent Arab in the region of Arabia in 1915. It is believed that the Sharif misunderstood the promise and started to think that Palestine would also come under his control (Younis, Naeem, Shah, & Tang, 2025).

However, the documents found recently, corroborate the earlier claim that the British delegates in Cairo intended to omit ceding Palestine to the Emir in the pivotal portion of the letter (Vereté, 1970). This agreement was made through a series of letters between Sir Henry McMohan and the Sharif. The said "promise" marked the beginning of contradictions and conflicts. Where, on one side, people believed that Britain had promised the said land to the Sharif, on the other side, it was to be kept far from the control of any one country or person. Thus, it wasn't the Balfour Declaration that stirred the conflict. The land was believed to have been promised to more than one, resulting in a conflict from all sides. The Balfour Declaration came to light through its publication in 1917 (Galvin, 2014).

It was during this period that the Zionist movement founded by Theodor Herzl in the late 19th century received pace. The Zionists have come to be identified by the longing to control the maximum land of the Palestinian region (Salamanca, Qato, Rabie, & Samour, 2012). The Zionists came forward demanding a separate nation for the Jews and to do over with the control of other countries in the region. There have been numerous efforts by them to gain control over the region and even expel Arabs, some of these efforts have been violent. Moreover, it was the Zionists and their movement that made the British government realize the eminence and significance of the region. In fact, the British government took the initiative to make contact between the Zionists and the government (Clauset, Heger, Young, & Gleditsch, 2010).

This was initiated by Mark Sykes after the government seemed to have received little satisfaction from the Agreement of Picot, who believed that supporting the Zionists would bring them significant influence and power in the region (Vereté, 1970). The British became optimistic when they found that the Zionists were apprehensive of the French dominance in the country for Jews. When in April 1920, the five countries of the Allied Supreme Council met at Sanremo, Italy, a decision was made, according to which the United Kingdom was to receive the Mandate for Palestine and France for Syria (Shafer Raviv, 2020). However, the details regarding the boundaries of the Mandates were not yet decided. In the Mandate, the Palestinians were not directly recognized as Arabs or Palestinians or a term that could symbolize them, rather they were indicated in negative, as the "Non-Jewish Communities" as opposed to the Jews who were named prominently. During this time, the region comprised the Jews and the Arabs who were not associated with the two countries—Israel and Palestine as they were later (Clauset et al., 2010).

Discussions for the control over the region of Transjordan also took place. Finally, in 1922, the region of Transjordan was put under the control of the British authority through the "Transjordan Memorandum." In 1921, an institution, named the "Muslim Higher Council," was put in place by the British authority to provide religious leadership to the country despite the existence of the nationalist "Executive Arab Committee" which played the same role. According to the Census of 1922, the region of Palestine was home to 763,550 people. Out of the population, 11% were Jewish whereas 89% were Arabs (Gillon, 1969).

In 1922, the region of Palestine was given to the British to control by the League of Nations through the "Mandate for Palestine." In 1923, an agreement between France and Britain established the border between the Mandates of the two. The British enabled Zionist settlement and gave way to the mass immigration of Jews into Palestine, and the efforts made by Arabs to prevent the Jews from migrating resulted in retaliation by the Jews. In order to end this, the British authority decided to terminate the British Mandate in Palestine on April 29, 1948 in line with the White Paper of 1939, which approved the formation of a Jewish National Home within the next 10 years and was against the partition of Palestine (Persson, 2018).

The Partition Plan and the Creation of Israel

The partitioning of the region into two: Arabs and Jewish, was suggested by the United Nations General Assembly. This was accepted by Jewish population but rejected by the Arab population. This resulted in the formation of the State of Israel in May 1948. This was also the time when the Jewish started to be associate with Israel and the term Palestinians came forth for the ones being called Arabs in the past. Earlier, the population comprised the Jewish people and the Arabs.

Where on one side, Israel prevailed, on the other side, Palestine was invaded by the surrounding Arab countries. Another grave difference between the two countries is that of the government and political structure within the country. Where on one side, Israel emerged as a Parliamentary Democracy with the Prime Minister as the head of the state and the three organs of government—Legislature, Executive, and Judiciary independent of each other. Israel has a multi-party system of government and was led by coalitions soon after its emergence. Although there is no written law in the country, the principles based on the 11 Basic Laws of the country are followed well.

Post-1948 Developments: Political and Military Struggles

On the other hand, a defined political institution took a long time to be formed. This caused the Palestinians to get agitated and they resisted the semi-formal political institution represented by various organizations of the country. On November 15, 1988, the Palestinian National Council, the legislative body of the country came into existence under the leadership of Yasser Arafat, officially making it a State. However, the Palestinian Authority received the status of a State with East Jerusalem as its capital in the United Nations General Assembly only in September 2011. Thus, it took way more time and effort for Palestine to receive the same status, that of a State and to be able to have a proper political institution to govern and manage the country, whereas Israel was able to establish a political institution soon after its emergence (Wallach, 2011).

The Human Cost: Citizenship and Rights

Countries have accused Israel of making efforts to show a flowery picture of itself on the international platform, from the speeches in front of the members of the UN to its school curriculum. Israel is accused of trying to wipe out the past and create a new and more positive image of itself (Hawari et al., 2019). This said "Independence" of the state of Israel came in, after the first Arab–Israeli

War of 1948, which started in November 1947 and ended only in May 1948. This was a Civil War that included the people residing in the Mandate of Palestine. This was followed by Israel engaging in wars with other countries. A series of agreements was signed between Israel and its neighboring countries. As a result of such agreements, the borders of the West Bank and the Gaza Strip were created (Salamanca et al., 2012).

The war started after the declaration of the UN Partition Plan when a bus was attacked near Lod, Israel by the Arabs causing the death of five Jewish passengers. The month of December witnessed actions taken by the Arabs to gain control over the region of Palestine and withhold the formation of Israel. Although the Jews were very persistent and did not abandon any town before May, the supply of necessary amenities to the Jews in the cities of Jerusalem and Negev was affected by the attacks (Hawari et al., 2019). As the withdrawal time of British forces was nearing, this attack by the Arabs concerned them. Thus, David Ben-Gurion decided to act fast to gain control of the region. He organized an independent attack to secure the land assigned for the establishment of the state of Israel along with the road to Jerusalem. His forces attacked Deir Yassin, an Arab village. This resulted in the loss of 100 people living there. The Arabs retaliated with an attack 4 days later, killing around 80 Jews (Wallach, 2011).

The British Mandate came to an end on May 15, 1948. Forces from Egypt, Syria, Jordan, Lebanon, and Iraq decided to fight on behalf of the Palestinian Arabs and entered the region of Palestine. In the initial period of the fight, the combined forces managed to gain control of the region of the West Bank, including the city of Jerusalem and the Gaza Strip, along with Negev and Galilee. This was considered to be a notorious event as the war and fights before this were among the people of the Palestinian region. But now, the other countries were not only influencing or directing but also leading it (Monterescu & Handel, 2019).

By June, the Israel Defence Forces gained momentous strength. It retained the control of the cities of Lod and Ramla. The Israeli forces encircled Nazareth. On October 15, the Israeli forces launched campaigns to get Galilee in the North and Negev in the South. A ceasefire, mediated by the United Nations took place on January 1949, at the end of which, Israel managed to gain control of 77% of the Palestinian region, which meant that the area under the state of Israel expanded considerably than what it had been given earlier for the creation of the state for Jews (Alazzeh & Uddin, 2025).

The reason for this momentous rise in land and strength of the country's forces was partially the decentralized nature and differentiated objectives of the Arab countries. All the countries attacking the region wanted to gain control of different regions. Although, they managed to make a truce at times, even that proved to be weak. The period of the 1950s and 1960s was a crucial one. Mass Jewish immigration and political and ideological tension between Israel and Arab countries also caused security issues. In June 1967, Israel swiftly moved to acquire the land of the Gaza Strip from Egypt and the West Bank, beginning a military rule over the Palestinian population of the land. It is not convenient to comprehend the exact policies of this military rule due to the unavailability of the relevant data, much of which is sealed in the archives of the country. Israel established control over the Arab Palestinian population of the occupied land, out of which around one-fifth were refugees from 1948, to whom, home meant the refugee camps. Surprisingly, Israel decided not to yearn for the Western Wall in East Jerusalem even though it was an important part of Jewish heritage (Shafer Raviv, 2020). It is believed that this was due to security issues. This makes people speculate if the State wanted the land or people residing there as well. We come to the conclusion, that the State longed to acquire the land but not to take control of the people who lived there (Shafer Raviv, 2020).

The government decided not to give citizenship to the people of the occupied land. They also worked to reduce the number of people from the occupied land and pull to pieces the refugee camps. This was visible in their policies. Moreover, people of the occupied land were encouraged to migrate to Arab countries. They also urged the people of the country to get back to their normal lives and not let the conflict bother them. This occupation was met with protests and agitations by the local Palestinians. The denial of citizenship has many ill effects. In fact, the Palestinians residing in Israel still lack citizenship. This lack of citizenship or partial citizenship also causes a lack of rights given to the citizens of a particular country. These people are hanging somewhere in between without the nationality of Israel. At the same time, the Jews enjoy their citizenship and the rights that come with it (Lloyd, 2012).

In 1967, the situation became tense again with Egypt. In May, the President of Egypt signaled that the Israeli vessels and the Straits of Tiran would be closed soon. This prompted him to deploy the military in the border area and the UNEF withdrew its forces. As the UNEF was in the process of withdrawal, a series of airstrikes were launched by Israel on June 5, 1967. This airstrike destroyed a large part of Egypt's aerial weapons and arsenal, giving Israel an upper hand. Jordan and Syria, although initially not a part of the issue, decided to take action later on. Jordan attacked Israel on June 8, 1967, due to its defensive pact with Egypt signed a week prior to the airstrike (Monterescu & Handel, 2019). Syria also decided to join Egypt and Jordan on the fifth day. By the end of the sixth day, Israel had already acquired the Gaza Strip, the Golan Heights, the Sinai Peninsula, and the West Bank of the river Jordan. After the 1967 war between the two countries, restrictions on the movement of people from one country to another were put. This meant that the Palestinians were not allowed to enter Israel. In fact, Israelis were also not allowed to step on the land under complete control of the Palestinian authorities. As the risk of conflict rose, the restrictions became more and more strict. However, people have been allowed to move in some cases like trade or for medical reasons. There have also been instances when these restrictions have been put at ease. According to Israel, several checkpoints that were earlier put to monitor the entry of Palestinians in Israel have been taken down (Ritchie, 2015).

Conclusion

The region's history and the wish of more than one community to control the land have been largely due to different dynasties and authorities having control over it since the very beginning. This caused many people to believe it to be their home and thus attach sentimental value to it. Some people believe that Palestine had to face unequal competition with Israel, where the Israelis didn't have to prove that they were Indigenous to the land but on the other hand, the Palestinians always had to prove that they were the inhabitants of the very land on which they reside.

It is important to understand that many actions that were taken were not based on the decisions made by the people of the said region, which means that their fate was decided by the people who would not be directly affected by it or would have to bear the costs. Since, only a few countries were in power during this period, it was those powerful countries that made decisions on the division of land, authority, etc. Although, the size of the land of the two countries has changed through the years due to the occupations by other countries, both the countries have been an issue of concern on the international platform and several organizations have come forward to cool down the issues associated with them.

Several international organizations and powerful countries have come forth supporting either of the two countries or making efforts to simplify and resolve the whole issue. European Union is one of them. EU is a significant name when it comes to the Israel–Palestine conflict in the international platform due to its trade with Israel and at the same time, providing aid to Palestine.

What is intriguing is the fact that both Israel and Palestine use the same map to locate themselves on the globe. The areas of the countries are marked as Palestine or Israel but the map of any of the two countries is not used independent of the other. This is due to the continuous conflict over the borders and division of the land.

The conflict between the two countries has given rise to numerous organizations whose sole motive is to bring the other community or country to its knees by reducing its strength through attacks and bombings. Moreover, this conflict has also resulted in the formation of certain terrorist groups and growth in the number of terrorist events, especially since 1968 (Clauset et al., 2010). Certain organizations formed in one country have a direct rivalry with particular organizations of the same country like that of Fatah and Hamas.

Even today, the two countries are engaged in conflict with each other over the question of land and territory, this affects not just the security of the country but also its overall development. When a country focuses more on its defense structure, it becomes very difficult to keep the education, healthcare, and economy at the same pace. Moreover, the people living in the country are in a constant state of fear. Thus, it is necessary to take actions to resolve the issues.

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3 Governance Challenges and State Fragility in Conflict-Affected Regions

Arun Kumar Singh and Wagisha

Introduction

Fragility of state is a very peculiar situation on account of its ambiguity right from its definition to its characteristics and elements. Often, the terminology "fragile state" is challenged by the critics to reaffirm Western ideologies with certain elements of bias (Woolcock, 2014). To the heart of it, it might seem a smooth terminology as referring to those states fraught with conflicts. However, on a deeper quest, it may reveal nuances. Exploring these nuances is especially crucial in context of the international interventions. Often, international interventions have been charged with being biased towards some "fragile states" and ignoring others (Woolcock, 2014). In recent years, this has started to be echoed in the voices of the countries while questioning the efficiencies of the international organisations like the United Nations (UN). While they are at core of maintaining peace, now they have been started to be questioned as to whose interest they represent while dealing with the fragile states. Hence, revisiting the terminologies, theories and characteristics of the "fragile states" has become a dire necessity in this context. This would enable the global community to understand its shortfalls and revive its intervention strategies in a more effective manner. This research seeks to undertake the same.

Moreover, conflict is an evergreen aspect in the international relations which might change its form but at its core has certain fundamental elements like violence, injuries, destruction, economic deprivations, etc. (Brinkerhoff, 2007b). In the 21st century, this continues to resurface at various instances. Right from Yemen to Syria to Afghanistan, the conflict can be seen either resurfacing in a more intense manner or worsening but not vanishing at any point. To this end, it becomes necessary to explore the role of both the external and internal factors leading to such a situation. Internal factors, in this context, stand in the form of ethnic divisions, maladministration, limited essential supplies, and inefficient internal security measures (Brinkerhoff, 2007b). The external factors majorly lie in the form of futile international interventions or self-interest-driven foreign aid (Brinkerhoff, 2007b). Unravelling their role and interrelationships would provide an opportunity to discover better ways to put off such conflicts and transform such "fragile states" into "stable states." This becomes not only necessary for the conflict-ridden state but

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also for the global community on account of disruptions in both global peace and trade more than ever. The current research seeks to undertake this as well.

For the current research, the methodology adopted is purely doctrinal and analytical. The research work is divided into eight parts. The first part explores the evolutionary aspect of the concept of fragile state. The second part deals with interplay of various elements during and aftermath of fragility in governance. The third part deals with the theoretical underpinnings of the various elements as it would reveal the internal relationship between the elements. The fourth part deals with case studies of conflict-ridden regions to connect the theories' implications in practical situations. The fifth part deals with the role of various external factors in handling such fragile states. The sixth part deals with the strategies to be developed to meet such situations based on earlier analysis in other parts of the paper. The final part is conclusion which summarises the key findings and briefly provides the recommendations.

Evolution of "Fragile State" Concept in Global Discourse

In recent decades, the academic discourse associated with international relations and global development has realigned with a state-centric narrative, emphasising significantly on functions of contemporary states in terms of security, power representation, and common welfare (Woolcock, 2014). The concept of state fragility, which is usually characterised as having limited territorial authority, declining legitimacy, and inadequate provision for basic public services, has evolved significantly since the post-Cold War era (Brinkerhoff, 2007b). Initially, terminologies like "failed state" were developed to characterise unstable states marred with conflicts, often in context of the Third World (Woolcock, 2014). To this end, Gunnar Myrdal gave synonymous "soft state" referring to the corrupt post-colonial states (Myrdal, 1968), while Robert Jackson introduced "quasi-states" to describe states with governance inefficiencies and weakened sovereignty (Jackson, 1993).

Post-Cold War and Post-9/11 Narratives on State Fragility

The debate surrounding "fragility" gained global momentum post-9/11 incident as "fragile states" evolved into being perceived as something harming the international security on account of deficiencies in governance and sensitivity to conflict. According to the definition by the "German Federal Ministry for Economic Cooperation and Development (BMZ)", "fragile states" are as those characterised as having low government performances and institutional breakdowns (German Federal Ministry for Economic Cooperation and Development [BMZ], 2020). Similarly, the "Council of the European Union" defines "fragility" as a weakening form of the "social contract", whereby the state is limited in performing basic functions, viz., security, rule of law, and resource management (Grimm, 2014). Meanwhile, the "World Bank" identifies "fragile states" as "low-income countries under stress", characterised by "armed conflict, economic deprivations and underdeveloped infrastructure" (World Bank, 2024).

Key Features and Characteristics of Fragile State

Notable features of "fragile states" are inclusive of corruption, administrative breakdown, weak state-society interaction, and loss of legitimacy. States like Yemen, Somalia, and South Sudan illustrate this collapse. Often critics argue that the term "fragile state" carries normative assumptions associated with the Weberian notion of "Western statehood" (Lootholz & Herbert, 2016). Nevertheless, the term has been widely accepted among international organisations like the "Organisation for Economic Co-operation and Development," acting as a key concept for addressing issues associated with international security, peacebuilding, and poverty reduction. However, it has its repercussions in the form of its evaluative misuse, as it endangers the stability of the sovereignty principles preserved in international law (Swain & Ojendal, 2012). Regardless of the definitional complexities, "fragile states" remain a focal point to the regional and global stability concerns.

Institutional and Global Perspectives over the Concept

However, in recent few years, a shift could be noted in international aid organisations' strategy while addressing the issues of armed conflicts and socio-political stability in "fragile states." This transition emerged in conjunction with the debate surrounding the "aid effectiveness", yielding the "Monterey Consensus on Financing Development of 2002" (International Monetary Fund, 2015). The 9/11 attacks amplified the concerns about the "fragile states" as possible hotspots for terrorism and crime. Governments with fragile institutional systems and human rights abuses were increasingly perceived as international threats, resulting in a reconceptualisation of global security as propounded by leaders like Kofi Annan (Brauch et al., 2008). This paradigm shift could be attributed to the influences yielded by major donors like the United States of America (hereinafter "the USA/U.S.") and the United Kingdom (hereinafter the UK). The UK's "Department for International Development" stressed strongly on "poverty reduction, human rights, and governance" (O'Neil, 2006), while the USA introduced "selective aid" vide programmes like "United States Agency for International Development (hereinafter "USAID") and the Millennium Challenge Corporation" (Nkagawa, 2005). These initiatives evaluated recipient states based on their political efficiencies and institutional capability and prioritising countries suited for governance and stability. By 2005, USAID embodied the 3D doctrine, that is, "defense, development, and diplomacy" into its programme (Kauffeld, 2014). Moreover, the European Union (hereinafter the "EU") and the USA categorised the "fragile states" as major threats, indicating a broader emphasis on internal state conflicts over war amongst the nations (Johnsen, 1994). Mechanisms associated with resource allocation started prioritising "effective" governments, consequently pushing states with weak institutions towards marginalisation (Johnsen, 1994). However, vehement criticism of this exclusivity led the "World Bank" to undertake programmes targeting "low-income, conflict-ridden countries" (Burnside & Dollar, 2000). These programmes stressed on consolidating the spirit of "rule of law" by constructing pluralistic institutions and promoting stability (Burnside & Dollar, 2000). This development led to the redefinition of "global aid preferences," stressing on state-building, governance, and institutional reform to prevent conflict and global instability. However, despite the efforts demonstrated by the "World Bank," the conception of "fragile states" as security threats concretised post 9/11, associating it with "Western national security threats."

Governance Typologies and State-Building in Context of Fragility

Since the early 1990s, the concept of "fragile states" has significantly evolved. However, it continues to remain a contentious aspect. Hence, its theoretical underpinnings and practical implications continue to remain a matter of debate amongst the scholars and policymakers. In this context, researchers have sought to explore the ways to predict state failure, creating normative standards for international law and the role of traditional and non-traditional political actors in such processes of state-building (Woolcock, 2014). The political pragmatists focus on resolving particular issues associated with "fragile states" (Ficek, 2022). However, their approach is critiqued owing to its conceptual and methodological fallacies whereby the moot point remains in terms of the assumptions underlying the terminology (Ficek, 2022). To this end, critics like Sebastian Ziaja and Javier Fabra Mata pinpoint disparities in "fragile state" parameters, whereby some countries like Cuba, Israel, and China are classified ambiguously (Sebastian & Mata, 2010). Meanwhile, Tobias Hagmann and Markus Hoehne challenge the presumed relation between nation-states and state failure citing Somalia as an illustration (Hagmann & Hoehne, 2009). On the contrary, Mohammed Nuruzzaman cautions against the stigmatised usage of terms like "state failure" (Grimm, 2014). Charles Call criticises the term on account of its lack of "methodological clarity" and suggests for donor-driven reforms to improve state capacity, recognising the diversity among fragile states (Call, 2008). Furthermore, Olivier Nay critiques that research associated with "fragile state" often perpetuates redundant "development theories" and strengthens the authority of institutions like the Organisation for Economic Co-operation Development (hereinafter "OECD") and World Bank (Nay, 2013).

Alternative terms like "situations of fragility" and "countries in crisis" have emerged in response to these issues. However, as critiqued by Sonja Grimm and Gerald Schneider, the EU's definition "state fragility" has its fallacies on account of non-addressal of the factors like institutional complexity, international dynamics, and diplomatic sensitivities (Grimm & Schneider, 2011). Moreover, Isabel Rocha De Siqueira have stressed that their reliance on sociological data is problematic it often ends up serving the bureaucratic agendas instead of dealing with the real issues (Siqueira, 2022).

Irrespective of its shortfalls, the concept of "fragile state" continues to be a focal point in discussions over the international security, aid policy, and development (Carment, et al., 2009). Attaining meaningful advancements requires not just global strategies but also the commitment of local leaders to implement effective reforms in context of the "fragile state".

Despite the challenges associated with terminology definition, “fragile states” is generally perceived as low-income states having weak state capacity and experiencing persistent or underlying conflict, political turbulence, or significant risk of aggression and violence. These states face challenge in providing their population with essential services, ensuring security, and maintaining legitimacy. Countries like Afghanistan, Somalia, Yemen, and the Democratic Republic of Congo (hereinafter “DRC”) demonstrate severe instability. On the contrary, others like Nigeria, Pakistan, and Rwanda feature authoritarianism, yet characterised by stable governance, albeit with challenges on the fringes. Historically, three distinct types of governance systems emerged (Berthin, 2016):

(1) inclusive, fair and legitimate institutions (Ex-post-World War-II Western Europe);
(2) extractive, authoritarian regimes that manage to evade open conflicts, yet remain susceptible to shocks; and
(3) transitional systems trapped in cycles of state fragility and violence, with governance frequently occurs sub-nationally through regional alliances.

The fundamental in understanding the role of violence and fragility in governance requires to recognise the process of co-existence between strife and stability, with violence often works as means to maintain the political order. In this context, contemporary researches reveal three major factors associated with conflict-ridden governance (Liu, 2024):

(a) the divergences in elite-social group relations,
(b) the salience of local governance and institutional mechanisms, and
(c) the pivotal role of informality in shaping societal organisation.

Those works challenge the conventional nation-state notions and emphasises on the emergence and evolution process of governance amidst violence and conflicts. This offers new inputs and insights for strategic actions to address instability and institutional vulnerabilities.

Governance Dynamics in Fragile and Conflict-Prone Zones: Interplay of Elites, Social Groups, and Institutions

The governance of fragile and conflict-ridden states is majorly structured by the dynamics between political elites, social groups, and institutional structures including both formal and informal types. Powerful elites often resort to violence to secure advantages for themselves and their affiliated groups (Collier, 2002). However, the nature of these elites and their relationship with various actors like ordinary citizens, traditional authorities, and armed factions is dynamic, situation-based and works across multiple tiers. Especially social groups play an important role in structuring the governance as they tend to influence the de facto power of elites and participate in political controversies (Collier, 2002). Also, exclusion of certain groups from governance can often result in destabilisation of political order and full-scale conflict or sustained instability (Collier & Sambanis, 2002). This dynamic reflects the inter-relationship between participation of the social groups and governance stability in "fragile states." Non-state armed factions like rebellions, militants, and paramilitary organisations are the focal point of this governance dynamics, especially when they exercise control over territories and local populations (OECD, 2008). These groups may sporadically contest ruling elites or join forces with them, shaping governance through violence, force, and informal power structures (OECD, 2008). Ordinary citizens also play their part in shaping governance structures through their role in conflict settings, as their perceptions with respect to the social contract influence their response towards elites and other groups (OECD, 2008). Citizens actively explore, oppose, and adapt to chaos, creating opportunities for conflict resolution or, alternatively, undermining elite pacts (Collier & Hoeffler, 2004).

Traditional and religious authorities, along with the civic organisations, play a key role in influencing the governance systems by leveraging their symbolic power (Taylor, 2014). These actors are capable to mobilise populations, resolve conflicts, and engage with external stakeholders like international donors, sometimes contributing to the strengthening of state capacity and local security (Taylor, 2014). Partnership between state and non-state actors frequently emerge, jointly producing security and services in context marked by fragility (Taylor, 2014).

Governance operates at various levels, right from local to national and international, with sub-national dynamics playing a particularly critical role in fragile settings. Local political dynamics frequently disrupt state authority, creating pockets of peace and stability even in the midst of national conflict (Taylor, 2014). Such variations highlight the shortcomings of state-centric approaches and emphasises the need for customised governance interventions that account for regional disparities.

Both formal and informal institutions anchor the governance systems. Formal rules like electoral processes and property rights exist alongside informal, often violent, systems that are significantly influenced by power distribution and patronage (Collier & Hoeffler, 2004). Although interventions typically stress on strengthening the state capacity and de jure political authority, it still remains crucial to address de facto power imbalances with the help of participatory development and inclusive governance for ensuring stability and fostering development (Collier & Hoeffler, 2004).

Ultimately, the interplay between elites, social groups and institutions is significant in shaping the governance structures in fragile states. Together, these aspects affect the evolution and functioning of the governance structures. This often determines the status of stability of a state. Hence, to secure meaningful governance reforms and effective conflict resolution, there is a necessity to intervene to navigate the intricate relationships between various stakeholders by tailoring their approaches per the local contexts and addressing both formal and informal power structures. There is a need to revisit the inter-relationship between various actors not only externally but also internally with the help of theoretical underpinnings.

Exploring the Theoretical Underpinnings of Fragile States

For understanding of the governance systems of fragile and conflict-affected states, there is a need to explore the theories which significantly stress upon the "state-building process and the governance-conflict nexus." These theories provide valuable insight into the internal process of influences yielded by political elites, social groups, and institutions over the governance outcomes. This needs to be done especially in contexts characterised by violence and instability.

State-Building Theory

The theory of "State-building" emphasises the building and strengthening of political, legal, and administrative systems which support the state functioning. At the core of this theory stands the notion which supports that the legitimacy of state comes from its capability to maintain security, ensuring public goods and maintenance of the rule of law (Fabienne, 2023). To this end, Weber has pointed out that state has an exclusive right over their use of force (Weber, 1918). This right is one of the most contested one in fragile states (Weber, 1918; also in Wolfgang, 1989). In "fragile states," weak institutions and fragmented authority gave way to the non-state actors, viz., militias, rebel factions to challenge the legitimacy of state (Bellina, 2019).

The process of state-building is strongly associated with the mechanism of power distribution. Acemoglu and Robinson differentiate between de jure and de facto political power whereby the former is characterised by formal institutions while the latter emerges through informal networks of patronage, clientelism, and violence (Acemoglu & Robinson, 2006; Nussbaum, 2011). This imbalance results into governance systems that tend to reinforce elite dominance instead of fostering inclusivity. Also, state-building initiatives can be hindered by the state itself, as their repressive actions perpetuate the continuance of violence and instability (Acemoglu & Robinson, 2006).

Governance-Conflict Nexus

The theory of "governance-conflict nexus" examines the inter-relationship between governance systems and conflict dynamics. Fragile states often endure cycles of violence driven by the exclusion of certain social groups from governance structures (Amizadle et al., 2001). This exclusion disrupts political pacts, triggering an outright conflict or a prolonged state of "no peace, no war" (Amizadle et al., 2001). Scholars like Slater emphasise the salience of contentious politics, where marginalised groups confront ruling elites, thereby reshaping the balance of power (Slater, 2009).

Non-state armed actors, including militias and rebel factions, play a dual role, that is, they challenge the state authority while simultaneously stepping in as alternative form of governance providers (Slater, 2009). By controlling territories and populations, these groups shape local governance dynamics and often cooperate with state actors to produce services (Slater, 2009).

At the micro level, local governance dynamics play a key role in structuring conflict outcomes. Regional variations in terms of governance effectiveness often result into "pockets of peace", even during national conflict (Slater, 2009). The governance-conflict nexus, thus, highlights the significance of inclusive and context-specific interventions that tackle both formal and informal power structures to disrupt cycles of violence and strengthen state legitimacy.

Case Studies of Conflict-Affected Regions

Sub-Saharan Africa: South Sudan and Somalia

Sub-Saharan Africa has historically been characterised by regions with fragile governance systems, exacerbated by prolonged conflicts that have obstructed state-building efforts. South Sudan and Somalia are one of the prominent examples which reflect the governance challenges faced by conflict-prone regions of the continent.

South Sudan gained its independence in 2011. However, it stands as one of the prominent examples of the challenges faced by such a new state amidst the conflict-prone environment. It, in spite of its promises for hope and stability, faced severe political power strife between the then President Salva Kiir and his former deputy Riek Machar (International Crisis Group, 2019). This led the country to plunge into civil war in 2013 (International Crisis Group, 2019). The conflict has been further fuelled by ethnic tensions whereby Dinka and Nuer groups were the front runners vying for state power and resources (International Crisis Group, 2019). This led to severe displacement of millions of people and a huge humanitarian crisis, thwarting any efforts to build an effective governance system (International Crisis Group, 2019). Sudan's case highlights a structural plague by underdeveloped political institutions, insufficient state infrastructure, and heavily reliant oil-dependent economy. The dynamics of resource curse have made oil wealth a significant factor in intensifying the competition among political elites and armed groups (Crook, 2003). The lack of robust and inclusive institutions has fostered corruption, ethnic tension, and the militarisation of the state. This complicated the process of establishing a stable and unified national identity. Although peace agreements were facilitated by the African Union and the UN, the governance in South Sudan remains fragmented. Not a single group could maintain control over the entire country (Mutasa & Virk, 2017). Also, the limited effectiveness of the international peacekeeping missions reflects the challenges of external interventions in fragile states.

Somalia poses another example of fragile governance system. Their civil war is a contributory element to this fragility. The collapse of the Siad Barre regime in 1991 caused a power vacuum (Dehez & Gebrewold, 2010). This plunged the country into chaos whereby rival warlords, clans, and Islamic extremist groups started battling for control (Dehez & Gebrewold, 2010). By the early 2000s, international initiatives in the form of the establishment of the "Transitional Federal Government (TFG)" failed in securing a long-term peace (Dehez & Gebrewold, 2010). The conflict in Somalia is characterised by fragile political institutions, foreign intervention, and the emergence of radical groups like Al-Shabaab (Dehez & Gebrewold, 2010). This has further intensified the challenges to securing a stable governance.

The absence of political solidarity in Somalia is compounded by the state's inability to deliver essential services and maintain security (Menkhaus, 2014). The lack of an operational judiciary and security apparatus has left local clans and militias to fill the gap (World Bank, 2005). Armed groups have often siphoned off the humanitarian aid which has perpetuated a protracted crisis (Menkhaus, 2014). Although the establishment of the "Federal Government of Somalia (FGS)" happened in 2012, yet, it could not resolve the challenges like corruption, inefficient infrastructure and Al-Shadab's entrenched influence hindering any meaningful state-building progress (Menkhaus, 2014).

Both South Sudan and Somalia reflect the struggles faced by the African nations in building a stable post-conflict governance. Factors like fragile political institutions, reliance on resource, ethnic divisions, and the impact of external actors collectively sustain instability and undermine governance efforts.

The Middle East: Syria and Yemen

The Middle East has witnessed some of the most catastrophic conflicts in recent decades. Syria and Yemen exemplify such conflict and state fragility.

Syria was once considered a stable country. However, this stance changed in 2011 when it descended into civil war following the violent suppression of the Arab Spring protests during the regime of President Bashar al-Assad (Droz-Vincent, 2014). Initially, it started as a peaceful demonstration demanding for democratic reforms (Droz-Vincent, 2014). However, it quickly escalated into a multi-front conflict, drawing in both local factions and various international actors. The conflict has resulted in a major humanitarian crisis which has cost thousands of lives and millions of displacements, both internally and externally (Droz-Vincent, 2014).

The core of the crisis is the collapse of state's control to wield violence. Assad's government, supported by Russia and Iran, has retained the control over key regions (Mohiuddin, 2016). On the other hand, the coalition of rebel forces and jihadist organisations has attempted to dislodge the regime (Mohiuddin, 2016). The intervention by the external powers like the USA, Turkey, and Gulf nations has added layer to the complicated situation as sought to advance their own strategic interests (Mohiuddin, 2016). The fragmentation of Syria into regions controlled by various factions, along with the emergence of extremist groups like the Islamic State of Iraq and Syria (ISIS), has deepened the crisis (Mohiuddin, 2016). This, in turn, has prevented the restoration of effective governance (Phillips, 2015).

Syria's governance struggles are further intensified by the absence of institutions capable of mediating the political disputes and providing essential services (Mohiuddin, 2016). The war has devastated much of the country's infrastructure and the collapse of state institutions. Consequently, it has resulted in widespread corruption, chaos, and a lack of basic services like education, healthcare, and security.

Also, for the government-controlled regions, the Assad regime's reliance on loyalist militias has weakened the state's legitimacy and increased the social fragmentation (Mohiuddin, 2016). In recent times, this has further been intensified with the collapse of Assad's regime as both the external actors and internal militias are on the run to fill the said gap (Abbas, 2024). This has not just ensued chaos in the country but also across the globe with powerful fragments rushing to control the region (Abbas, 2024). Moreover, Israel's breach of the 1974 Agreement on Disengagement with Syria and more actions corresponding to the same has also added an additional layer of a peculiarity of such a "fragile state" (Abbas, 2024). Yemen also exemplifies an extreme form of fragility in the Middle East. The war, which erupted in 2014 between the Houthi rebels and the internationally recognised government of President Abd-Rabbu Mansour Hadi, has been aggravated by external interventions, such as a Saudi-led coalition (Abbas, 2024). Already one of the poorest countries in the region, Yemen has further been ravaged by the war, which has created one of the most severe humanitarian crises in the world (Abbas, 2024).

Yemen's conflict has been characterised by the disintegration of state institutions and a fragmented political structure (LeBrun, 2010). Before the war, Yemen was already grappling with fragile governance, economic challenges, and sectarian tensions between the north and south. The Houthi rebellion, supported by Iran, captured the capital, Sanaa and majority of the northern Yemen (LeBrun, 2010). On the other hand, the Saudi-led coalition supported the government forces. The war has ruptured the country's social fabric, causing widespread displacement, severe food crisis, and a cholera outbreak (LeBrun, 2010).

The political strife in Yemen is closely linked to the aspects of tribalism, regionalism, and religious divides (Hudson et al., 2016). They have been influencing the political landscape for a very long time. The central government's failure to address these divisions has pushed the country to vulnerabilities to external meddling and internal fragmentation (Aftandilian, 2018). Additionally, factors like the absence of essential services, the blockade on ports and the crumbling economy have forced Yemen's population in dire hardships, without any clear way to reconcile or sustain the peace (Aftandilian, 2018).

Both Syria and Yemen illustrate the collapse of the governance due to factors like internal divisions, dysfunctional institutions, and external intervention. These conflicts have not just destroyed the state structures but also have created a legacy of governance crisis that will require years to rebuild.

South Asia: Afghanistan

Afghanistan serves as a noteworthy example of governance failure in South Asia. It demonstrates the interwoven relationship of state failure with factors like geopolitical interference, insurgent movements, and ethnic fragmentation. In 2001, the USA overthrew the Taliban regime, which had governed the country with strict and oppressive rules (Lister, 2009). However, the succeeding attempts to re-establish the Afghan state faced severe backlashes in the form of a revived Taliban, widespread corruption and a weakened central government (Lister, 2009).

Afghanistan's governance crisis is closely linked to various factors. The first one stands in the form of fragility of governing systems. Although efforts were made to establish a democratic governance system, the Afghan political system continued to remain splintered as power was confined within a small limit of a few warlords and ethnic elites (Lister, 2009). Karzai's presidency and succeeding governments struggled to foster national unity (Lister, 2007). This was because the Pashtun-majority government frequently sidelined other ethnic groups like Tajik and Hazara (Lister, 2007). This further intensified the ethnic tensions (Lister, 2009). This fragmentation not just obstructed the development of a stable political order but also eroded the legitimacy of the central government.

Another factor stands in the form of corruption. In spite of the substantial international financial aid, a significant portion of it was embezzled by corrupt officials, warlords, and insurgent organisations (Jones, 2005). The government's failure to deliver essential services like healthcare, education, and infrastructure further diminished its legitimacy, especially in rural areas (Jones, 2005). Also, the narcotics trade, which prospered during the Taliban and persisted under the U.S.-supported government, likewise continued to serve as a monetary source for insurgent groups, making it difficult to rebuild the economy (Jones, 2005).

The Taliban's insurgency, which commenced shortly after its fall in 2001, has continued to pose a significant challenge for effective governance (Hassan, 2023). The Taliban's resurgence in 2021 subsequent to the U.S. withdrawal reveals the shortfalls in the Afghan state's efforts to solidify authority (Hassan, 2023). The deficiency in the form of a weak and fragmented security system indicated that the Afghan National Army could not sustain the Taliban's advances, prompting into the swift collapse of the government (Hassan, 2023).

The Afghanistan case underscores the critical necessity of institutional development and inclusive governance. Initiative to cultivate national identity, resolve ethnic rivalries and combat corruption were ineffective in terms of deep-rooted political rivalries and unrelenting conflict. Also, the futilities in terms of the external interventions, especially the U.S.-led coalition, highlight the obstacle in the creation sustainable governance structures. Even a state's over-reliance on foreign aid and military support can further perpetuate an underdeveloped state of a self-sustaining political system.

Afghanistan's case reflects an amalgamated effect of shortfalls, both from the internal and external factors, over the fuelling of the fragility of a state. It is a fine example of how a foreign intervention, driven by some personal motive, often hinders the establishment of a stable political system.

Role of International and Regional Actors

UN and International Organisations

The UN and its associated agencies have a pivotal role in confronting the issues associated with the governance in conflict-prone zones. Their role ranges from peacekeeping to conflict resolution and humanitarian assistance to post-conflict reconstruction. However, the level of achievement of their role varies according to specific situations and the support of the local stakeholders.

- *Peacekeeping and Security Operations:* One of the main functions of the UN in the regions grappling with conflict stands in the form of the deployment of the peacekeeping missions (Shannon et al., 2010). This aids in maintaining ceasefires and bringing stability to conflict-stricken areas. Operations conducted with the backing of the UN Department of Peace Operations (DPO) often work as an intermediary between the hostile parties and aid in stabilising the security in a post-conflict scenario (Shannon et al., 2010). For illustration, the UN Mission in South Sudan (UNMISS) assists in the protection of civilians while facilitating the distribution of humanitarian aid. However, these missions' effectiveness is often fraught with challenges in the form of deficient resources, ambiguous mandates, and intricate political environment (Shannon et al., 2010).
- *Humanitarian Assistance and Development:* The UN's Office for the Coordination of Humanitarian Affairs (OCHA) oversees relief operations in conflict zones by delivering vital assistance in the form of food, healthcare, and shelter (Shannon et al., 2010). However, humanitarian organisations frequently struggle with significant barriers like rival factions, restricted access on account of insecurity, and resource shortages (Mngomezulu, 2019). The situation of Yemen aptly exemplifies this. In Yemen, notwithstanding the UN's attempts, humanitarian aid has been hindered or rerouted by both the government and insurgent forces. This exacerbates the plight of civilians.
- *Post-Conflict Reconstruction and Governance:* The UN is integral to strengthening post-conflict governance through its Development Programme (UNDP) and Peacebuilding Commission (PBC). These bodies help in reconstructing the political institutions, maintaining rule of law, and promoting inclusive governance mechanisms (Shannon et al., 2010). For instance, in Sierra Leone, the UNDP played a pivotal role in the restoration of democratic institutions after the civil war (Mngomezulu, 2019). For this, the UNDP significantly stressed on the salience of transparent electoral processes and effective judicial reforms. However, certain challenges persist while ensuring the resilience and independent functioning of local institutions (Shannon et al., 2010).

In spite of these affirmative actions, the UN's capacity redress entrenched governance challenges remain limited on account of certain political considerations. This could be witnessed in circumstances where dominant members of Security Council have diverging interests. For illustration, in Syria, the UN-led peace efforts have been mostly futile owing to the divergent geopolitical interests of Russia and the USA. This reflects the constraints of multilateral institutions when conflicting national interests emerge.

Regional Organisations (e.g. AU, ASEAN)

Regional organisations have increasingly become central players in addressing governance challenges in conflict-affected regions, leveraging their proximity to the conflicts and their understanding of regional dynamics. The African Union (AU) and the Association of Southeast Asian Nations (ASEAN) are two prominent examples.

- *African Union (AU):* The AU has been instrumental in resolving governance issues across conflict-ridden regions of Africa. One of its most impactful projects is the African Standby Force (ASF), a regional peacekeeping force aimed to address crises spanning various parts of the continent (Fafore, 2016). In countries like Sudan, South Sudan, and Central African Republic (CAR), the AU has actively contributed in mediation efforts and peacekeeping missions for the re-establishment of peace and order (Fafore, 2016). The AU's Peace and Security Council (PSC) has also played a central role in negotiating peace agreements. For instance, the Comprehensive Peace Agreement (CPA) was instrumental in facilitating an end to the civil war in Sudan (Fafore, 2016). However, the AU's success faces major constraints in the form of factors like insufficient financial resources, varying political resolve among member states and the complexity while addressing deep-rooted conflicts. For instance, the AU's approach to the Libyan civil war in 2011 was eclipsed by the NATO's military intervention (Fafore, 2016). This showcases the intricacies of regional versus global intervention.
- *ASEAN:* In Southeast Asia, ASEAN has endeavoured to foster peace and stability through regional collaboration and diplomatic efforts. Although ASEAN's commitment to respect member states' sovereignty restricts its capacity to intervene directly, it has fostered talks on regional security concerns (Antolik, 1994). In Myanmar, ASEAN's involvement has been pivotal in tackling governance shortcomings post the military coup of 2021 (Antolik, 1994). However, such response faced considerable criticism as being ineffective owing to the lack of consensus among member states. Despite this, response of ASEAN to humanitarian crises like the Rohingya refugee crisis in Bangladesh has significantly contributed in addressing regional governance issues (Antolik, 1994). Overall, the limitation and functioning of ASEAN exposes the conflict between regional cooperation and state sovereignty, especially in politically delicate contexts.

The performance of regional organisations like the AU and ASEAN is contingent on the cooperation of member states to cooperate in solving governance challenges, along with their ability to facilitate dialogue in intricate political environments. In some instances, there is a need for the international community to complement regional initiatives. This would promote a holistic approach to conflict resolution and governance reform.

Donor Influence and Aid Effectiveness

Donor influence and international aid have traditionally been central in securing the post-conflict recovery and reforming governance structure. The engagement of donors, notably from Western governments and international financial institutions (IFIs), such as the "World Bank and the International Monetary Fund (IMF)", has been mostly in terms of providing financial aid and technical support to conflict-ridden regions. However, the efficacy of aid remains debatable on account of its impact on governance outcomes being mixed.

- *Aid and Governance Reform:* Often, donor states associate financial aid with the implementation of governance reforms. These reforms majorly include facets like the promotion of democratic values, upholding of rule of law, and anti-corruption efforts (International Monetary Fund, 2017). This could be illustrated by the success of aids advanced to Rwanda. Such aid helped in an impressive recovery of Rwanda post-1994 genocide (International Monetary Fund, 2017). This was effectuated in Rwanda with the help of factors like rebuilding of institutions, enabling national reconciliatory approaches, and extending development aids (International Monetary Fund, 2017). Likewise, the international community in Bosnia and Herzegovina, operating through the Office of the High Representative (OHR), was instrumental in reforming their governance system post the conflict of the 1990s (International Monetary Fund, 2017).

However, the efficacies of such aid and assistance have been comparatively weaker in other areas. For instance, Afghanistan's governance system, even after receiving billions of financial aid, remained fragile and filled with corruption along with the siphoning of the funds to bureaucrats or insurgent groups (International Monetary Fund, 2017). This points to the shortcoming of aids in the absence of a supportive local political condition for reform measures.

This mixed result of such aids is majorly due to three factors. Firstly, fragmentation in terms of the coordination among the donors challenges the effectiveness of such aid-driven outcomes. It often ends up in duplication of efforts and inefficiencies (International Monetary Fund, 2017). Secondly, over-dependence on such aids can weaken the development of local governance structures (International Monetary Fund, 2017). This can happen due to the creation of a tendency in the receiving country to rely on external funding instead of developing self-reliance. Finally, the priorities of aid are often based on some form of political agendas of donor countries (International Monetary Fund, 2017). Such priority may not align with the needs of the local population. In a few instances, aid can even perpetuate inequalities, especially when it prefers international agencies bypassing the local institutions. Hence, to tackle these challenges, aid needs to have alignment with local contexts, prioritise long-term over short-term development and promote capacity building. Moreover, engagement of aid with local communities in decision-making processes and making aid support sustainable governance reforms is crucial for ensuring an effective aid.

Private Sector and Civil Society

The private sector and civil society organisations (CSOs) significantly contribute in addressing governance challenges in conflict-stricken regions, augmenting the initiatives of international and regional players.

- *Private Sector:* In the aftermath of war, the private sector is commonly perceived as a catalyst of economic revitalisation, employment creation, and infrastructure growth. Multinational corporations and domestic enterprises can facilitate economic reconstruction through investments in major industries like agriculture, energy, and technology (Peschka, 2010). For instance, in Rwanda, the government measures in attracting foreign investors, especially in the mining and technology sectors, have been central to the country's economic development and governance transformation (Peschka, 2010). Likewise, in Liberia, the private sector's participation in post-crisis reconstruction has facilitated the recovery of economic activity and employment creation. However, the private sector's involvement is also fraught with certain challenges (Peschka, 2010). In many war-torn regions, corporate interests can prolong governance inefficiencies in partnership with corrupt political figures or engage in predatory practices. The resource curse is especially apparent in countries like South Sudan and Sierra Leone, where multinational companies face accusations of fuelling the conflict by profiting by exploiting natural resources, often detrimental to the local communities (Peschka, 2010).
- *Civil Society:* Civil society organisations (hereinafter "CSO") are central in advocacies involving the aspects of good governance, promoting human rights, and service delivery to vulnerable populations in conflict regions (Mustchin et al., 2023). The role of CSOs often starts when the state fails in the form of the delivery of basic services such as healthcare, education, and legal assistance (Mustchin et al., 2023). The salience of their work could be well reflected their prominent role in delivering humanitarian assistance in countries like Syria, Somalia, and Yemen (Mustchin et al., 2023). Moreover, they also hold prominent position while fostering accountability and transparency in governance. This could be illustrated in Colombia. There, the CSO has played a crucial role in overseeing the execution of peace agreements and campaigning for the inclusion of marginalised groups in the political process (Mustchin et al., 2023). However, their effectiveness can be restricted on account of risk of violence, political oppression, and limited financial support (Mustchin et al., 2023).

In general, the joint effort between the private sector, CSOs, and government institutions is crucial for generating sustainable governance in post-conflict zones. Although private sector investment can revitalise economy, civil society is fundamental for nurturing social solidarity, safeguarding human rights, and supporting inclusive governance.

Strategies for Addressing Governance Challenges

Strengthening Institutions

Enhancing institutional capacity is crucial in conflict-affected zones as it is fundamental for securing the sustainable governance. The governance challenges in the form of corruption, poor service provisions, and insecurity are often fuelled by a lack of strong, effective, and transparent organisations. The promotion of such institutions involves capacity building of both formal and informal structures of governance. This is crucial for the maintenance of stability and legitimacy in the aftermath of conflict.

Building Effective Political Institutions

Maintenance of rule of law and promotion of social solidarity is central in establishing democratic processes. The achievement of these factors requires strong political institutions. For strengthening the political institutions, certain institutional reforms are needed that stress on capacity building, training, and the establishment of clear rules and structures (Brinkerhoff, 2007a). Timor-Leste (East Timor) illustrates this significantly (Brinkerhoff, 2007a). There, the institutional reforms could be observed in its independence where development of strong civil service and judicial reform was central to such reform (Brinkerhoff, 2007a). Also, Rwanda's case illustrates the need to focus on aspects like decentralisation, allowing local governments to take ownership of service delivery and development programmes for bringing in a robust governance system (Brinkerhoff, 2010).

Judicial and Legal Reform

An effective judicial system lies at the heart of upholding the rule of law, promotion of the spirit of justice, and dispute resolution mechanisms (Brinkerhoff, 2010). Hence, their independence restoration and re-establishment of legal frameworks is crucial in post-conflict contexts. Moreover, they help in restoring citizens' faith in governance. Their salience could be revealed from the case of Sierra Leone's Special Court for Sierra Leone (SCSL). The SCSL's trial of war criminals played a pivotal role in re-establishment of the country's legal institutions post the civil war (Brinkerhoff, 2010).

Security Sector Reform

Effectiveness of security institutions like police and military forces is vital in rebuilding the stability in post-conflict societies (Brinkerhoff, 2010). Moreover, it should also stress on vetting security personnel for the prevention of corruption and human rights violations. Yet, the biggest challenge in achieving such reform stands in the form of vested interests of political elites or military factions (Brinkerhoff, 2010).

Inclusive Governance Models

Models of inclusive governance are essential in conflict resolution and ensuring fair representation for all ethnic, religious, and marginalised communities in decision-making processes. In post-conflict environments, contexts are commonly marked by division and mistrust. For this, inclusion is necessary for enabling reconciliation and lasting peace.

Power-Sharing Arrangements

Power-sharing is one of the prevailing methods in conflict-affected zones which fosters inclusivity. To this end, the Good Friday Agreement in Northern Ireland exemplifies its salience. This is because it aided in resolving years of conflict by involving a power-sharing mechanism between Protestant Unionists and Catholic Nationalists (Brinkerhoff, 2007a). Similarly, Lebanon's sectarian power-sharing model has contributed in ensuring proper representation of all religious communities (Brinkerhoff, 2007a). However, its limitation remains in terms of political impasse and corruption. While power-sharing prevents monopolisation of power by dominant groups. Also, its effectiveness requires careful deliberation and consensus-building.

Decentralisation and Local Governance

Decentralising of political power and resources to local governments is a powerful approach for fostering inclusivity and tackling governance issues in conflict-affected regions. In Bosnia and Herzegovina, the Dayton Agreement created a decentralised system of governance to secure the political representation and public services for the ethnic minorities (Crook, 2003). Similarly, Ethiopia's federal structure enables ethic groups to handle their own affairs and fosters local-level political engagement (Crook, 2003). However, decentralisation can deepen the existing divisions if it results in ethnic or regional autonomy that weakens the national solidarity.

Inclusive Constitutional Frameworks

A constitution that guarantees the rights and freedoms of all citizens, regardless of their ethnicity, religion, or gender identity, is vital for an inclusive governance framework (Crook, 2003). For example, the post-conflict constitution of Nepal of 2015 founded a secular and inclusive state that championed the rights of historically marginalised groups like women, Dalits, and indigenous communities. Such model promotes the governance which is reflective of society's diversity through wider social solidarity.

Improving Transparency and Accountability

Transparency and accountability are key ingredients for the revival of governance in conflict-ridden zone. This is because absence of transparency often yields a corrupt regime with weak institutions subverting the public trust in government. Additionally, Accountability promotes the answerability of the government and institutions towards the public. This helps in ensuring an effective and fair distribution of resources.

Strengthening Anti-Corruption Institutions

Corruption is a persistent issue in conflict-stricken regions. It promotes the easy thriving of illicit practices in fragile governance structures. Setting up of autonomous anti-corruption commissions, such as Hong Kong's Independent Commission Against Corruption (ICAC), can assist in identification and elimination of corruption (Brinkerhoff, 2007a). In Afghanistan, certain steps adopted for bolstering efforts have been made to strengthen oversight bodies like the Anti-Corruption Justice Centre (Brinkerhoff, 2007a). However, certain challenges in the form of political interference and insufficient resourcing risk their efficiency.

Public Financial Management Reforms

In many conflict-affected regions, the mismanagement of public resources contributes to state failure. Reforms in public financial management (PFM) systems, such as creating transparent budgeting processes, ensuring audit trails, and establishing effective fiscal controls, can prevent misuse of state funds and improve service delivery (Brinkerhoff, 2007a). In Liberia, the government has implemented Public Financial Management Reform programmes with the support of international donors, which have enhanced transparency and helped rebuild public trust.

Access to Information and Civil Society Oversight

Transparency could be achieved by ensuring access to government data and promoting CSOs. This also aids in improving accountability (Brinkerhoff, 2007a). In Tanzania, the Public Service Accountability Monitoring Project (PSAM) has been crucial for the promotion of transparency and equipping citizens with the means to ensure the accountability of local governments for service delivery. Moreover, the Freedom of Information (FOI) legislation in many nations has been a vital move towards transparency, empowering citizens and journalists to access government data and uncover wrongdoing.

Strengthening Judicial Accountability

An effective and independent judiciary is crucial for ensuring accountability of individuals involved in corruption or the abuse of power (Brinkerhoff, 2007a). The independence of judiciary is often eroded in conflict zones through political influence or corruption (Brinkerhoff, 2007a). In Kenya, the Judicial Service Commission (JSC) has endeavoured to reinstate judicial independence and ensure rigorous prosecution of corruption, yet hurdles in implementation persist.

Conflict-Sensitive Governance Interventions

Governance interventions accounting for conflict dynamics are aimed at mitigation of risks of violence, fostering peace by tackling the root causes of conflict and bolstering governance frameworks. These interventions must be customised according to the local needs and meticulously developed to avoid exacerbating tensions.

Integrating Conflict Prevention into Governance Reforms

Conflict-sensitive governance necessitates understanding the particular grievances and conflict inducers in a region (Brinkerhoff, 2010). For illustration, Myanmar's persistent ethnic and religious strife has required a governance model ensuring autonomy for ethnic minorities, dialogue, and power-sharing mechanisms. Such reforms include both political and economic strategies addressing disparities, social exclusion, and grievances, which are often the heart of conflicts.

Inclusive Peace Processes

Successful peace agreements often require the inclusion of all key stakeholders, including disadvantaged groups, women, and ethnic minorities (Brinkerhoff, 2010). In Colombia, the peace process involving the Revolutionary Armed Forces of Colombia (FARC) incorporated diversity and gender-sensitive measures in the negotiations. This strategy contributed in making peace agreements more holistic and reflective of the diverse needs of society.

Supporting Transitional Justice Mechanisms

Post-conflict societies need justice mechanisms confronting past atrocities and fostering recovery and reconciliation. Transitional justice frameworks, like truth commissions, reparations, and criminal prosecutions, are key to resolve historical grievances (Brinkerhoff, 2010). South Africa's Truth and Reconciliation Commission (TRC) is an exemplary case of such conflict-conscious approach, which promoted national reconciliation by offering a forum for victims and offenders to narrate their experiences. Likewise, in Sri Lanka, transitional justice initiatives have been impeded by political barriers. However, they are essential for building sustained peace and stability.

Promoting Social Cohesion

Interventions, emphasising the facilitation of inter-group communication and cooperation, are central for promoting peace in post-conflict regions. Initiatives focused on mitigating ethnic, religious, and political tensions and fostering social capital can aid in reduction of the risk of return to conflict (Brinkerhoff, 2010). In Bosnia, efforts at post-war reconciliation incorporated youth exchange programmes, cultural interactions, and collective community-building initiatives. These were aimed at the dissolution of mistrust and the promotion of collective national identity between ethnic groups.

Empowering Local Actors

For the sustainability and inclusiveness of a governance system in post-conflict regions require empowerment of local actors. This is because they have a better understanding of local requirements. Hence, they are more equipped to uphold accountability in government, service delivery, and peace promotion.

Decentralisation of Governance

Decentralisation is a strong tool to empower local actors. It grants local governments the power and resources to make choices and manage developmental projects (Crook, 2003). In Bolivia, the Popular Participation Law (1994) granted autonomy to local governments. This enabled communities to lead their development goals. Decentralisation enables more flexible and context-sensitive governance. This is crucial especially for conflict-affected regions where local issues are often neglected by central authorities (Crook, 2003).

Capacity Building for Civil Society

Fortification of CSOs empowers them to advocate for effective governance, facilitating services delivery and inclusion of marginalised communities in decision-making (Crook, 2003). In Kenya, organisations like Kenya Human Rights Commission have enabled local communities to participate in governance activities and insist for accountability from elected representatives. Capacity-building programmes equip CSOs in enhancing skills in advocacy, programme management, and policy evaluation. This equips them to operate effectively in conflict-affected regions.

Supporting Women's Political Participation

Women frequently encounter significant challenges to political engagement in post-conflict settings (Crook, 2003). Their empowerment with the help of leadership training, affirmative action measures, and strengthening of women's organisations is crucial in creating inclusive governance models (Crook, 2003). In Liberia, women played a central role in the peace process. Organisations like Women of Liberia Mass Action for Peace demonstrated this by heading grassroots movements that championed peace and women's political inclusion.

Promoting Local Peacebuilding Initiatives

Local peacebuilders are significantly influential over their communities. Community leaders, religious figures, and elders are part of this group. Empowerment of these actors can facilitate dialogue and reconciliation within the local communities (Colletta & Cullen, 2000). For instance, Nepal's local peace committees have been pivotal in facilitating inter-ethnic dialogues and mitigating violence in post-civil war regions. The empowerment of these local actors can make peace processes more sustainable and locally controlled.

Conclusion

This research has investigated the multifaceted governance issues faced by conflict-affected regions. For this, it has focused on challenges in the form of fragile political institutions, economic turmoil, social exclusion, and failure of security sectors. These issues are further fuelled by impact of external actors which further destabilises the governance structures. The analysis has revealed the influence of weak political institutions and internal divisions in establishing inefficient governance structures whereby inclusivity and accountability have no room to occupy. In conflict-affected areas, the absence of robust political frameworks often results in corruption, inefficiency, and neglect of diverse social needs. This further perpetuates conflict and instability.

Economic instability is often reflected through aspects like resource mismanagement. This enhances the governance challenges by limiting the state's ability to deliver essential services and promote development. The resource mismanagement occurs often on account of corruption or dominance by elite groups. Consequently, an increased level of poverty, inequality, and economic divisions happens which further leads to aggravation of conflict. Also, the divisions in society in a post-conflict setting are largely attributable to marginalisation, disenfranchisement, and social exclusion based on ethnicity, religion, or gender. So, economic instability not only creates conflicts but also deepens them by its domino effect on other factors of inequality and divisions. Moreover, deficiencies in security and justice systems pose another significant challenge. This is because the lack of rule of law and insufficient policing and judicial mechanisms can lead to continuation of violence and impunity. The inaction in reforming these sectors can undermine the efforts of restoring stability and hinder initiatives aimed at rebuilding citizen-state trust. Finally, external influences, in the form of foreign intervention, aid reliance, or the impact of international organisations intricately contribute to shaping of the governance dynamics. This sometimes even strengthens those power structures that perpetuate instability.

The study stresses the need to tackle these governance issues through a multi-dimensional approach. Such approach includes measures like building robust institutions, advocating for inclusive governance models, bolstering transparency, and enhancing conflict-sensitive governance strategies. Also, decentralisation and strengthening of civil CSOs is a crucial strategy for ensuring local empowerment which ultimately leads to sustainable peace and governance. In a conflict-stricken world of the 21st century, not just realising the repercussions of fragility is crucial but also aiding fragile governances to come out of it without involving any third-party interest is also necessary. Otherwise, global peace would be a distant dream, and global chaos would be the nearer reality.

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4 Resource Conflict in the Global South

Lessons from Israel–Palestine

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Introduction

The Israel–Palestine conflict has long been widely agreed upon with an argument that every effort to solve the problem invites an issue for another problem, which ultimately creates turbulence for decades in the region, wherein generation after generation is socially conditioned to continue fighting around a tiny piece of land conceived as 'holy' around the world (Handelman, 2011). This ongoing military and political conflict traces its roots to the emergence of Zionism by the end of the 19th century in Europe. The key aspect that triggered the Israel–Palestine war of 1948 was the adoption of United Nations Resolution 181, also called the Partition Plan. This plan led to the creation of the state of Israel, over most of the Mandate's territory, resulting in control by Egypt over the Gaza strip and Jordan over the West Bank. This ignited the first Arab–Israeli War, now regarded as the longest military occupation in modern history, irrespective of the Oslo Accords of 1993–1995 which attempted to negotiate a resolution between Israel and the Palestine Liberation Organisation (PLO). The call for a possible two-state solution was supported by both Israeli Jews and Palestinians, which has also been a centre of debate at most of the recent peace initiatives. However, the geopolitical reality is very different; Palestine is divided between Hamas and Fatah, with the former having its authority over Gaza and later ruling the West Bank (Shah, 2021). Since 2006, Israel and Hamas have engaged in five wars, the latest being the 2023 which continues to this day. Israel–Palestine conflict and its recurring escalation present a vivid account of the intricate link between regional conflict and its implications on global flow of commerce with disruption of essential trade routes and global markets which are key in maintaining economic stability around the world. The conflict has far wider implications. It has caused delays and interrupted the movement of goods and services through important corridors such as the Suez Canal, which is crucial for many of the Global South countries for trade between Europe, Asia, and Africa. Moreover, since West Asia plays a vital role in the global supply of energy, mere instability can cause fluctuation in oil prices and can heavily impact economies that rely on energy imports, particularly the countries in the Global South (Najjar, 2024). Significant impact will also be seen in agricultural technology as these countries are major exporters of agricultural products to

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both Israel and Palestine. Strained relations with Israel add a layer of complexity for Global South countries aiming to attract investment for development (Pate, 2020). Therefore, economies in these countries remain more vulnerable to external shocks and may experience slower growth with increased economic challenges as a result (PIB Delhi, 2024). The Global South being experienced with the political and economic exploitation meted out to them by colonial powers, motivates these countries to push towards peace and security in the world. Studying this shift of perspective of the Global South towards the Israel–Palestine conflict becomes very pertinent, as many of these countries are projected to be leading world economies by 2030 with China and India leading the way (World Bank, 2013). The Global South through its combined diplomatic effort and economic interaction can play a significant role in the Israel–Palestine conflict. This paper further studies the role of India as an important part of the Global South as it holds a unique position in the conflict guided by its historical support for independent Palestine and strategic relations with Israel. In due course, this paper also focuses on India's involvement in West Asia which is largely driven by its strategic interest in the region. Secondly, how has the escalation of the Israel–Hamas conflict following the 7 October 2023 attack influenced the diplomatic responses and shifts in alliances among Global South countries in the context of an escalating conflict, while also considering their growing influence on the global stage. Accordingly, this paper has been divided into four sections. The first section provides a foundational understanding of how the conflict has emerged and its impact on international commerce and logistics. Secondly, the paper studies the perspective of the Global South on the issue. The first subsection explores how India has maintained a strategic equilibrium marked by its historical support for Palestine and strategic trade with Israel. The second subsection examines the global ramifications of the post-Hamas attack period and analyses India's actions in this context. The third section presents the Global South's insights on resource conflict resolution and explores the perspectives of the Global South on resolving this conflict. It also studies how various countries within the Global South view potential solutions and their implications for regional and global stability. The concluding section presents the overall findings of the paper, explaining India's current approach and discussing whether there is a need for strategic adjustments post-Hamas attack, in light of recent peace initiatives India has been involved with.

In Between (Geo) Economics and Politics: Perspective from Global South

Global South nations frequently speak out in favour of Palestinian rights in international forums, especially the United Nations (UN). These countries provide strong support to resolutions that address human rights issues, denounce Israeli settlements, and support Palestinian self-determination. Historically, the Non-Aligned Movement (NAM) – which consists of numerous nations in the Global South – has backed the Palestinian cause (Haider, 2024). This group promotes a multipolar world in which member states remain united and the Palestinian question remains a major priority. Several nations in the Global South have diplomatic ties to both Israel and Palestine, which enables them to serve as peace process intermediaries or facilitators. Their distinct viewpoints aid in mending rifts between the opposing sides. According to the World Bank, emerging market and developing economies (EMDEs), also known as the Global South, play a major part in global trade. These economic ties can be used to promote harmony and stability in the region, encouraging cooperative economic development. The shared history of colonialism and anti-colonial struggles fosters a sense of solidarity with the Palestinian cause. This historical perspective often shapes the Global South's political stance, viewing the Palestinian struggle through the lens of self-determination and resistance against occupation (Heine, 2023). As of recent data, these EMDEs make up about 40% of worldwide trade. This statistic highlights the important position these economies hold in the global trade network, particularly in supplying raw materials, producing goods, and being involved in worldwide supply chains. A common strategy used by the Global South is to strike a balance in its relations with both Israel and Palestine. While supporting Palestinian rights, nations such as Brazil and India have close economic ties to Israel as well. This relative neutrality in relation to Western powers, countries in the Global South serve a pivotal role as peace negotiators. Their participation assures that the peace process takes into account the interests of both parties and is inclusive. On the other hand, the Global South countries fortifying their relations with Israel have brought in a shift towards the geopolitical environment. This covers countries in the West Asia and Africa that, as a result of accords like the Abraham Accords, have normalised relations with Israel. These changes impact both the nature of the conflict and the settlement process as well. The countries in the Global South endorse the independence of a sovereign Palestine state alongside Israel as a part of the independent two-state solution. Their persistent support is essential in maintaining the viability of this idea in global forums. The importance of the Global South in the Israel–Palestine conflict stems from its possible mediation role, moral solidarity, economic contributions, and diplomatic assistance (Najjar, 2024). By using their combined might, these nations can support the promotion of a fair and impartial settlement that emphasises the values of justice, self-determination, and peaceful coexistence. India, for instance, stands as the first and most ardent supporter of the Palestinian cause in this respect. It continuously supported Palestinian self-determination and acknowledged the PLO in 1974. Leading the NAM, India sided with other nations in the Global South, prioritising anti-colonialism and defending the rights of marginalised groups, such as the Palestinians (Menon, 2016). India's strategic diplomacy enables it to maintain close military and economic relations with all sides while simultaneously advocating for a peaceful settlement (Czerep & Kugiel, 2023). This well-rounded approach not only raises India's profile internationally, but it also increases its potential to influence regional stability and the peace process. Recently, India and Israel have seen a boom in trade, especially in areas like cybersecurity, water management, and agriculture. Technology partnerships and joint enterprises have improved bilateral relations demonstrating its capacity to uphold robust relations with both Israel and Palestine.

India's Investment in Israel–Palestine: Path Dependency and Ruptures

India's foreign policy goals have long been characterised by a delicate balancing act, especially in regard to the Israel–Palestine issue. This complexity of India's position stems from its historical ties, strategic interests, and evolving diplomatic engagement with the region. The balancing act of India reflects its two broader geopolitical strategies. One is balancing geo-economics and politics with Israel, mainly through the advancement of military technology, trade agreements, and arms that Israel provides, and the other is maintaining a balance of cordial relationships with Palestine through negotiation, the peace process, and diplomacy. Historically, India's support for Palestinian self-determination was strong and in alignment with India's broader anti-colonial stance and solidarity against colonial administration. Mahatma Gandhi in 'Harijan', published in 1938, stated 'Palestine belongs to the Arabs in the same sense that England belongs to the English or France to the French' (Vardhan, 2021). Similarly, Jawaharlal Nehru viewed the Palestinian cause through the lens of anti-imperialism and justice for oppressed people. Nehru stated, 'Palestine is essentially an Arab country and must remain so, and the right of the Jews for a homeland should not come at the expense of a homeland for the Arab population of Palestine' (Jha, 2022). For decades after Nehru, this support for Palestine remained unequivocal. India has endorsed numerous UN resolutions condemning Israeli actions and calling for Palestinian statehood such as in the UN Special Committee on Palestine (UNSCOP), UN Partition Plan in 1947, and Israel's admission to UN in 1949 (Sen, 2021). However, post-Cold War, one can see a slight change in the trajectory of how India engages and deals with Israel and Palestine. This change in India's outlook towards the conflict has do with its growing engagement with economic liberalisation in the country, its relation with the major powers, regional stability considerations, and its aspirations for a greater role in global governance structures where India aims to safeguard its national interests upholding its long-standing commitment to the principles of non-alignment and self-determination as visible in its engagement with the Global South countries in forums like NAM, the Afro-Asian Conference, and Bandung. This growing strategic pragmatism of India was seen with Israel as well in sectors like trade, defence, technology, and counterterrorism. In 1992, under Prime Minister (PM) Narasimha Rao, India entered into full diplomatic relations with Israel while still upholding its commitment to the Palestinian cause for self-determination. Following which both countries signed agreements on Science and Technology Cooperation and Agricultural Cooperation in 1993 and 2006, respectively. This growing relationship flourished further in 2017, followed by India's PM Narendra Modi's visit to Israel, who became the first PM to visit Israel (MEA, 2017). Following which a $40 million India–Israel Industrial R&D and Innovation Fund (i4F) was established (MEA, 2017). In recent years, data shows that between April 2020 and February 2021, the bilateral trade in merchandise alone between Israel and India stood at $4.14 billion (MEA, 2017). In terms of defence and science and technology sector, Israel has appeared as a reliable partner in supplying weapons, such as in the India–China war in 1962, India–Pakistan war in 1965, 1971, and the Kargil War in 1999; India has used Israeli weapons (MEA, 2017). After the Pokhran test in 1998, when the US administration imposed sanctions on India, Israel provided armaments, monitoring systems, and assisted in upgrading current military equipment during the conflict (MEA, 2017). Currently, in terms of Israeli weaponry, India is the largest purchaser with Israel being the second largest arms supplier to India after Russia. Acquisitions rose by 175% from 2015 to 2019, and current yearly sales exceed $1 billion (MEA, 2017). India's Defence Research and Development Organisation (DRDO) has recently created a medium-range surface-to-air missile which is a local variant of the Israeli-developed Barak 8 SAM system (Janes, 2023). Indian workers are now being recruited in Israel in various software companies (Ramachandran, 2024). India and Israel are also now part of a Joint Working Group on Counterterrorism – a forum for discussion and sharing expertise on regional and global challenges by terrorism (Sen, 2021). During the COVID-19 pandemic, Indian and Israeli officials collaborated to create a COVID-19 testing kit. In March 2021, India's Premas Biotech and Israel's Oramed developed an oral COVID-19 vaccine (Sen, 2021). Apart from defence and strategic technology, there has also been an increase in soft power initiatives between both countries in cultural collaboration, tourism promotion, and interpersonal connections. Both countries are now members of the I2U2 Group, formed in October 2021. This multifaceted approach of India in between balancing (geo) economics and politics illustrates its interest of becoming a significant player in global affairs while navigating through complex geopolitical reality. With Israel, by engaging in defence and technology, India seeks to enhance its security and economic capabilities at the same time maintaining commitment to the Palestinian cause of self-determination.

Resource Conflict Post-Hamas Attack: The New Shift in Geopolitical Landscape

The global repercussions of Israel following the Hamas attack are intricate, encompassing both immediate and lasting impacts on global politics, economics, security, humanitarian assistance, and public sentiment. The reactions and outcomes of such incidents are influenced by the global interdependence of systems and the strategic significance of the West Asia. The ramifications of Hamas's strike on Israel in regard to the changing Arab–Israeli relationship extend beyond the West Asia. This attack aimed to upset the newly formed regional security order brought about by the geopolitical changes. Nations with a vested interest in the West Asia, including the USA, Russia, and members of the European Union, frequently engage in diplomatic or military actions (Najjar, 2024). The involvement of these countries can result in changes in alliances and modifications in global foreign policies. Instability in the West Asia also causes variations in the price of oil on the global market, affecting economies around the world, particularly those that rely heavily on oil imports. Trade routes in these conflict regions are affected, leading to hold-ups and higher expenses for products. This conflict further creates turmoil that escalates into cyber-attacks that target businesses and government structures worldwide. The worst consequences of this conflict are the frequent displacement of individuals from Gaza and possibly into surrounding nations, putting a strain on humanitarian efforts (Moyosore et al., 2020). This can lead to a larger regional conflict due to the confluence of challenges to critical strategic interests. A concerning new phase has begun, one that might have global geopolitical repercussions and jeopardise regional stability (Shah, 2021). In response to the crisis, regional actors have been circumspect, refusing to change their diplomatic and commercial ties with Israel while denouncing the siege of Gaza on humanitarian grounds. A number of normalisation agreements between Israel and Arab states known as the Abraham Accords have been hailed as a major change in West Asia geopolitics (Pate, 2020). However, this recent escalation of violence between Hamas and Israel also brings forth intricate diplomatic hurdles for India. India has deep economic ties with the West Asia marked by notable trade movements of both goods and services (PIB Delhi, 2024). This trading partnership has experienced substantial expansion, with exchanges growing significantly (Shuja, 2024). Along with the rise of India and Israel's well-maintained diplomatic relations, its past backing of Palestine requires a nuanced strategy. The ongoing violence in the West Asia hampers India's diplomatic efforts and could lead to repercussions in the region, potentially threatening India's economic interests and its ties with Arab countries (Dash, 2024). The trade between India and the West Asia has seen a notable rise, with transactions with the United Arab Emirates (UAE) hitting a peak of $84.5 billion in the 2022–2023 financial year. Indian goods sent to the UAE consist mainly of petroleum, precious stones, and jewellery, whereas the most sought-after imports are crude oil, precious metals, and precious stones. In the same period, the trade between India and Saudi Arabia jumped to $42.86 billion, placing Saudi Arabia at the forefront among India's trading partners (Embassy of India, Riyadh, 2024). The main exports from India to Saudi Arabia include fuel and various food products, while the main imports from Saudi Arabia include crude oil and chemicals. The Comprehensive Economic Partnership Agreement (CEPA), which the UAE and India signed in May 2022, has further strengthened these economic ties. Over its first year, exports to the UAE saw an increase by 8.5%, and imports rose by 18.8%, highlighting the significant effect of the agreement on these bilateral trade relations (Embassy of India, Riyadh, 2024). Moreover, India's forward-looking strategies, such as the India-Middle East-Europe Economic Corridor (IMEC), are aimed at improving connections and trade pathways among India, the West Asia, and Europe, potentially streamlining transit times and boosting the volume of trade (PIB Delhi, 2024). The ongoing military operations by Israel, the increase in civilian deaths, and the distress in Gaza could diminish global support for Israel, possibly prompting the USA to call for a ceasefire. India often drives the push for sustainable peace that includes backing Israel, its plan to bring back its own citizens from Israel and a pledge to support a two-state solution, highlighting the need to adhere to international humanitarian law and fight terrorism (Najjar, 2024). Striking a balance between backing Palestine and strengthening relations with Israel is crucial for preserving India's strategic interests and alliances in the West Asia (Dash, 2024). India's pro-Arab position has been consistent, with the Indian government trying to maintain a balance in its support for Palestine. India has long supported Palestinian rights in international forums like the UN. However, India prompt denunciation of the October 7 Hamas attack on Israel, during which Hamas fighters infiltrated Israeli cities with rockets targeting both military installations and civilian areas, resulted in the deaths of over 1,000 Israelis (Ramachandran, 2024). This was seen as warming of relations between Israel and India. Subsequently, the choice was made to abstain from the General Assembly's resolution advocating for a humanitarian pause in Gaza (Sharma, 2023). PM Modi stated that 'the people of India stand firmly with Israel in this difficult hour' (Mehrotra, 2023). This acknowledgement by the government was seen by many scholars from the Global North as a shift in India's geopolitical stance towards Israel. However, scholars from Global South argued that India's approach towards the conflict is not something which is in absolute detachment from the cause of Palestine's self-determination. This balanced approach of India towards the conflict was seen in the past as well. Haidar and Bhattacharjee (2023) argue that India has been trying to stay neutral on the issue and not to take sides in the conflict. Post-Hamas attack, India has continued its humanitarian aid policy to Gaza in terms of food, medicine, and basic necessities (DD News, 2023). In response to a recent question in Parliament regarding India's stance on the Israel–Palestine issue, the Indian Ministry of External Affairs conveyed India's stance, that India supports and negotiates for a two-state solution and the establishment of a 'sovereign, independent, and viable State of Palestine within secure and recognized borders, living side by side in peace with Israel' (MEA, 2024). From this, it is clear that India condemns the attack and stands with Israel, although it has not labelled Hamas as a terrorist organisation. The government has urged Israel to exercise restraint, pursue dialogue, and engage in diplomatic efforts while also expressing concern over civilian casualties (Haidar & Bhattacharjee, 2023). This approach of India to the Israel–Palestine conflict illustrates a careful balancing act that seeks to uphold its historical commitment to Palestinian rights while navigating contemporary geopolitical realities. Despite recent criticisms, India remains dedicated to promoting a peaceful resolution through diplomatic means, reaffirming its support for a two-state solution and continuing humanitarian assistance to those in need. India's approach to military organisation has primarily been rooted in the classic strategy of 'Deterrence by Punishment and Threat, cum Capability approach'. This approach contrasts with the modern strategy of 'Deterrence through Denial and Capability' approach (Taneja, 2023). Consequently, the country's borders continue to be unstable, creating a potential for conflict and pressure. This situation is largely due to the lack of a national security strategy and regular strategic security assessments, which have led to a lack of institutional structure. The development of doctrines and military structures cannot happen in isolation. A more thorough approach to deterring a country's aggression extends beyond just defence, including diplomacy and development (Zahra et al., 2023). However, defence is still crucial for deterrence to succeed, and without it, diplomacy and development efforts will collapse. In the current environment of strategic vulnerability, there's a need for a more careful integration of civil and military efforts to plan for future threats and deter them with a strong multi-dimensional capability approach, in the spirit of 'Nation Above All' (Helfont et al., 2023). India, at large, needs to address this significant gap.

Global South's Insights on Resource Conflict Resolution and Peace Building in Israel–Palestine

While there are numerous debates on the solution to the Israel–Palestine conflict, the Global North and Global South countries seem divided. The Israel–Palestine conflict has significant consequences for resource-related conflicts in the Global South. Among the Global South countries, there is also a further division. Some countries have clearly picked a side. For instance, countries in Latin America, such as Bolivia, have cut all diplomatic ties with Israel (Ramos, 2023). Chile has accused Israel of violating international law (Fadul, 2024). Colombia's president has gone a further step and has compared the Israeli president to Neo-Nazis (Phillips, 2023). However, there are also countries that have maintained neutrality, such as India and the Philippines, which have recently abstained from voting for a ceasefire in Gaza (Haidar, 2024a). Collectively, the message is clear that the Global South condemns the attacks going on in Gaza and calls for Palestinian self-determination. There are two reasons for this. First, these countries in the Global South are sympathetic towards Gaza and empathise with it because of their own past colonial histories. Second, these countries in the Global South have numerous other problems, such as poverty, unemployment, access to water, hunger, and access to basic medical facilities, apart from being involved in greater power politics. The Global South particularly regions like Africa and South Asia relies heavily on affordable energy imports from the West Asia. Which leads to economic instability in these Global South regions. There also arises many other resource-related challenges in the Global South countries such as increasing food cost which further amplifies the geopolitical tension. This conflict further raises concerns regarding risks of inequitable resource distribution and potential for militarisation.

Therefore, most of the Global South countries support a ceasefire. Post the October 7 Hamas attack on Israel, many of the Global South countries are seen condemning terror attacks and calling for a solution towards sustainable peace. Countries seem to agree on a possible two-state solution, and this is reflected in their foreign policies towards Israel–Palestine. Brazilian President Lula Da Silva stated his opposition to terrorism in all its forms and advocated for a two-state solution with borders that are mutually agreed upon and recognised internationally (Shidore, 2023). Mexico's foreign ministry condemned the violence directed at the people of Israel, emphasising the importance of restarting direct and sincere negotiations between both sides within the framework of the two-state solution as outlined in UN resolutions (Shidore, 2023). In Africa, Kenya's Foreign Minister strongly denounced the attack and urged both parties to practise restraint and pursue a negotiated settlement (Shidore, 2023). In South Asia, countries regardless of their diplomatic relations with Israel, generally agree that the only feasible option is the establishment of two independent states living in harmony (Poudel, 2023). Similar instances can be found in Singapore, Indonesia, Malaysia, and other Global South countries.

At the International Court of Justice (ICJ), Hamas assumed a central role when the UN General Assembly brought up the subject of unlawful Israeli settlements (Haidar, 2024b). Among the Western nations, many defended Israel's bombardment of Gaza as a 'right to self-defence', while the majority of Global South nations have bid in the ICJ against Israel for its war crimes and argued for diplomatic and dialogue-based solutions to the issue (Haidar, 2024c). Algeria, serving as an elected member of the UNSC, took an active role in formulating resolutions and submitted complaints to the ICC alongside Colombia. Qatar has emerged as a significant mediator, and Saudi Arabia has acknowledged the creation of a Palestinian state based on the 1967 borders, with East Jerusalem designated as its capital. These actions of the Global South countries show their interest in providing a sustainable solution to this conflict. As the situation continues to escalate, the proactive stance of the Global South will play a crucial role in shaping future diplomatic efforts and fostering cooperation in the region.

Conclusion

The latest development in the conflict between Israel and Palestine has plunged the region into an unsafe and hazardous stage. This conflict between Israel and Palestine has caused significant loss of life and widespread suffering on both sides, with the potential for more violence threatening the harmony of both the regions and the world as a whole. India must absorb insights to strengthen deterrence and promote a peaceful resolution. It must find a balance between advancing its interests and maintaining its status as a key player in West Asia. Diplomatically, maintaining the status quo is challenging for India, but the country can leverage this role to promote a peaceful resolution based on its two-state solution theory. With China emerging as a significant player and peace being fragile in West Asia, India needs to carefully manage its relationships with Israel and Arab countries to secure its position as a critical regional player. India can further use its global reach to return to the negotiating table. It should extract the correct diplomatic lessons from these conflicts and encourage participation on both sides at multiple scales. On the other hand, India's strategic balance in trade and politics with Israel and Palestine showcases a sophisticated strategy designed to protect its economic and geopolitical interests while pushing for peace and stability in the region as well. By building solid trade connections and defence partnerships with Israel, India has enhanced its technological and security strengths. At the same time, keeping diplomatic relations and backing the Palestinian cause helps India to maintain its long-standing dedication to neutrality and its support for emerging countries. This two-pronged strategy highlights India's efforts to manoeuvre through intricate global situations, striking a balance between practical economic goals and ethical political positions. India's stance emphasises the need for a comprehensive foreign policy that seeks to mend divides and encourage dialogues, aiming for peaceful conflict resolutions while advancing its national interests on the international stage.

Therefore, the narratives and viewpoints from the Global South play a crucial role in resolving the conflict and developing more inclusive and effective peacebuilding strategies. By including a variety of voices and experiences from these areas, one can question the prevailing norms and bring forward creative solutions that are culturally stable and sustainable locally. Acknowledging the distinct socio-political environments and indigenous knowledge systems of the Global South not only strengthens local communities but also deepens the global conversation on conflict resolution. Ultimately, this broadened outlook promotes a fairer and more collaborative approach to secure enduring peace globally.

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5 Israel–Palestine Conflict's Global Reach

Impact on Developed Economies

Meenu Sharma

Introduction

The financial markets of Palestine, Israel, and Jordan, as well as the links among these markets, are impacted daily by the Israeli–Palestinian conflict. In a VECM-MGARCH model, an exogenous variable called a violence index is constructed. The three markets' equilibrium relationship is generally maintained by changes in the Jordanian and Palestinian stock markets and is unaffected by spikes in violence. Although it has no direct effect on the stock markets in Israel or Jordan, a spike in violence has short-term adverse effects on the Palestinian stock exchange (Hassouneh, 2018). Two analogies serve as a good summary of the politics of comparison in the Israel–Palestine conflict. Israel and its supporters have employed the "Holocaust-Hitler analogy" to depict Israel as a nation under attack from Nazi sympathizers who want to destroy it because it is the ancestral home of the Jewish people. In the second, Palestinians are portrayed as the victims of settler-colonialism and racism by drawing comparisons between the war and South Africa during the Apartheid era (Turner, 2019). Resolution 2334 of the UN Security Council essentially ends the conflict between Israel and the Palestinians. To put it simply, this resolution calls for the relocation of Israeli settlements, the annexation of settlements, the transfer of Palestinian populations, and the demolition of buildings. The promotion of peace and the lowering of tensions in the area are the resolution's primary goals. UN Security Council Resolution 2334 indicates a human security approach since it requires Israel and Palestine to follow international humanitarian law, the International Court of Justice's finding, the Quartet Roadmap, and other prior decisions. Conventions, treaties, and agreements stated above are all meant to safeguard citizens' financial, dietary, healthcare, academic, professional, civic, and political freedoms.

Nevertheless, this agreement had several problems, and Israel frequently disregarded it (Putra, 2024). Activities carried out since 1948 have had a significant negative impact on the Palestinian environment. The activities that have an impact on the environment and public health are as follows: before disputes (learning sites, bases for troops, military setups), during conflicts (use of various arms, contamination, changing ecosystems), and after disputes (unexploded firearms, drinking water contamination, destroyed surroundings). Corrective action needs to be taken

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in situations of prolonged warfare, like the Palestine–Israel conflict (Qumsiyeh, 2024). Long-term peace processes impact identity construction and depictions of the "other" in the Israeli–Palestinian conflict, which has lasted from the end of the 19th century to the present (Aktan, 2024). Rising global crude oil prices are one of the most significant risks resulting from the escalating Hamas–Israel standoff. Middle Eastern conflicts are located geographically adjacent to nations that produce oil, if something goes wrong with the distribution or supply of oil from this region. A substantial increase in oil prices in a short period could shock the market and the impact on the economy as a whole. In the initial article of the preamble to the 1945 Constitution, the Indonesian government takes on an explicit geopolitical position, becoming the fifth of the four countries presently spearheading the endeavor to keep the Middle East peaceful. Their job is to bring peace to the world by establishing a fresh setting free of disputes over authority and by exercising clear and defined power over economic operations to propel the Palestinian economy into more significant development and progress (Yulivan, 2024). Using the tools of its Foreign and Security Policy (EUFSP), the European Union (EU) has attempted to settle the Israel–Palestine conflict over the years, with the "two-state solution" acting as the central pillar for the resolution of the dispute. This strategy has been ineffective due to internal disagreement, regional disintegration, and multipolar rivalry at the EU level. The EU has implemented several measures to lessen the effects of contextual limitations.

These tactics include the pursuit of multilateralization through its expanding membership in the Quartet and other multilateral structures, selective involvement as an operational measure through its trade ties with both actors and humanitarian assistance policies, and delegation as an institutional measure through its missions under the global safety and defense policy. Despite the EU's mitigating efforts, the three contextual restrictions persist because of intra-regional sensitivities, divergences, and violent conflicts; Israel also keeps occupying Palestinian areas that are protected by the USA (Akgül-Açıkmeşe, 2024). Since the creation of the two ethnic groups in this region, Palestine, an earlier land occupied by both Jews and Arabs, has been the source of dispute. Because of this hatred, the Middle East has seen a multilateral war emerge over time. National and theological factors are manifested in three continuing disputes: Arab–Israeli, Israeli–Palestinian, and theological. Intercommunal miscommunications between Arabs and Jews triggered the first social conflict in the British-mandated territory of Palestine. It subsequently spun out of control, sparking additional battles between Israel and Arab states, as well as an open armed conflict between Israel and Palestine.

In addition, the religious conflict that has persisted alongside the other two concerns the equal claims of Jews and Muslims to Jerusalem and the entirety of this historical region (Atanasiu, 2021). There is a serious humanitarian catastrophe in the Gaza Strip (Palestine) as a result of the protracted Israel–Palestine war, which has once again increased. The conflict in the Gaza Strip (Palestine) is putting a great deal of stress on the region's medical system; as a consequence, healthcare facilities are overrun, medical facilities are scarce, and medical workers are up against many obstacles. Moreover, defenseless people, particularly children, suffer the most significant impact of the clash, resulting in high mortality rates and substantial trauma. There are strong pleas for an immediate ceasefire, civilian protection, and the delivery of humanitarian aid. Lastly, it is stressed how important it is to approach these problems from an unbiased scholarly perspective to promote a more thorough comprehension of complex conflict. There is no denying the terrible effects of the prolonged conflict on public health in the Gaza Strip (Palestine). Quick action is needed to stop crimes against humanity, save innocent lives, and help healthcare professionals. Beyond political divides and historical grievances, an objective assessment of the numerous causes at play is required (Ben Saad, 2023).

The increasing popularity of "During Conflict Justice" in regions where violent "conflict" persists has further illustrated the convergence of liberal peace-building strategies and transitional justice. This is never more apparent than in the case of Palestine–Israel, where Israeli settler-colonialism in historic Palestine is still in progress, further drawing attention to long-standing and unsolved "justice" issues. To guarantee that the discourse on decolonization is implemented, a radicalization of the application of "During Conflict Justice" is required. It achieves this by questioning the discourse's influence, particularly the way the "conflict" is framed, and by highlighting the dangerous role played by a liberal peace-building agenda in Palestine–Israel. This process has solidified a profoundly unfair and unequal status quo. A thorough understanding of the various "top-down" and "bottom-up" tactics used by "During Conflict Justice" in Palestine and Israel is given. According to Browne (2021), any "During Conflict Justice" practice that does not foster meaningful dialogue about the region's decolonization will ultimately amount to the individualization of "justice" while ignoring the causes. While Israel has seen disruptions in certain areas, such as construction, Palestine has faced severe economic issues compounded by several causes. According to the Economic Peace Leverage Theory, financial tools can promote harmony and reduce violence. Drawing on historical antecedents such as South Africa's anti-apartheid campaign, the worldwide Boycott, Divestment, and Sanctions movement tries to influence Israel's conduct against Palestinians. These goals are consistent with the ideas of the Economic Peace Leverage Theory. Even with Israel's strong economy, boycotts, Divestments, and Sanctions are symbolic and shape perceptions around the world. The actual effect of Boycott, Divestment, and Sanctions is not so much in Israel's economic losses as it is in its perception-influencing power. International collaboration is essential to maximizing Economic Peace, leveraging Theory's potential, and resolving the fundamental issues raised by the Boycott, Divestment, and Sanctions movement. Such cooperation can open the door to long-term prosperity and peace in the area (Fahlevi, 2023).

Economy of Israel and Palestine

The most recent figure for Palestine's GDP per capita was US$2,859.92 in 2023. Palestine's GDP per capita equals 23% compared to the global average. Between 1994 and 2023, Palestine's GDP per capita averaged US$2,554.15, peaking at

US$3095.50 in 2022 and falling to a record low of US$1,836.97 in 2002. Palestine Monetary Authority is the source. During 2023, Palestine's current account deficit was 16.70% of its GDP. From 1998 to 2023, Palestine's current account of GDP averaged −16.96% of GDP; it peaked in 2007 at −8.10% of GDP and fell to a record low of −34.95% of GDP in 1999. In September 2024, Palestine's exports dropped from US$136.90 million in August to US$124.70 million in September. Palestine's exports averaged US$66.85 million between 2001 and 2024, with a record low of US$15.92 million in April 2002 and a record high of US$158.30 million in December 2021. Foreign direct investment in Palestine increased by US$3,259 million in the second quarter of 2024. Between 2008 and 2024, it averaged US$2,616.59 million; it peaked at US$3,387.00 million in the first quarter of 2023 and fell to a record low of US$892.90 million in the fourth quarter of 2008. Palestine's imports dropped from US$638.20 million in August 2024 to US$556.50 million in September. Between 2001 and 2024, Palestine's imports averaged US$366.48 million, with a record low of US$82.71 million in April 2002 and a record high of US$750.60 million in November 2022. October 2024 saw a 4.20% increase in Palestine's industrial production over the previous month.

Palestine's industrial production increased by 3.29% in October 2024 compared to the previous year. From 2012 to 2024, it averaged −9.84%; it peaked in December 2021 at 14.13% and fell to a record low of −29.77% in June 2024.

Following a 35% decline in the previous quarter, the Palestinian economy declined 32% year over year in Q2 2024. This was the third consecutive quarter of a significant contraction, driven by an 86% drop in output in the Gaza Strip following Israel's invasion of the area in October 2023. Additionally, the West Bank's GDP decreased by 22%. Every economic activity saw a decline, including wholesale and retail commerce (−28%), construction (−49%), agriculture (−29%), and industry and utilities (34%). Primarily due to the continued Israeli assault, Palestine's annual inflation rate increased for the fourth consecutive month, reaching a new record high of 88.93% in November 2024 from 70.4% the month before.

Food and non-alcoholic drinks accounted for 121.01% of the rising pressure, followed by alcoholic drinks, tobacco and drugs (786.74%), clothing and footwear (26.54%), housing and utilities (23.56%), health (20.02%), and transportation (16.81%). Consumer prices increased by 14.75% every month in November 2024 after increasing by 9.2% the month before. Palestine's inflation rate rose from 70.40% in October 2024 to 88.93% in November. Between 1998 and 2024, Palestine's inflation rate averaged 4.67%; it peaked in November 2024 at 88.93% and fell to a record low of −2.42% in August 2020.

In the third quarter of 2024, Israel's GDP shrank by 0.98% compared to the decade before.

In November 2024, Israel's core consumer prices rose 3.43% compared to the previous month. From 2007 to 2024, Israel's core inflation rate averaged 6.13%; it peaked in August 2007 at 79.90% and fell to a record low of −0.70% in July 2017.

After stabilizing at 3.5% for two months, Israel's annual inflation rate decreased somewhat to 3.4% in November 2024, falling short of the 3.6% market prediction. Prices for transportation and communication (2.1% vs. 2.5%), education, culture, and entertainment (2.7% vs. 3.7%), and food, including fruits and vegetables (4.7% vs. 5.7% in October), moderated.

In contrast, housing expenses rose more quickly (4.1% vs. 3.5%), while other goods and services expenditures climbed more quickly (6.8% vs. 6.7%). Consumer prices fell 0.4% every month in November 2024 after increasing by 0.5% the month before, more than the 0.2% decrease the market had anticipated. In October 2024, Israel's trade deficit increased from US$2.52 billion to US$2.72 billion. Increased purchases of consumer products (+22.9%), raw materials (+9.3%), and investment goods (+8.8%) drove a 9% increase in imports to US$7.62 billion. Forty-five percent of imports were raw materials (not including gasoline and diamonds), 27% were consumer items, 15% were machinery and equipment, and 13% were vehicles, fuels, and diamonds.

Exports rose 9.7% to US$4.9 billion, driven by increases in manufacturing (+ 14.7%), wholesale diamonds (+7.4%), and agricultural commodity sales (+9.1%). Exports of diamond works, however, decreased by 49%. Ninety-five percent of the exports comprised mining and manufacturing (not including diamonds), 4% were diamonds, and 1% were related to forestry, fishing, and agriculture.

Israel's external debt rose from US$1,41,227.60 million in the second quarter of 2024 to US$1,47,058.80 million in the third quarter. Between 1980 and 2024, Israel's external debt averaged US$71,147.55 million, with a record low of US$18,963.00 million in the first quarter of 1980 and a record high of US$1,64,329.50 million in the first quarter of 2022.

Israel's industrial production increased 5.40% in September 2024 compared to the previous year. From 1960 to 2024, it averaged 5.68%; it peaked at 62.70% in June 1968 and fell to a record low of −29.20% in June 1967.

In November 2024, Israel's seasonally adjusted unemployment rate increased to 2.7% from an upwardly revised 2.6% the month before. The labor force participation rate rose from 62.6% in October to 62.7%. The employment rate, meanwhile, remained constant at 61.0%.

After stabilizing at 3.5% for two months, Israel's annual inflation rate decreased somewhat to 3.4% in November 2024, falling short of the 3.6% market prediction. Prices for transportation and communication (2.1% vs. 2.5%), education, culture, and entertainment (2.7% vs. 3.7%), and food, including fruits and vegetables (4.7% vs 5.7% in October), moderated. In contrast, housing expenses rose more quickly (4.1% vs. 3.5%), while other goods and services expenditures climbed more quickly (6.8% vs. 6.7%). Consumer prices fell 0.4% every month in November 2024 after increasing by 0.5% the month before, more than the 0.2% decrease the market had anticipated.

Economic Impact of the Israel–Palestine Conflict

During such conflicts, vital marine channels that support substantial global trade, such as the Red Sea and the Suez Canal, become especially susceptible. These highways connect the East with the West; therefore, their critical placement means that any instability might significantly impact the economy. In 2020, almost 50 ships were passing through the Suez Canal alone each day, demonstrating the enormous effect that any disruption may have on world trade. The conflict-related ship rerouting impacts global supply networks and commercial activities, lengthening transit times and raising shipping prices (Rovnick et al., 2023).

The Israel–Palestine conflict is a big worry in the energy markets because of the Middle East's strategic importance as a key oil supplier. Oil prices frequently rise in response to regional escalation because of concerns about supply disruptions. For example, after recent increases, Brent crude futures had a sharp increase, approaching $89 per barrel. These increases impact global markets, raising inflation and leading to economic instability (Nadig, 2023). Because the disagreement raises the possibility of reduced trade, tighter financial conditions, and a decline in consumer confidence, this is especially worrisome for economies like Europe. According to Goldman Sachs, after a year, even a consistent 10% increase in oil prices may lower the real GDP of the Euro area by roughly 0.2% (Smith, 2023a). Emerging markets are more at risk economically because of their increased susceptibility to energy price shocks and the higher proportion of energy in their consumer price index (Smith, 2023b). To lessen the conflict's adverse effects on international trade, the international community must respond to it through diplomatic measures and coalition building. The recent changes in geopolitical alliances and the "deglobalization" movement make these attempts more difficult. Additional obstacles to preserving stable commercial connections and economic growth arise from the conflict's ability to hasten global realignment (Bianchi, 2023). The length of the conflict and the success of international reaction efforts will have a significant influence on how the Israel–Palestine conflict develops in the future and how it affects world trade.

Financial market responses have been mild over the last two weeks, with a slight widening of spreads and a very slight drop in global stock prices. In contrast to their tendency to fall when risk-off sentiment increases, U.S. long-term interest rates have increased, perhaps due to worries that rising oil prices may increase inflationary pressures and necessitate tighter monetary policy. However, a broader and more intense confrontation may lead to a more negative response from the financial markets. Amid a historic humanitarian crisis in the Gaza Strip, the Palestinian territories are on the verge of economic collapse, 11 months into the Middle East conflict. According to official estimates, the first quarter of 2024 saw the most significant economic recession in the history of the Palestinian territories, with a real GDP decline of 35%. The fighting has caused Gaza's economy to decline by an astounding 86% in Q1 of 2024, bringing it dangerously close to complete collapse. The Strip is in a severe recession due to the near-complete halt of economic activity; its contribution to the Palestinian economy has fallen from 17%, the average in prior years, to less than 5%.

Concurrently, the West Bank economy shrank by 25% in Q1-2024, with the most significant drops occurring in the manufacturing, trade, services, and construction sectors. An estimated 40,000 people have died, and 30,000 have suffered serious injuries as a result of the devastating effects. Widespread food hunger, acute shortages of gasoline, water, and medical supplies, and the breakdown of service delivery have resulted from the ongoing fighting and closures that have blocked the entry of necessary goods into the Strip. More than 37,000 Palestinians have been killed as a result of Israel's attack as of July 2024. When indirect mortality from food and water shortages or damaged healthcare infrastructure is considered, this figure may increase to more than 186,000. Eighty percent of Gaza's population has been relocated, and 70% of its homes have been damaged. While Belgium, Canada, Italy, Japan, the Netherlands, and Spain have chosen to stop the arms trade, Turkey has responded by suspending commerce. In Europe, the governments of Spain, Ireland, and Belgium have openly supported the imposition of trade restrictions. The matter has also been brought up in the Foreign Affairs Council of the EU.

Impact of the Israel–Palestine Conflict on Developed Economies

Oil prices experienced a sharp increase during the start of the Yom Kippur War, rising by an astounding 300%. Nonetheless, it is improbable that a comparable situation will materialize in the current setting. The geopolitical environment has changed since 1974, notwithstanding Israel's long-standing hostilities with Arab countries. According to Reuters, oil prices increased by more than 2% to surpass $92 on October 18, 2023, a 7.5% increase over the previous week. This was a relatively mild increase. If the crisis persists, its impacts will likely be more noticeable in countries that deal directly with Israel. These nations, which include the USA, Canada, EU member states, Mexico, European Free Trade Association (EFTA) members, Turkey, and the Mercosur bloc, might face more significant economic repercussions. Indirect consequences, such as shifts in oil prices and uncertainty in the global economy, may nevertheless affect other countries with fewer direct economic ties to the area. Since the crisis started, the Red Sea trade has been struggling, which has led to a discernible increase in shipping prices. Trade between Europe and Asia was disrupted because ships deliberately avoided the Suez Canal. "The global economy could face severe repercussions" if the conflict extended to Iran or other major Middle Eastern oil-producing countries. A significant increase in energy expenses for individuals and companies could result from disruptions in the energy supply from these areas.

With 28% of its exports and 12% of its imports, the USA is Israel's top commercial partner. With $18,623 million in 2022, the USA was Israel's largest export partner. With $4,631 million in 2022, China ranked Israel's third-largest export partner. With $3,354 million in exports, India ranked Israel's fourth-largest export partner in 2022. With $3,121 million, the UK ranked as Israel's fifth-largest export partner in 2022. Germany, Belgium, the Netherlands, and Hong Kong are other nations that trade with Israel. Mineral fuels, oil, and uncut diamonds are Israel's top imports. Cut diamonds, pearls, valuable metals and stones, electrical and mechanical equipment, and appliances are among its top exports. With about $13.98 billion in U.S. exports in 2023, Israel ranked as the 27th largest export destination. Transportation equipment ($1.85 billion), chemicals ($1.36 billion), non-electrical machinery ($1.09 billion), computer and electronic products ($2.51

billion), and other manufactured goods ($3.92 billion) are the top U.S. exports to Israel.

In 2023, the USA imported $20.82 billion from Israel. Part of the total was $6.63 billion from miscellaneous manufactured commodities, followed by $45.46 billion from computer and electronic items, $2.43 billion from chemicals, $1.49 billion from non-electrical machinery, and $728 million from plastics and rubber products. Israel was California's largest export partner in 2023, with $1.68 billion in exports. With almost $654 million, California's top export category is miscellaneous manufactured commodities. Transportation equipment ($135 million), non-electrical machinery ($147 million), computer and electronic items ($368 million), and electrical products, appliances, and components ($101 million) are other significant export categories to Israel.

In 2023, California imported $1.79 billion worth of goods from Israel. Miscellaneous manufactured commodities, including computer and electronic products, accounted for $191 million and $1.09 billion, respectively.

U.S. direct investment in Israel was $45.9 billion in 2023. Israel invested about $10.3 billion in the USA through foreign direct investment. In 2022, $1.4 billion was spent on research and development, and 35,900 jobs were supported by Israeli foreign direct investment in the USA. Additionally, $1.2 billion in Israeli foreign direct investment (FDI) helped boost U.S. exports. Israel is California's nineteenth-largest FDI source through foreign-owned companies (FOEs). Through 139 businesses, Israeli FOEs in California created 8,014 employees in 2023, paying $939 million in compensation (World Trade Center Los Angeles FDI Report).

According to a Rhodium Group report, China made 187 transactions totaling over $10.8 billion in investments in Israel between 2010 and 2017, with acquisitions primarily in the tech sector. According to Rhodium data, China has only invested $1.3 billion in the years afterward. The American Enterprise Institute reports that Chinese investment abroad decreased by 48% overall during the same period. According to data from the Israeli Central Bank, the trade in commodities other than diamonds between China and Israel, including Hong Kong, declined by 17% in 2023–the most significant drop in 10 years. However, it was up 6% year over year through August 2024. Diamonds, a disproportionate export of 40% of Israeli exports to Hong Kong last year but only 3% of shipments to mainland China, are frequently left out of Israeli trade statistics. From January to August 2024, trade with Israel decreased 9.3% year over year, according to China's customs bureau.

Israel's exports to the USA totaled about $1.4 billion in June 2024, compared to approximately $786 million for U.S. exports to Israel. Israel's trade balance with the USA remained positive during the observation period. In the first quarter of 2024, Israel's imports and exports started to rebound internationally following a period of decline.

The ongoing war hampered the U.S. and EU's efforts to compete with China in the South, Indo-Pacific, and West Asia. Since the war impeded the success of the EU's Global Gateway and India–Middle East–Europe Economic Corridor which are counter corridors to the Belt and Road Initiative (BRI), China has an edge in BRI projects and efforts. China deliberately portrays itself as a global force in the Global South, particularly West Asia, in contrast to the USA and the EU through programs like the BRI.

Methods or Ways to Minimize the Effects of the Israel–Palestine Conflict on Developed Economies

Fadle M. Naqib describes a relationship between two distinct economies in which the policies of the larger economy maintain the smaller economy, reliant and weak. The way the labor market functions best captures the dynamic of this interaction. The primary determinant of the economic links between the two countries since the start of the occupation has been the employment opportunities available to Palestinians in Israel. The imbalance, which could be referred to as the separation costs, makes the relationship between Israel and the Palestinians insecure and needs to be fixed if faster economic growth is to occur. From the Palestinian perspective, this calls for the total elimination of any actions that distort the relationship to Israel's advantage and exacerbate its polarizing consequences. It also necessitates a new configuration in which authority and responsibility balance perfectly. The people who can grant business licenses ought to regulate cross-border trade and the flow of capital, labor, and goods. A clear and well-defined authority over economic activity and a new environment free from conflicts over sovereignty can significantly advance the Palestinian economy's development and growth. In addition to recognizing the need for the Palestinian economy to take appropriate precautions to guard against dependence upon one significant trading partner, such a novel and supportive environment would serve to forge new economic ties between the two economies and allow for the potential for complementarity and rationalization (Naqib, 2015). According to the UNCTAD study evaluation, more significant efforts will be required to bring Gaza and the occupied West Bank back together under a single national government on the political, administrative, fiscal, economic, and social fronts. As an essential component of a workable two-state solution, Gaza is and should continue to be a part of a future Palestinian state. By providing consistent political, technical, and financial support, the international community should play a significant role in enabling the long-overdue reunion (UNCTAD, 2024).

Conclusion

In conclusion, the Israel–Palestine conflict has significant effects on international trade that go well beyond its regional roots, especially in the vital areas of supply chain stability and energy security. Maintaining global economic stability and ensuring that international markets run smoothly depends on comprehending and resolving the conflict's effects on commerce.

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6 Multilateral Diplomacy and International Mediation

A Way Forward

Beena

Introduction

The Gaza War, triggered by the Hamas attack on Israel on 7 October 2023, and the subsequent large-scale Israeli military aggression in Gaza, has not only brought renewed attention to the persistent Israeli–Palestinian conflict but has also highlighted the shifting dynamics of global politics in the 21st century. This conflict, much like the ongoing Russia–Ukraine war, underscores how the international system has transitioned from the ideological rigidity of the Cold War era to a more fluid and transactional landscape characterised by multipolarity. Unlike the bipolar framework of the Cold War, where alignments were largely shaped by ideological affiliations with either U.S.A or the Soviet Union, today's geopolitical alignments are driven by pragmatic calculations of national interest, economic interdependencies, and regional stability.

In this evolving multipolar order, states are no longer bound by ideological loyalties or historical alliances, resulting in unpredictable alignments and diverse, unconventional policy positions. For instance, during the Gaza War, countries traditionally aligned with either Israel or Palestine have exhibited a broader spectrum of stances, reflecting internal domestic pressures, geopolitical ambitions, or economic concerns. Some nations, like Turkey and Qatar, have condemned Israel's actions and advocated for the rights of Palestinians, whereas others, including U.S.A and several European Union countries, have reinforced their unequivocal support for Israel's right to self-defence. Meanwhile, countries in the Global South, such as India and Brazil, have adopted more nuanced positions, calling for de-escalation and dialogue while refraining from outright condemnation of either side, reflecting their increasing emphasis on strategic autonomy.

The Russia–Ukraine conflict has offered a parallel example of this shifting geopolitical landscape. During that war, the clear ideological divisions of the Cold War gave way to a broader array of state behaviours. While U.S.A and European allies rallied behind Ukraine with military and economic aid, many countries in Asia, Africa, and Latin America opted for neutrality, citing economic dependencies on both Russia and the West. These neutral or non-aligned positions have often been labelled as transactional, with states prioritising domestic economic concerns, energy security, and trade partnerships over moral or ideological commitments.

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The multipolar nature of the current global system fosters such transactional diplomacy, where cooperation between unlikely partners is increasingly common. For example, India, despite its historical ties to Palestine, has recently deepened defence and economic relations with Israel, while also emphasising its support for a two-state solution. Similarly, Saudi Arabia and the Gulf states, once staunch advocates for Palestinian statehood, have begun engaging in normalisation talks with Israel, driven by shared concerns about Iran's regional influence and the potential economic benefits of collaboration. These developments illustrate the diminished role of ideological unity and the rise of strategic pragmatism in shaping foreign policy.

Furthermore, the erosion of ideological blocs has empowered middle powers and regional actors to assert themselves more independently in global crises. Countries like Turkey, Qatar, and the United Arab Emirates (UAE) have played significant mediatory roles in the Gaza conflict and other international crises, leveraging their strategic geographic positions and economic resources. These states have taken advantage of the multipolar system to carve out roles as influential brokers, balancing relationships with major powers while advancing their regional interests. Similarly, non-state actors, including international organisations and transnational advocacy groups, have grown in prominence, pushing for humanitarian interventions, ceasefires, and long-term solutions to such conflicts.

The transactional nature of today's international relations has also led to unconventional alliances. For instance, during the Gaza War, Russia and China—countries with little direct stake in the Israeli–Palestinian conflict—have used the situation to criticise Western powers and position themselves as champions of a more balanced global order. Russia, embroiled in its war in Ukraine, has accused U.S.A of hypocrisy in its foreign policy, while China has framed itself as a potential mediator, calling for de-escalation and negotiations. These moves reflect how great powers increasingly use regional conflicts as opportunities to challenge the influence of their geopolitical rivals and project their visions of global leadership.

Ultimately, the Gaza War and the broader trends it reflects indicate that the international system is becoming more fragmented yet interconnected. As the ideological binaries of the past give way to a more transactional and pragmatic world order, the need for innovative diplomatic approaches, multilateral engagement, and inclusive conflict resolution mechanisms becomes more pressing. The challenges posed by this evolving landscape—ranging from balancing competing interests to addressing the humanitarian crises exacerbated by such conflicts—highlight the urgency of adapting international institutions and processes to meet the complexities of the 21st century.

Multilateral Diplomacy

Multilateral diplomacy has a rich history that dates back to the Treaty of Westphalia in 1648, an agreement that ended the Thirty Years' War in Europe and introduced the principle of state sovereignty. This treaty marked the foundation of modern international relations, establishing that states should have control over their internal affairs without external interference. By codifying the concept of sovereignty, the Treaty of Westphalia created the groundwork for nations to engage in diplomacy on equal footing, a principle that remains central to multilateralism today (DIPLO, n.d).

One of the earliest examples of formalised multilateral diplomacy was the creation of the League of Nations after the First World War in 1920. The League represented an ambitious attempt to maintain peace and prevent future conflicts through collective security and cooperation. While it ultimately failed to prevent the outbreak of the Second World War due to its inability to enforce decisions and the absence of major powers like U.S.A, the League set a precedent for multilateral institutions. Its legacy was carried forward by the establishment of the United Nations (UN) in 1945, which became the cornerstone of modern multilateral diplomacy.

In the context of the Israel–Palestine conflict, multilateral diplomacy has played a pivotal role in bringing together diverse stakeholders, including states, international organisations, and non-state actors, to address the ongoing crisis and seek sustainable solutions. From the post-Second World War period to the present, multilateral diplomacy has undergone significant evolution, reflecting both its challenges and its resilience in the face of shifting global power dynamics (Berridge, n.d.).

Following the Second World War, the expansion in the number of independent states and the establishment of the UN created a fertile ground for multilateral diplomacy. Newly independent nations, many from the Global South, viewed the UN and its conference-based diplomacy as an effective platform for amplifying their voices and influencing global issues, including the Israel–Palestine conflict. The UN General Assembly, with its majority-voting system, became a stage for advocating Palestinian rights, leading to landmark resolutions such as UN General Assembly Resolution 181 (1947), which proposed the partition of Palestine, and Resolution 3236 (1974), which recognised the Palestinian people's right to self-determination.

However, as the influence of the Global South grew within multilateral forums, major Western powers began to reassert their dominance. By the 1980s, mechanisms such as "consensus decision-making" emerged, allowing these powers to limit initiatives they opposed, particularly those concerning the Israel–Palestine issue. This was a period when U.S.A, a staunch ally of Israel, withheld funding from UN agencies like UNESCO due to their perceived anti-Israel bias. These actions led to disillusionment among poorer states, especially those advocating for Palestinian rights, and created a crisis for multilateralism. Kishore Mahbubani, a senior Singaporean diplomat, aptly observed that fewer states were willing to send their best diplomats to multilateral platforms, reflecting the declining appeal of such mechanisms during this period.

Despite these challenges, multilateral diplomacy remains central to the Israel–Palestine conflict, offering a platform for dialogue and cooperation. The UN continues to play a crucial role through agencies like the UN Relief and Works Agency for Palestine Refugees (UNRWA) and the efforts of the UN Special Coordinator for the Middle East Peace Process. Multilateral frameworks like the Oslo Accords

(1993) and the Quartet on the Middle East (comprising the UN, U.S.A., the European Union [EU], and Russia) demonstrate how collective efforts can drive negotiations, even if such initiatives have faced significant setbacks over time.

Moreover, the rise of regional organisations has added another layer to multilateral diplomacy in the conflict. The Arab League, the Organization of Islamic Cooperation (OIC), and the African Union have consistently supported Palestinian statehood and highlighted Israeli policies in multilateral forums. The OIC has frequently coordinated resolutions at the UN to bolster the Palestinian cause. Similarly, the EU, as a significant actor in multilateral diplomacy, has sought to mediate and provide economic support for conflict resolution, though its role is often constrained by internal divisions among member states.

In the current geopolitical climate, the relevance of multilateral diplomacy in the Israel–Palestine conflict is amplified by its ability to bring together diverse perspectives and foster dialogue. Even with its limitations—such as the dominance of powerful states, the politicisation of issues, and frequent deadlocks—multilateral diplomacy remains an indispensable tool for addressing the complexities of the conflict. While it has weathered periods of crisis, as Mahbubani noted, it has emerged more streamlined and pragmatic, adapting to the challenges of a multipolar world.

International Mediation

Mediation is a common method used to resolve conflicts in various situations, such as personal disagreements like divorce, workplace disputes, or even peace negotiations between warring nations. It involves a neutral third party who helps the conflicting sides communicate and work towards a solution. The mediator's main role is to assist the parties in reaching an agreement without imposing any decisions. Wall and Standifer (2001) define mediation as "assistance to two or more interacting parties by third parties who (usually) have no authority to impose an outcome" (Wall & Standifer, 2001). This definition emphasises that mediation is voluntary for everyone involved, and the mediator does not have the power to enforce a resolution. In the Israel–Palestine conflict, mediation has been a critical yet challenging tool, with efforts often hindered by deep mistrust and power imbalances. While various international mediators have stepped in, the lack of progress highlights the complexities of achieving a lasting peace.

Mediation's voluntary nature can sometimes make it difficult to apply in certain situations. Not all parties involved in a conflict are willing to consider mediation as a way to resolve disputes. For example, governments dealing with rebel uprisings often reject mediation proposals, opting instead to handle the issue on their own terms. Similarly, stronger parties in international conflicts may avoid third-party involvement, viewing mediation as either unnecessary or unfavourable to their interests. In the Israel–Palestine conflict, mediation efforts often face similar challenges. Israel, as the more powerful party, has frequently resisted external mediation, while the Palestinians struggle to find mediators who can address their concerns with neutrality and fairness. For instance, India has consistently opposed mediation attempts in its disputes with Pakistan over Kashmir. Likewise, major global powers often prefer to manage their conflicts independently, avoiding outside interference.

Given this voluntary nature, both sides in a conflict must believe they have something to gain by agreeing to mediation. The potential benefits could include an end to violence, a resolution to the conflict, or even smaller, more specific gains that are unrelated to achieving a full settlement. At times, disputants may agree to mediation not because they expect an immediate resolution but because they wish to maintain a good relationship with the mediator or to buy time. For example, a party may use mediation as a strategic delay to strengthen its position, improve its battlefield prospects, or prepare to impose a more favourable settlement later (Richmond, 1998).

Mediators play an active and structured role in the conflict resolution process, distinguishing their involvement from other forms of third-party engagement. Unlike advisers who assist only one side in a dispute or public commentators who offer general recommendations, mediators are directly involved in managing the conflict. Their role may vary—from facilitating negotiations to proposing potential settlement terms. A mediator might also use their influence and resources to push the parties towards an agreement. This active role underscores the mediator's importance in the process of resolving disputes.

Definitions of mediation often emphasise its dynamic nature. It is more than just a formal role—it involves altering the interactions and bargaining dynamics between the conflicting parties. Zartman (2008) describes mediation as "a mode of negotiation in which a third party helps the parties find a solution which they cannot find themselves." Similarly, Bercovitch et al. (1991) describe it as "a process of conflict management where disputants seek the assistance of, or accept an offer of help from, an individual, group, state, or organisation to resolve their differences without resorting to physical force or legal authority." This broad definition reflects the diverse range of activities that mediation encompasses, from providing a neutral forum for discussion to directly influencing the terms of a potential settlement. Mediators, therefore, play a critical role in conflict management, leveraging their resources and expertise to help parties navigate towards resolution.

One of the key limitations of many definitions of mediation is their lack of detail on how mediators influence conflict resolution. While these definitions often highlight that mediators assist conflicting parties in reaching a settlement, they do not explain the specific mechanisms by which third parties achieve this. Bercovitch (2002) sheds light on this by emphasising that mediators bring about changes in conflicts by altering the perceptions or behaviours of the disputing parties. This ability to encourage change is a vital aspect of mediation. Mediators often use various methods to guide parties towards a resolution. These methods include encouraging agreement, persuading parties to reconsider their positions, offering incentives or imposing sanctions to shift bargaining dynamics, and proposing new ideas for settlement terms. As such, the involvement of a mediator significantly impacts how the disputing parties interact, often transforming the dynamics of the conflict in meaningful ways.

An important expansion of mediation's definition involves considering the neutrality of the mediator. Neutrality refers to the mediator's impartiality and their political or personal detachment from the disputing parties. Kochan and Jick (2011) define mediation as "a process in which a neutral party attempts to get the direct participants to reach a voluntary agreement." Neutrality in this context means that the mediator does not favour one side over the other and lacks any vested interest in the outcome of the dispute. This principle of neutrality is particularly important in building trust between the disputing parties and the mediator. For instance, in the UN's mediation during the civil war in Tajikistan, the organisation acted as a neutral party. This neutrality allowed the UN to gain the trust of both sides, facilitate better communication, and suggest areas where agreements could be reached. This example underscores how neutrality can strengthen a mediator's ability to assist effectively.

However, neutrality, while valuable, should not be considered a mandatory component of mediation. Instead, it is better viewed as a variable that can influence the success of mediation efforts. Not all mediators are neutral, and many successful mediation initiatives have been conducted by parties with clear biases or interests. In some cases, a neutral third party may not even be available to mediate. It would be incorrect to exclude such efforts from the definition of mediation simply because the mediator is not impartial. For example, U.S.A's mediation between Israel and Egypt during the Camp David Accords is a case where neutrality was absent. U.S.A had a strong bias towards Israel, but its position as a superpower, its interest in stability in the Middle East, and its capacity to offer guarantees and leverage were pivotal to the success of the mediation process. This example highlights that while neutrality can be beneficial, it is not an essential condition for achieving favourable outcomes in mediation. Instead, the mediator's influence, resources, and ability to address the concerns of both parties often hold greater importance in determining the success of the mediation process.

Key Actors and Efforts: Diplomacy and Mediation in the Israel–Palestine Dispute

The territory of Palestine, now comprising Israel, the West Bank, and Gaza, was under Ottoman rule until 1917, after which it came under British administration through the colonial mandate system (Black, 2018). This mandate also encompassed areas now forming Jordan. Palestine's religious significance to Jews, Christians, and Muslims heightened tensions, particularly with the rise of Zionism in the late 19th century, which encouraged Jewish migration to the region. Britain's 1917 Balfour Declaration supported the establishment of a Jewish state while ostensibly safeguarding the rights of Palestinian Arabs. Jewish immigration surged during the 1930s due to the Holocaust and rising Nazism.

During the Cold War, U.S. influence replaced British colonialism, with Washington providing Israel military and diplomatic support while also extending humanitarian aid to Palestinians (Mitchell & Sachar, 2016). Palestinian nationalism, exemplified by the Palestine Liberation Organization's (PLO) formation in 1964, and later Hamas' resistance to Israeli occupation, reflects the enduring struggle for self-determination (Neff, 2014; Shah, 2024b).

The Israel–Palestine conflict, rooted in competing claims to the land of the former British Mandate of Palestine, has been a persistent global issue since the early 20th century. Over the decades, numerous initiatives and actors have sought to mediate and resolve this deeply entrenched conflict using a range of diplomatic tools and frameworks. Efforts have included the UN's Partition Plan of 1947, which proposed separate Jewish and Arab states, and subsequent UN resolutions aimed at addressing the rights of Palestinians and ensuring regional security (UNGA Resolution 181, UNSC Resolution 242).

Beyond the UN, various actors—ranging from states to regional organisations, international coalitions, and civil society groups—have played a role in negotiations. These efforts include landmark agreements such as the Camp David Accords (1978), the Oslo Accords (1993), and more recent attempts like the Abraham Accords (2020), which focused on normalising relations between Israel and several Arab nations. Civil society and grassroots organisations have also contributed by fostering dialogue and mutual understanding between Israelis and Palestinians.

Despite these efforts, the unpredictable and volatile nature of the regional context often complicates sustained progress. However, these diplomatic and mediation initiatives underscore the international community's ongoing commitment to finding a peaceful resolution to this enduring conflict (Zartman, 2008).

International law has played a critical role in shaping the discourse surrounding the Israel–Palestine conflict, particularly during periods of heightened violence such as the one since October 2023. Julia Grignon (2023) emphasises that while the resolution of any conflict ultimately requires political solutions, all armed conflicts fall under the purview of a specialised branch of international law—namely, International Humanitarian Law (IHL), also referred to as the law of armed conflict. This legal framework establishes rules designed to limit the impact of war, protect civilians, and ensure accountability during hostilities.

Reports from international legal experts and the UN have documented alleged violations of IHL by both parties involved in the conflict (International Criminal Court, 2024b). These include indiscriminate attacks against civilians, destruction of essential infrastructure, and breaches of proportionality in military actions. Such violations underline the necessity of ensuring that international law is upheld to mitigate human suffering and promote accountability.

The persistent challenge lies in enforcing IHL amidst an environment of deep mistrust and competing narratives. As diplomatic efforts continue, adherence to international law remains essential to providing a framework for both immediate humanitarian relief and a foundation for eventual conflict resolution (International Committee of the Red Cross [ICRC], 2023a; Grignon, 2023).

The violent actions of Israel and Hamas—like those of the PLO, Fatah, and other Palestinian groups in earlier periods—have sparked extensive debates about critical issues surrounding the conflict. These include the legality of Israel's territorial occupation, the human cost of violence against Israeli civilians, and the contentious separation wall constructed in the West Bank. The blockade of Gaza, which has severely impacted the daily lives of its residents, further fuels discussions on the ethical and legal dimensions of collective punishment under international law (Hathaway, 2023a,b).

The conflict also raises complex legal and ethical questions, such as the limits of the right to self-defence. This extends to whether civilian infrastructure, such as hospitals and schools, can be classified as “dual-use objects,” which might render them legitimate military targets under certain conditions. These debates underscore the need to balance military necessity with the protection of civilians, a core tenet of IHL.

Ultimately, these implications highlight the urgent need for diplomatic interventions and adherence to legal frameworks to address the conflict’s humanitarian impact and its broader political and legal ramifications (Hathaway, 2023a,b; Grignon, 2023). This ongoing dialogue remains vital for fostering accountability and working towards a sustainable resolution.

The Gaza War has spurred a range of international legal and humanitarian initiatives aimed at addressing the escalating crisis in the occupied territories, East Jerusalem, and Gaza. The UN (2024) has launched multiple commissions of inquiry to investigate alleged violations of international law, underscoring the global community’s concern over the ongoing conflict. Additionally, the International Court of Justice (ICJ) has issued Orders and Provisional Measures on 26 January and 28 March 2024, regarding the prevention and punishment of genocide in Gaza (ICJ, 2024a,b). These measures reflect the ICJ’s critical role in addressing international legal disputes and potential crimes against humanity.

The International Criminal Court (ICC) has also been involved, receiving applications for arrest warrants targeting both Israeli officials and Hamas leaders for alleged war crimes and crimes against humanity (ICC, 2024). These legal actions highlight the growing emphasis on accountability for actions that have intensified the humanitarian crisis in the region. UN agencies such as the World Health Organization (WHO), the United Nations High Commissioner for Human Rights, and the United Nations Children’s Fund (UNICEF) have issued strong statements condemning the humanitarian toll on civilians, particularly children and vulnerable populations.

Other key actors include the UN Office for the Coordination of Humanitarian Affairs (OCHA), which has documented the devastating impact of the conflict on basic infrastructure and civilian livelihoods. The UN Special Rapporteur on the situation in the occupied Palestinian territories and the Commissioner-General of the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) have emphasised the urgent need for humanitarian access and international support to alleviate the suffering of Gaza’s blockaded population.

These initiatives reflect the concerted efforts of international organisations and legal bodies to address the multifaceted challenges posed by the Gaza conflict. They underscore the importance of upholding international law, promoting accountability, and mitigating the human cost of ongoing hostilities. Achieving a sustainable resolution, however, requires both legal enforcement and diplomatic efforts to tackle the underlying causes of the conflict (UN, 2024; ICJ, 2024a,b; ICC, 2024).

The Israeli–Palestinian Conflict: Conflicts, UN Actions, and Peace Efforts

The Israeli–Palestinian conflict, rooted in competing nationalist claims, has unfolded over decades, shaped by wars, UN resolutions, and peace negotiations. Its origins can be traced back to the late 19th century with the rise of Zionism and Palestinian Arab nationalism during the British Mandate era. The 1947 UN Partition Plan (Resolution 181) sought to create separate Jewish and Arab states, with Jerusalem under international governance. While the Jewish community accepted the plan, Palestinian Arabs and neighbouring Arab states rejected it, triggering a series of conflicts.

The 1948 Arab–Israeli War, also known as the War of Independence or the Nakba ("catastrophe") for Palestinians, followed Israel's declaration of independence. The war resulted in Israel's establishment, the displacement of more than 700,000 Palestinians, and the division of territories. The West Bank came under Jordanian control, while Gaza was administered by Egypt. These territorial divisions laid the groundwork for future disputes.

The 1967 Six-Day War was a turning point. Israel defeated Egypt, Syria, and Jordan, capturing the West Bank, East Jerusalem, Gaza Strip, Sinai Peninsula, and Golan Heights. UN Security Council Resolution 242 called for Israel's withdrawal from the occupied territories and the recognition of all states in the region. However, differing interpretations of the resolution hindered its implementation and prolonged the conflict.

The 1973 Yom Kippur War reignited hostilities, with Egypt and Syria launching a surprise attack to regain lost territories. Although the war ended in a stalemate, it spurred international efforts towards peace. The 1978 Camp David Accords, brokered by U.S.A, resulted in Israel's withdrawal from Sinai and a peace treaty with Egypt, but failed to address Palestinian self-determination.

The 1987 Palestinian Intifada, or uprising, against Israeli occupation marked a new phase of resistance. This led to the 1993 Oslo Accords, the first direct negotiations between Israel and the PLO. The accords established limited Palestinian self-rule in parts of the West Bank and Gaza, though critical issues like refugees, borders, and Jerusalem remained unresolved.

The 2000 Second Intifada highlighted the failure of the Camp David Summit to achieve a comprehensive peace. Violence escalated, and international efforts, including the 2003 Roadmap for Peace proposed by U.S.A, Russia, the EU, and the UN, struggled to gain traction. Israeli settlement expansion in the West Bank and divisions within Palestinian leadership further complicated the situation.

Recent years have seen intermittent ceasefires and negotiations, often brokered by Egypt or Qatar, alongside continued violence and humanitarian crises, particularly in Gaza. UN bodies have repeatedly condemned both Israeli actions in the occupied territories and violence by Palestinian factions. Despite numerous resolutions and initiatives, a sustainable resolution to the conflict remains elusive, with the two-state solution increasingly challenged by on-the-ground realities (Black, 2018; Mitchell & Sachar, 2016).

Negotiation Dynamics: Balancing Failures and Successes

Negotiations between Israel and Palestine have been marred by a cycle of breakthroughs followed by setbacks, reflecting the deep-rooted complexities and opposing narratives of both sides. Despite numerous diplomatic efforts, no final resolution has been achieved, primarily due to disagreements over core issues such as borders, the status of Jerusalem, Palestinian refugees, and security concerns. Over the decades, these negotiations have witnessed both moments of promise and ultimate collapse, underscoring the fragile and contentious nature of peacebuilding in this region (United Nations, 2024a).

The Oslo Accords (1993–1995) marked a significant breakthrough in Israeli–Palestinian relations, symbolising mutual recognition and outlining a framework for a two-state solution. While the accords established the Palestinian Authority (PA) and facilitated Israeli withdrawals from parts of Gaza and the West Bank, they failed to address critical final-status issues, leading to their eventual stagnation. The assassination of Israeli Prime Minister Yitzhak Rabin in 1995 and growing distrust between the parties further undermined the peace process (Tessler, 2009).

The Camp David Summit in 2000, mediated by U.S. President Bill Clinton, represented another bold attempt at resolving the conflict. However, the negotiations collapsed due to irreconcilable differences over the division of Jerusalem, the right of return for Palestinian refugees, and the extent of Israeli withdrawals. The subsequent outbreak of the Second Intifada (2000–2005) not only derailed the peace process but also hardened positions on both sides, diminishing prospects for reconciliation (Ross, 2005).

Later efforts, such as the 2007 Annapolis Conference and U.S.-led negotiations under President Barack Obama, also ended in failure. These initiatives highlighted the challenges of reconciling Israeli security concerns with Palestinian demands for sovereignty and justice (Hassan & Munayyer, 2021). For instance, Israeli settlement expansion in the West Bank and Palestinian political divisions between Fatah and Hamas consistently undermined trust, making meaningful progress unattainable (Kurtzer, 2008).

However, there have been limited successes. The 1994 Israel–Jordan Peace Treaty, although not directly involving Palestine, demonstrated that diplomacy could yield results in the region. Similarly, security cooperation between Israel and the PA in certain periods showcased the potential for collaboration when mutual interests align (Tilley, 2012).

Despite these occasional achievements, the failure to reach a comprehensive agreement has entrenched the conflict. The lack of political will, coupled with external influences and shifting regional dynamics, continues to obstruct the path towards lasting peace. Both sides remain locked in a cycle of failed negotiations, each accusing the other of bad faith, leaving the conflict unresolved and the region in perpetual turmoil.

The Trump administration (2017–2021) introduced a new approach to the Israeli–Palestinian conflict by emphasising economic development over statehood for Palestinians. Under this vision, Trump's plan sought to enhance the Palestinian economy in the West Bank without addressing the broader political aspirations of statehood or sovereignty. Simultaneously, his administration championed the Abraham Accords, which facilitated the normalisation of diplomatic, economic, and security ties between Israel and Bahrain, the UAE, Morocco, and Sudan. While these agreements marked a significant shift in Israel's regional integration, they largely bypassed the core Palestinian issue, sidelining their claims for self-determination (Al Jazeera, 2021).

Following the Gaza War, international actors such as U.S.A., the EU, and the UN have revisited strategies to secure a "day after" framework. This includes efforts to achieve a lasting ceasefire in Gaza, facilitate the release of Israeli hostages, and stabilise the region. However, experts increasingly argue that the two-state solution, once central to negotiations, is now an unrealistic objective due to ongoing Israeli settlement expansion, political fragmentation among Palestinians, and diminished trust between the parties. Scholars like Aguirre and González Bustelo (2024) advocate for exploring new paradigms that move beyond traditional frameworks to address the evolving dynamics of the conflict.

The international community's search for alternatives underscores the persistent challenges of reconciling decades-long grievances.

The positions of BRICS nations—Brazil, Russia, India, China, and South Africa—regarding the Israel–Palestine conflict reveal a complex balance between rhetoric and pragmatism. While BRICS countries often advocate for a diplomatic resolution, their actions reflect divergent priorities shaped by national interests, political dynamics, and bilateral relations with Israel. This lack of cohesion results in an inconsistent and largely rhetorical approach to the conflict, with limited political or financial commitment to fostering peace (Klomegah, 2023a).

India's Evolving Relationship with Israel

India's stance highlights the pragmatic dimension of its foreign policy. India, represented by External Affairs Minister S. Jaishankar at the BRICS Plus meeting in Kazan, expressed serious concern over the ongoing Israel–Hamas conflict and the risk of its escalation in the West Asia region. Stressing the impact on maritime trade and the grave human and material consequences of further violence, Jaishankar advocated for a "fair and durable" resolution based on a two-state solution. He emphasised India's commitment to dialogue and diplomacy to resolve disputes, reiterating Prime Minister Modi's stance that "this is not an era of war." He also highlighted the importance of adhering to international law and maintaining zero tolerance for terrorism (Laskar, 2024).

India's stance reflects its growing anxiety about the conflict's broader regional implications, especially as West Asia is a critical energy supplier and home to nine million Indian expatriates. Jaishankar called for an end to hostilities and condemned the escalating violence following Israel's attacks on Lebanon. In addition to addressing the conflict, Jaishankar underscored the need for reforming global governance structures, including the UN Security Council and multilateral development banks, to create a more equitable global order. He urged the expansion of platforms like BRICS and proposed building resilient supply chains by developing decentralised production hubs to democratise the global economy.

China's Strategic Collaboration

China, another key BRICS member, maintains strong cooperation with Israel in security and defence technologies. China has increased its diplomatic efforts in the Israel–Palestine conflict, reflecting its broader ambition to play a key role in global geopolitics. In July 2024, China hosted a summit in Beijing, bringing together 14 Palestinian factions, including Hamas and Fatah, to foster unity and establish a national reconciliation government. This initiative resulted in the "Beijing Declaration," demonstrating China's growing influence in Middle Eastern diplomacy and its support for Palestinian self-determination, though the long-term success of this agreement remains uncertain (Reuters, 2024).

China has also actively engaged in international forums, particularly during the Gaza conflict in 2023. It called for an immediate ceasefire, criticised Israel's military actions as excessive, and advocated for the protection of civilians. As the rotating president of the UN Security Council in November 2023, China pushed for resolutions to allow humanitarian pauses, despite resistance from Western powers. By promoting a two-state solution, China seeks to counterbalance U.S. influence in the region.

It also reflects its broader geopolitical strategy and economic interests in the Middle East. Central to this engagement is China's focus on the Belt and Road Initiative (BRI), which relies on regional stability to ensure smooth trade routes and energy security. By mediating between Palestinian factions, such as hosting the 2024 summit that resulted in the "Beijing Declaration," China aims to promote Palestinian unity and position itself as a neutral yet influential mediator. China also leverages its role in international forums, advocating for a two-state solution and calling for ceasefires during escalations, such as the 2023 Gaza conflict. Its vocal criticism of Israeli military actions aligns with its goal of countering U.S. dominance in the region and presenting itself as a leader of the Global South. However, China faces challenges, including scepticism over its intentions, limited enforcement capabilities, and criticism of its domestic policies, which could undermine its credibility.

Russia's Unique Dynamics

Russia's engagement with the conflict is influenced by the presence of approximately one million Russian immigrants living in Israel, making it the largest Russian diaspora outside of Russia. This community creates a cultural and political bridge between the two nations. Shared challenges related to Islamist-rooted terrorism further strengthen their cooperation. Additionally, the discovery of significant gas reserves off Israel's Mediterranean coast has sparked Russian interest, particularly among energy companies based in Cyprus. While Russia often positions itself as a supporter of Palestinian statehood in international settings, its ties to Israel reflect pragmatic considerations that prioritise mutual security concerns and economic opportunities.

Brazil and South Africa's Perspectives

In contrast to the pragmatism of India, China, and Russia, Brazil and South Africa adopt more symbolic positions rooted in historical solidarity with the Palestinian cause. South Africa, drawing from its apartheid-era experiences, often parallels the Palestinian struggle with its own fight against systemic oppression, making it a vocal critic of Israeli policies in international forums. Brazil, under various administrations, has oscillated between supporting Palestinian statehood and maintaining pragmatic relations with Israel to protect trade and diplomatic interests.

Brazil has consistently maintained a strong stance in favour of a two-state solution to the Israel–Palestine conflict. Its diplomatic approach reflects a commitment to peace and justice, underpinned by a belief in self-determination for the Palestinian people. Brazil's support for Palestine dates back several decades, and it has sought to play a mediating role in the conflict, advocating for a peaceful resolution through international diplomacy and cooperation.

A key element of Brazil's involvement is its active cooperation with Palestine. Brazil has established a delegation in Ramallah, Palestine's administrative capital in the West Bank, where it works closely with Palestinian authorities to coordinate development and humanitarian projects. These projects are often carried out in collaboration with other BRICS countries, particularly India and South Africa, which share Brazil's commitment to the Palestinian cause. This trilateral cooperation aims to provide tangible support for Palestinian communities, focusing on infrastructure, education, and health, as well as fostering broader economic development.

Brazil's diplomatic role in the region reflects its broader foreign policy orientation, which emphasises multilateralism and peaceful conflict resolution. Brazil has consistently used international forums, including the UN, to advocate for a two-state solution, calling for Israel and Palestine to coexist as independent states within recognised borders. While Brazil's position is largely rhetorical, its longstanding support for Palestine has earned it diplomatic credibility in the Arab world. However, Brazil's ability to exert significant political or financial influence on the conflict remains limited, especially given the geopolitical dynamics involving more powerful actors like U.S.A and Israel.

Under President Lula, Brazil continues to support Palestine without severing ties with Israel, a position consistent with his earlier terms in office. However, the current context is different, marked by an unprecedented escalation of violence since the creation of Israel and the Nakba. Lula's rhetoric has become more pointed, reflecting both the gravity of the conflict and his evolving foreign policy approach. Domestically and internationally, Lula remains a polarising figure (Camarotti, 2024). His positions, such as on the war in Ukraine, relationships with Vladimir Putin, BRICS, Venezuela, and Cuba, often spark disagreements, particularly in Western countries. This echoes past controversies, such as Brazil's attempt to mediate the Iranian nuclear issue through the 2010 Tehran Declaration, which was rejected by global powers. While Lula's return to power has raised expectations, his stance on Gaza is consistent with Brazil's historical foreign policy approach, even as the changing international dynamics add complexity to his leadership (Brun, 2024).

South Africa has expressed deep concern about the ongoing escalation of violence by Israel against Palestine and Lebanon, as well as Iran's response on 1 October 2024. The government has called for all parties involved to show restraint and avoid further actions that could worsen tensions in the already fragile region, noting that vulnerable groups suffer the most in such conflicts.

South Africa emphasises that the continued occupation of Palestine denies Palestinians their right to self-determination and statehood, which are essential for lasting peace and security in the region. It urges the international community, especially the UN Security Council, to take action to address the growing conflict (DIRCO, 2024).

The country aligns with UN Secretary-General António Guterres' warning about the risk of a devastating regional war, stating that neither the region nor the world can afford such escalation. South Africa also criticised Israel for declaring the UN Secretary-General persona non grata and called for a global commitment to uphold international law, humanitarian law, and the UN Charter to ensure peace and justice. It warned that impunity for unlawful acts only perpetuates war and injustice (United Nations, 2024b).

The positions of BRICS nations on the Israel–Palestine conflict highlight their growing influence in global diplomacy but also expose significant challenges in achieving unity. While members like China advocate strongly for Palestinian rights and host initiatives like the Beijing Declaration, India balances its support for a two-state solution with its growing defence and economic ties with Israel. South Africa, rooted in its historical solidarity with Palestine, maintains a vocal stance against Israeli actions, while Brazil and Russia adopt more measured, pragmatic approaches. Collectively, BRICS members call for peace, adherence to international law, and a diplomatic resolution. However, their responses often reflect national interests, leading to fragmented strategies.

The lack of coordination within BRICS stems from its members' distinct priorities, geopolitical calculations, and bilateral relationships (Klomegah, 2023a). India's strategic defence ties with Israel, for instance, contrast with China's efforts to counter Western dominance by amplifying support for Palestinians in the UN. Similarly, South Africa's moral stance differs from Russia's pragmatic approach, which focuses more on maintaining influence in the Middle East. This diversity underscores the difficulty of aligning rhetoric with collective action, as economic and strategic imperatives frequently overshadow shared ideological commitments. Without a unified strategy, BRICS struggles to act as a cohesive bloc on the conflict, revealing broader challenges in balancing ideological aspirations with realpolitik within the grouping.

Rising Players in Multilateral Diplomacy

In recent years, the Israel–Palestine conflict has witnessed the involvement of new mediators, reshaping traditional diplomatic dynamics and offering fresh perspectives to the peace process. While long-standing mediators like U.S.A have dominated negotiations, emerging players such as Qatar, Egypt, Turkey, and the EU are carving out significant roles in addressing the conflict.

Qatar and Egypt have emerged as key facilitators, particularly in mediating ceasefires between Israel and Hamas during repeated escalations in Gaza. Qatar has positioned itself as a financial intermediary, channelling aid to Palestinians in Gaza while maintaining communication with Israel. Its neutral stance and substantial financial resources allow it to influence humanitarian conditions and de-escalation efforts effectively (International Committee of the Red Cross, 2023b). Egypt, leveraging its geographical proximity and historical involvement, has acted as a vital mediator, especially in brokering truce agreements and facilitating prisoner exchanges between Hamas and Israel (Anna Mier y Teran, 2024).

Turkey, under President Recep Tayyip Erdogan, has amplified its voice in the conflict, framing itself as a strong advocate for Palestinian rights. Through public criticism of Israeli actions and active diplomacy in international forums, Turkey seeks to enhance its influence in the Muslim world and bolster its soft power.

The EU plays a nuanced role, combining economic leverage with diplomatic engagement. As one of the largest donors to the PA and a proponent of the two-state solution, the EU has sought to balance its commitment to Palestinian self-determination with its ties to Israel. However, internal divisions among EU member states often limit its effectiveness as a unified mediator.

These new mediators bring diverse approaches and resources to the table, offering alternatives to traditional U.S.-centric mediation. While their roles contribute to addressing immediate crises, the absence of cohesive strategies among these players and persistent geopolitical complexities continue to hinder meaningful progress towards a lasting resolution.

Efforts in Gaza are also differentiated into two forms of mediation: short-term negotiations aimed at halting the violence and longer-term political agreements designed to resolve core issues and establish lasting peace. This mirrors broader trends in modern mediation, where peace-making is seen not as an immediate fix but as a slow, iterative process of constant renegotiation and incremental progress. Mediators must navigate complex dynamics, accepting flawed bargains where necessary to halt conflicts, and facilitating long-term agreements (International Committee of the Red Cross, 2023b).

Christine Bell (2024) advocates for multi-level mediation, involving various third parties, including diplomats, regional organisations, and private mediators, to address different aspects of the conflict. This approach requires coordination between multiple actors, facilitating dialogue and creating networks that extend beyond traditional Western-led mediation. For successful mediation, a state or mediator must possess legitimacy, political capital, and the capacity to engage effectively over time, ensuring that agreements are not only reached but also implemented.

Conclusion: A New Approach to Negotiation

A new approach to negotiation in the Israel–Palestine conflict must prioritise a balanced and inclusive framework that moves beyond traditional diplomatic barriers. Relying solely on the U.S. and Western powers, often seen as biased, has proven ineffective. The involvement of neutral mediators, such as Qatar, China, and other regional players, offers a promising alternative. These countries have shown a commitment to diplomacy and humanitarian issues, positioning themselves as impartial actors with the ability to facilitate dialogue without the weight of historical allegiances. For this approach to succeed, a multi-track strategy is essential, bringing together state actors, civil society, grassroots movements, and international organisations to address the core causes of the conflict. A platform should be created where both Palestinian and Israeli voices are heard and equally represented, ensuring all concerns are acknowledged.

Long-term peace initiatives must go beyond temporary ceasefires and focus on concrete solutions, such as security guarantees, a viable Palestinian state, and a sustainable economic framework that fosters cooperation. The international community must also encourage a shift in narrative, emphasising dialogue over military action, while supporting rebuilding and reconciliation programmes. These efforts could break the current stalemate and offer hope for a lasting resolution (Shah, 2024a).

The Gaza conflict has exposed the shortcomings of traditional mediators, and the rise of emerging states in the Global South, such as Brazil, Qatar, and China, provides an opportunity for a more inclusive approach. These new mediators, unencumbered by historical biases, could offer fresh perspectives and facilitate trust-building between the parties. The changing dynamics in the region also challenge the long-standing viability of the two-state solution, calling for recognition of a one-state reality shaped by control and occupation. A paradigm shift in mediation, led by these emerging powers, is essential for achieving a balanced and sustainable peace in the region.

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7 The Economic Impact of the Israel–Palestine Conflict and Policy Pathways for Stability and Growth

Breaking through International Barriers

Gurdas Singh, Veerpaul Kaur Maan, and Poonam Rani

Introduction

The Palestinian country's wealth is falling behind its provincial neighbors due to various factors. These include widespread limitations on the undertaking of people and commodities, high expenses related to trade logistics, and the lack of necessary instruments and freedoms to pursue an independent economic strategy (Sulistiani et al., 2023). A solid financial platform for the provision of public services and the purchase of vital goods from other countries has not been developed, failing to provide its people with higher standards of living and sufficient jobs in an approach that is both adequate and sustainable (Calì et al. 2024). Meanwhile, Israelis are facing challenges in finding a trade partner that is both dynamic and cost-effective nearby. This situation is resulting in considerable direct and indirect costs[1] and hindering the establishment of a mutually beneficial partnership with the Palestinian economy. There is a lack of confidence in the potential benefits of their significant aid and their contributions to the Palestinian economy in terms of political and social stability, as well as long-term poverty reduction. Consequently, their aid to the Palestinian Authority has been decreased in recent years (Sadeh, 2024). The limited budgets of international donors are due to the multiple challenges they face in other parts of the Eastern Mediterranean along with the North African region, as well as globally. The Palestinian economy heavily relies on foreign trade, as it is small and exposed to the outside world. In 1994, the CU2 system between the Palestinian economy and Israel was formalized by the Paris Protocol on Economic Relations (World Bank, 2016). The regime came into existence in 1994. The creation of the Paris Protocol aimed to shift the Palestinian economy from its previous state of complete integration and dependence on the Israeli economy to a more economically autonomous position. This transitional arrangement was designed to last for five years (Bhowmick, 2014). Unfortunately, the Protocol's implementation has been hindered by Israel's unilateral actions, which have prevented it from fully achieving its intended purpose. Severe human suffering is being caused by the conflict between Gaza and Israel, with broader implications for the Middle East and North Africa (Han & Wu, 2024). There was already an anticipation of a

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slowdown in economic activity in this region, with a projected decline in growth from 5.6% in 2022 to 2% in 2023 (Goyal & Soni, 2024). It is unclear what the overall impact of the conflict will be, as it will depend on how long it lasts, how intense it becomes, and how likely it is to spread. The region faces a major economic threat from a large-scale conflict, and preventing further escalation depends on successful international efforts to contain it. Revisions will likely be made to forecasts for the most affected economies, which will require the implementation of necessary measures to safeguard and sustain stability. Economies in the region are being heavily impacted by visitor cancellations, especially in areas that heavily depend on tourism for foreign exchange and job opportunities (Khalidi & Iwidat, 2024). The focus of this study is to conduct a comprehensive analysis of the impact of the Israel–Palestine conflict on trade dynamics in the region. The aim of this study is to provide insights into the effects of trade limitations, logistical hurdles, and geopolitical tensions on the economies of Palestine and Israel. It will analyze how these factors impact the growth and development of both regions. Furthermore, the research will examine the effectiveness of international aid and economic cooperation frameworks, like the Paris Protocol, in addressing economic challenges and fostering sustainable economic alliances. The ultimate goal of the research is to provide valuable insights to stakeholders, international organizations, and politicians regarding strategies that can address the ongoing complexity of the Israel–Palestine conflict. These strategies aim to enhance economic stability, reduce trade barriers, and promote mutual prosperity.

Literature Review

The Israel–Hamas conflict has been a highly disputed topic, capturing the interest of scholars and decision-makers alike. The research on this topic demonstrates a comprehensive approach that considers economic, social, and geopolitical factors from multiple perspectives. Smith (2016) provides valuable insights by examining the economic implications of the fight, specifically highlighting the strain on resources, disruptions to trade, and lasting financial effects on both Israel and Gaza. Smith's analysis illuminates the intricate economic network created by the conflict. Muasher et al. (2023) examine the repercussions of the Israel–Hamas conflict on civilian populations, shedding light on the humanitarian disaster that often accompanies prolonged wars. Brown's study emphasizes the challenges faced by communities residing in areas affected by armed conflict, including forced migration, economic deprivation, and the adverse psychological impact of living amid violence. Jones' (2023) research, thoroughly analyses the regional dynamics influenced by the Israel–Hamas conflict within the geopolitical realm. His study explores the connections, competitions, and diplomatic challenges that have arisen as a result of the ongoing tensions. To comprehend the broader consequences of the war outside the specific regions engaged, and its influence on the complex Middle East environment, a geopolitical perspective is necessary. In addition, Calì and Miaari (2024) investigate whether the intensity of the subsequent Palestinian rebellion ("Second Intifada") was influenced by shocks to Palestinian exports in the second half of the 1990s. To mitigate the potential endogeneity bias of export changes concerning conflict, the analysis employs sector-specific changes in Chinese and global exports to instrument Palestinian exports. The literature discussed in this context consists of a complex combination of research contributions, each providing distinct perspectives on the economic, social, and geopolitical aspects of the Israel–Hamas conflict. The comprehensive understanding of this subject serves as the basis for our in-depth analysis and description of the 2023 situation, leading to a more comprehensive comprehension of the various outcomes of this continuous conflict.

Research Methodology

This piece of research work is both descriptive and analytical. The voyage was an epistemological one, during which a comprehensive search was conducted for knowledge that was both authentic and pertinent. We gathered secondary data from reliable sources, and then analyzed and interpreted that data to produce a meaningful and realistic narrative. Several attempts were made to regulate the extent and magnitude of the effect that warfare has on the functioning of the economy, the social life, and the political framework. We took into consideration the reports that were published by widely recognized news organizations. To acquire the background information, there had been extensive research conducted on the history. The avoidance of any preconceived notions, religious biases, and political biases was a focused effort. We did not take into consideration any sensationalism on social media. The raging battle served as a background for elucidating the magnitude of the macroeconomic crisis. To create a vivid portrayal of the uncertainty and instability that exists, the long-standing enmity and the ever-changing political landscape were outlined. There is a detailed description of both the short-term and long-term consequences across all areas of concern. The point of origin of the conflict, the severity of the problem, and the consequences of the war were brought to light clearly and convincingly. This contributes to the existing corpus of knowledge in a new way. It could serve as a point of reference for additional research on the topic area.

Results and Discussion

Palestine Trade Performance

The lackluster performance of the Palestinian economy is apparent through three main methods. Based on data from the World Bank, it is evident that the growth rate of per capita income in the Palestinian economy has lagged significantly behind that of other non-oil exporting Arab countries (World Bank, 2016). Between 1997 and 2015, a series of significant events unfolded, including the Arab Spring, the Second Intifada, the takeover of Gaza in 2007, and the Gaza wars in 2012 and 2014. Over this time frame, there was a notable 1.8% rise in real income per person in the Palestinian economy. When it comes to growth rates, Jordan witnessed a

1.9% increase, Egypt experienced a 2.4% growth, Tunisia observed a 2.6% rise, and Morocco saw a 3.2% increase. During this period, the income per person in the Palestinian economy experienced a slight increase, although it remained only marginally higher than that of Israel. Israel's per capita income experienced a growth rate of 1.6% annually. Despite its strong ties to its more prosperous neighbor, the Palestinian economy did not witness significant expansion. The growth rate of the Palestinian economy has displayed considerable volatility, experiencing fluctuations of around ± 5% per year or even higher. It is important to note that comparing the economy's performance at different points in time can be unreliable due to the lack of consistency (Agbahey et al., 2022; Agbahey et al., 2020). Regrettably, the Palestinian economy had a significantly lower gross domestic product (GDP) per capita in 2015 compared to countries such as Jordan, Egypt, and Tunisia, even after adjusting for purchasing power. Jordan's GDP per capita from 1994 to 2000, prior to the First Intifada and the introduction of more stringent regulations, was similar to this. The extent to which the business environment in Jordan differs from that of the Palestinian economy remains uncertain due to a lack of substantial evidence supporting this assertion. When it comes to education and health indices, the Palestinian economy differs from that of Egypt and Tunisia.[2] The low GDP per capita in Palestine is mainly attributed to low labor productivity, which is also indicative of low capital and land productivity. In Palestine, agriculture is a major source of employment, with 11% of the working population engaged in this sector. However, in Jordan, the percentage of people employed in agriculture has significantly declined to 1.7%. The yield of produce per dunam in Palestine is 0.6 metric tons, whereas in Jordan it is 1.7 metric tons. In Palestine, the average income per full-time equivalent worker is significantly lower at US$5,700, compared to Jordan where it stands at a higher US$16,700.[3] Based on the most recent data from 2011, the Palestinian economy had a poverty rate of 25.8%.[4] In recent years, there has been an increase in poverty levels, which can be observed through factors such as employment. The situation in Gaza is more severe than that in the West Bank, particularly after the 2014 conflict. Despite the war, the Palestinian economy faced a decline in per capita income, which was already decreasing even before the conflict. This downward trend continued in 2013 and 2014.

Upon further analysis, doubts arise regarding the long-term viability of the Palestinian economy. Looking ahead, it's difficult to imagine a steady rise in economic growth and a decline in unemployment. The Palestinian economy depends on three main sources of foreign currency: Palestinian workers in Israel, workers in other countries (especially skilled workers in the Gulf States), and foreign aid. The economy has a small export sector. These three sources play a crucial role in supporting the financial well-being of Palestinians, contributing approximately 30% of their income. Furthermore, they have a significant impact on the Palestinian economy's overall GDP. However, we anticipate a decline in the demand for Palestinian workers as a result of Israeli actions and the drop in Gulf oil prices. The reliability of the money flow from this source remains uncertain due to the possibility of closures in Israel and the volatility of oil markets. At the same time, donors (including Gulf nations) are facing financial constraints and urgent appeals from countries hosting a large number of refugees. Consequently, since the onset of the financial crisis, the assistance has steadily decreased. The allocation of funds for rehabilitation in Gaza falls far short of the promised amount and will, at best, only partially restore the territory's depleted capital resources.

The underperformance of the Palestinian economy can be attributed to a range of factors, and these have been extensively analyzed in previous chapters. Understanding that trade performance deficiencies are signs of underlying issues is crucial. While making changes to the trade regime can be helpful, it is important to note that it will not be enough to solve the problem on its own. In 2015, Palestinian exports of goods and nonfactor services accounted for just 18.3% of the country's GDP, according to the latest estimates from the IMF (2015b). However, a significant portion of GDP was attributed to imports of goods and nonfactor services, leading to a substantial trade deficit. This trade deficit is among the highest globally, if not the highest. Upon analyzing the Palestinian economy alongside a group of 10 other economies of similar size and GDP per capita, along with Jordan (which has a GDP three times larger), it becomes clear that the Palestinian economy's imports as a percentage of GDP are consistent with the median. On the other hand, its export share of GDP falls short of the average, while its trade deficit in goods and nonfactor services is more than double the average (see Figure 7.1). In 2017, the World Bank trade team conducted a preliminary gravity model analysis that suggests the Palestinian economy has the potential to greatly expand its exports and imports. One of the reasons for its success is its favorable location, with easy access to important markets such as Israel, Italy, and the Gulf States. Additionally, its size and income contribute to its prosperity. According to the analysis, there is potential for a significant increase in both exports and imports, possibly even surpassing current levels. A portion of the deficit was offset by net factor income, contributing to 10.9% of the GDP. The main source of income came from Palestinians who were employed in Israel. In addition, private transfers, particularly remittances from Palestinian workers in third countries, accounted for 10.82% of GDP. Official transfers, primarily in the form of government aid from bilateral donors, made up 5.6% of GDP, although this kind of aid has been declining. In 2015, the overall impact led to a current account deficit of approximately 13.5% of the GDP. Based on the significant disparities in this situation, the Palestinian economy can be characterized as an "import economy" (World Bank, 2016).

How Did the Palestinian Economy End up with a Trade Deficit, Importing Significantly More Than It Exports?

According to relevant research, the Palestinian economy faces significant challenges due to deficiencies in domestic policy and institutional structures, which impact its productivity. In addition, there are five causes that are directly connected to the constraints and political deadlock: (1) The presence of political uncertainty and physical insecurity has a detrimental impact on investor confidence, especially in the tradable sector. (2) Investment in Area C is subject to political limitations. (3) Limitations on the movement of goods and people can have negative effects on trade costs, hinder the mobility of individuals, and decrease overall productivity. (4) The economy heavily depends on foreign transfers rather than its own domestic productive capabilities. (5) The lack of adequate provision of public goods is primarily due to fiscal constraints, as highlighted by the World Bank in 2016. It is crucial to recognize that none of these problems are exclusively or directly associated with the Customs Union (CU) arrangement itself, but Israeli restrictions are the most prevalent factor. However, as discussed in this document, the Palestinian Authority's inability to effectively manage its customs area, trade policy, and a substantial portion of its budgetary resources is a major contributing factor to the dysfunction. In addition, even if all limitations were to disappear, it is still unclear how effective the CU arrangement would be. This was previously explored and elaborated on in the section "Palestine Trade Performance" of this chapter that discusses the future outlook of the Palestinian economy's trading system.

The Economic Ramifications of Unanticipated Limitations and Sluggish Processing, Which Hinder Trade and the Flexibility of Individuals, Are Substantial

In 1994, the Paris Protocol established the CU, guaranteeing fair treatment for Israeli and Palestinian traders at Israeli border points. In addition, Palestinian imports and exports were permitted to pass through various entry and exit points

Country	GDP (2015 US$ million)	GDP PPP per capita (US$)	Exports of Goods and Services, (US$ million)	Imports of Goods and Services (US$ million)	Trade Balance/ GDP	Export of Goods and Services/ GDP	Import of Goods and Services/ GDP
Palestinian territories	12,680	5,080	2,322.7	7,501.7	−0.41	18%	59%
Median	12,686.5	8,611	4,937.3	7,263.9	−0.185	37%	57%
Albania	11,393	11,284.4	3,104	5,069.4	−0.17	27%	44%
Armenia	10,529	8,492	3,137.4	4,418.4	−0.12	30%	42%
Bosnia	16,251	4,206.6	5,603.8	8,625.9	−0.19	34%	53%
Georgia	13,996	9,600.8	6,288.4	9,062.4	−0.2	45%	65%
Honduras	20,729	5,093.8	9,520.5	13,059.3	−0.17	46%	63%
Jamaica	14,218	8,771.9	4,250.8	6,441.4	−0.15	30%	45%
Jordan	37,517	8,730	13,362	23,495	−0.27	36%	63%
Moldova	6,496	1,828.3	3,568.3	5,817.9	−0.35	55%	90%
Mongolia	11,718	1,2178.5	5,283.8	4,943.5	0.03	45%	42%
Namibia	11,497	1,1224.4	5,121.5	7,885	−0.24	45%	69%
Nicaragua	12,693	5,200.3	4,753.1	7,026.1	−0.18	37%	55%

Figure 7.1 Comparison of the Palestinian trade outcomes.

Source: UNCTAD & World Bank.

such as Ben Gurion Airport, the KHB (King Hussein Bridge)/Allenby Bridge into Jordan, and the Ashdod and Haifa Ports. However, ever since the Second Intifada began in September 2000, Israel has put in place various administrative, logistical, and control measures that collectively hinder Palestinian trade and travel. Checkpoints and Crossings (CCs) built along the Israeli–West Bank Separation Barrier now serve as the primary ports of entry for all goods entering or exiting Israel.

There is a limited number of crossings available for Palestinian merchants to transport their products between the West Bank and Israel. Some of the crossings in the area are Jalameh, Taybeh, Betunia, and Tarqumiya. Bisan and Meitar are two additional crossings that have not received approval. The KHB/Allenby Bridge serves as the sole means of transporting goods between the West Bank and Jordan. Although Palestinian shippers would benefit from trading through KHB because of their close proximity to the World Bank Group, the restrictions and regulations imposed by Israel make it a less appealing option compared to the Israeli ports of Ashdod and Haifa. Another instance showcases the difficulties encountered by the Palestinian economy when engaging in international trade, primarily because of Israeli authority over commercial crossings in the West Bank and Gaza, along with additional limitations. These factors have resulted in a greater reliance on Israel and increased trade expenses for the Palestinian economy. Let's take East Jerusalem as an example. Workers in this region exhibit noticeably superior productivity in comparison to their counterparts in the West Bank and Gaza. The trade and movement restrictions in Gaza have had a significant impact on productivity levels, as reported by the United Nations Conference on Trade and Development (UNCTAD) in 2016. The transportation costs for goods in the Palestinian economy are considerably higher for imports (from third parties) and exports (to third parties) compared to goods to or from Israel (World Bank, 2015). This serves as another remarkable illustration. According to a study conducted by the Aix Group (Omarya, 2023), it is indicated that the production of the Palestinian processed food industry may not meet expectations, with a potential shortfall of 11%. In addition, this specific factor alone could lead to a potential decrease of 34–45% in the output of agricultural produce. According to a study conducted by Sadeq et al. (2023), the import restrictions imposed by Israeli authorities on certain goods and materials with dual uses had a notable effect on the economy of the West Bank. Between 2008 and 2012, the region's overall output value saw a decline of 4.5%. Unfortunately, sectors that relied on dual-use inputs faced a significant drop in wages.

The previous explanation of how the Palestinian trade deficit is funded emphasizes the significance of international contributions. While these transfers are crucial for the welfare of Palestinians, an unintended outcome is the emergence of "Dutch sickness," which refers to the negative impact on the competitiveness of industry in the Netherlands after the discovery of significant gas reserves in the late 1950s. The Dutch disease syndrome is marked by a rise in domestic consumption, a higher domestic price level (leading to increased prices for non-tradable goods and services compared to traded goods and services), and a surge in domestic wages that surpasses the nation's production capacity, causing a notable decrease in the competitiveness of the traded sector. The decline in manufacturing in the Palestinian economy, as highlighted in the study by Hakeem and Eltalia in 2014, serves as a clear indication of Dutch disease. Palestinian workers, regardless of their level of expertise, have the chance to earn almost twice as much income in Israel compared to what they would make in the Palestinian job market. This greatly increases their minimum acceptable income. When comparing internationally, employees in the public sector of the Palestinian economy, who receive partial funding from aid, earn significantly higher salaries than the average income per person in the territory (World Bank, 2015). The negative impacts of Dutch disease are worsened by the increase in the value of the shekel in real terms. The increase in economic growth can be credited to the impressive performance of the Israeli economy after the financial crisis, as well as the recent discovery of gas reserves (Goyal & Soni, 2024). The substantial global contributions to the Palestinian Authority budget have a dual impact. Although they can hinder production in the tradable sector, it is worth mentioning the increasing demand for these products. In addition, they help enhance the living conditions for Palestinians and stimulate development in industries such as construction and hospitality. It should be noted that the rate of productivity growth in these sectors tends to be lower. Foreign transfers contribute significantly to the average income of Palestinians, resulting in a notable boost to the GDP.

The underperformance of the Palestinian economy can be attributed to five specific aspects, which not only operate independently but also mutually reinforce each other, creating a negative cycle. The frequent interaction among individuals has had a significant impact on the development of the Palestinian economy, resulting in its dependence on imports (Abuamsha & Hattab, 2024). Due to the limited job opportunities in the Palestinian territory, workers are compelled to look for employment in Israel or other areas. The private enterprise sector is constrained in size, leading to a notable outflow of workers that negatively impacts the revenue base. Consequently, the progress of public investment is impeded, forcing the government to depend on foreign donors. The returns from private investment are hindered by the inadequate infrastructure (Arnon & Bamya, 2015). Foreign aid, remittances from overseas workers, and the income of Palestinian manual laborers in Israel all play a role in the increase of prices in the non-tradable sector of the Palestinian economy. Additionally, these factors also contribute to higher salaries compared to what they would be otherwise. These transfers have a negative impact on the competitiveness of the system and discourage investment in the sector involved in international trade, while also leading to an increased demand for imports. And the perpetual cycle persists.

Trade Concentration for ISRAEL

It is important to analyze two key aspects of the Palestinian economy's import sector: the high level of commerce with Israel and the significant trade imbalance between the two. In 2014, Israel had a notable influence on the Palestinian economy, despite its relatively small size. Estimates from the Bank of Israel indicate that a significant portion of Palestinian imports of goods and nonfactor services, excluding energy, are sourced from Israel. In addition, Israel was responsible for a significant portion of Palestinian exports, comprising 55% of goods and nonfactor services. Based on information from UN Comtrade, which is sourced from data from the Palestinian Central Bureau of Statistics (PCBS), there is a notable amount of bilateral trade. Specifically, 79% of Palestinian exports are directed toward Israel, while 63% of Palestinian imports originate from Israel (UNCTAD, 2016; World Bank, 2016). Unfortunately, the accuracy and reliability of the data on the Palestinian economy's bilateral commerce with Israel and other countries is uncertain and can only be considered as tentative and imprecise. There is a need to address the issue of determining the origin of products within the Palestinian and Israeli economies, as they operate as a CU. This will help to clarify the extent of Israeli-produced goods in the Palestinian economy's imports from Israel. It is also uncertain to what extent these imports involve entrepôt trade, which refers to trading with third parties through Israeli companies instead of directly with Israel. The data on bilateral trade within the CU is obtained from sales invoices that do not indicate the source of the goods. Thus, while a considerable amount of Israeli sales to the Palestinian economy consists of automobiles and oil products, which are mainly obtained from third parties through Israeli companies, the origin of many other Palestinian purchases from Israel is undisclosed. In addition, the delineation of Palestinian territory may differ in Israeli and Palestinian statistics due to various factors, such as the inclusion or exclusion of East Jerusalem. The value added in Israel is a crucial economic measure of Israel's exports to the Palestinian economy, just like in other bilateral trade relations. Likewise, the accuracy of this information cannot be determined with complete certainty and was estimated through a Beneficial Ownership Information (BoI) analysis. According to the World Bank (2015), it was discovered that it made up around 0.8–1.2% of Israeli GDP in 2012, which is roughly 20–30% of Palestinian GDP. The significant difference between the lower and upper estimates in these calculations highlights the lack of precision in the data regarding the Palestinian economy's trade with Israel. It is important to analyze two key aspects of the Palestinian economy's import sector: the high level of trade with Israel and the significant trade imbalance between the two countries. In 2014, Israel had a notable influence on the Palestinian economy, despite its relatively small size. Estimates from the Bank of Israel indicate that a significant portion of Palestinian imports of goods and nonfactor services, excluding energy, were sourced from Israel. In addition, Israel was responsible for a significant portion of Palestinian exports, including goods and nonfactor services. Based on information from UN Comtrade, which is sourced from data from the PCBS, there is a notable amount of bilateral trade. Specifically, 79% of Palestinian exports are directed toward Israel, while 63% of Palestinian imports originate from Israel (UNCTAD and World Bank, 2016). Unfortunately, the data on the Palestinian economy's bilateral commerce with Israel and other countries is unreliable and lacks accuracy, making it tentative and imprecise. There is a need to address the issue of determining the origin of products within the Palestinian and Israeli economies, as they operate as a CU. This would help to clarify the extent to which

Israeli-produced goods are imported into the Palestinian economy. It is also unclear to what extent these imports may involve entrepôt trade, where trading occurs through Israeli companies instead of directly with Israel. The data on bilateral trade within the CU is obtained from sales invoices that do not include details about the origin. Thus, while a considerable amount of Israeli sales to the Palestinian economy consists of automobiles and oil products, which are mainly obtained from third parties through Israeli businesses, the origin of many other Palestinian purchases from Israel is uncertain. In addition, the delineation of Palestinian territory may differ in Israeli and Palestinian statistics, depending on various factors like the inclusion or exclusion of East Jerusalem. The value added in Israel plays a crucial role in Israel's exports to the Palestinian economy, just like in other bilateral trade relations. Similarly, the accuracy of this information cannot be guaranteed and was estimated through a BoI analysis. According to the World Bank (2015), it was discovered that in 2012, it made up around 0.8–1.2% of Israeli GDP, which is roughly 20–30% of Palestinian GDP. The significant difference between the lower and upper estimates in these calculations highlights the lack of precision in the data regarding the Palestinian economy's trade with Israel.

Assessing the exact proportion of Palestinian exports to Israel that can be attributed to exports to third parties, intermediates processed in Israel (such as stone and marble), or goods and services consumed in Israel is also challenging.

Nevertheless, irrespective of the source of the numbers, it is worth mentioning that there is a considerable emphasis on Israel. It's quite surprising that the Palestinian territories are located right next to Jordan and share a border with Egypt through Gaza. Typically, they would be able to utilize the Mediterranean for trade. It is worth mentioning that the Palestinian economy's trade deficit with Israel, as estimated by UNCTAD, accounts for 75% of its total trade deficit, which is approximately 30% of the Palestinian GDP analyzed by Ihle and Rubin (2013). Based on data from the IMF and a report from the Bank of Israel, our analysis for 2014 indicates a significant bilateral trade deficit, accounting for around 22% of Palestinian GDP. While the current figure is noteworthy, it is lower than earlier projections. It is crucial to recognize that the bilateral trade deficit between the Palestinian economy and Israel highlights a significant transfer of wealth from the Palestinian economy to Israel. This is because prices within the CU, which include the external tariff, are higher than world prices. The transfer's magnitude is determined by the difference between the trade imbalance and the gap in pricing between Israel's trade with the Palestinian economy on a global scale and within its own borders. Based on the external tariffs of the CU and the nature of the Palestinian economy's trade with Israel, experts estimate that the variation is between 2% and 5%. This indicates a transfer equivalent to approximately 0.4–1.0% of the Palestinian GDP on an annual basis. Nevertheless, the Palestinian economy faces inflated trade expenses when engaging in trade with Israel, and even higher rates when trading with other countries. As a result, the overall transfer cost is considerably increased (Fraihat & Ezbidi, 2024).

Smaller economies frequently participate in significant trade with larger neighboring economies, especially when they have established preferential trade agreements. Take note of the considerable emphasis on Morocco's commerce with the European Union, the noteworthy focus of Luxembourg's trade with Germany and France, and the substantial focus of Canada and Mexico's trade (both being relatively major economies) with the United States. However, it is highly uncommon to come across a bilateral trade deficit of such a significant scale, with very few similar instances to be found. Furthermore, it is worth mentioning that Israel does not have a substantial domestic market or a diverse array of products and services to export, unlike the European Union or the United States. According to the data from UN Comtrade, Table 7.1 shows that in 2014, Israel's exports to the Palestinian economy were almost the same as its exports to Turkey, Cyprus, Greece, Egypt, and Jordan combined. It should be noted that the UN Comtrade data may provide an inflated estimate of the bilateral trade between the Palestinian and Israeli economies. These countries are in close proximity to Israel and have established free trade agreements (FTAs) with the country. In addition, the combined GDP of these countries is over 100 times greater than the GDP of the Palestinian economy. The Palestinian economy relies heavily on exports to Israel, which far surpasses its exports to all other countries combined. It is worth mentioning that Israel's GDP is less than one-fourth of the total GDP of these countries. Based on the Bank of Israel's trade calculations, the level of commerce between Israel and Palestine is significantly higher than what would be predicted by a standard gravity model (World Bank, 2015).

The Palestinian trade with Israel, regardless of how it is calculated, is far greater than what would be expected based on factors like relative size, distance, and kind of specialization. This refers to the deliberate replacement of imports from cheaper or more productive third parties, generally referred to as trade diversion.

Table 7.1 Neighboring Trading Partners of the Palestinian and Israeli Economies Exports of Goods and Services

Trading Partners	*Israel Exports (USD in billion—2014)*	*Palestinian Exports (USD in billion—2014)*	*Partner's GDP (USD in billion—2014)*	*Air Distance (miles from Lod/Ben Gurion Airport)*
Turkey	2.70	*	822	700
Cyprus	0.9	*	22	200
Greece	0.46	*	250	750
Egypt	0.15	*	288	250
Jordan	0.10	0.1	34	50
Palestinians Territories	4.00	0	13	*
Israel	0.00	1.2	290	*

Sources: UNCTAD and World Bank (2016).

Notes: This table highlights the disproportionate presence of Palestinian trade in the Israeli economy, in comparison to nearby trading partners that are geographically close and relatively affluent.
* = exports are below US$10 million.

Israel has a strong global presence in specialized high-tech manufacturing and services, chemicals and pharmaceuticals, and polished diamonds. These products typically do not make up a substantial part of the imports in a lower-middle-income developing country like the Palestinian economy. It is not surprising that Israel's exports to the Palestinian economy do not match its global comparative advantage. The exports primarily include fuel, food items, and manufacturers in the low- and medium-technology sectors (World Bank, 2015). According to Table 7.2, there is very little overlap between the main imports of the Palestinian economy from

Table 7.2 Main Imports of the Palestinian Economy from Israel and Israel's Global Exports

Percentage of imports from Israel to Palestine	*Percentage of Israeli exports to the global market*	*Product description*
46.2	1.1	Natural gasoline and diesel, mineral fats, and products of their distillation; bituminous substances; mineral waxes
4.4	0	Leftover materials and byproducts from the food industry and animal feed
4.1	0	Various materials such as salt, sulfur, earth, stone, plastering materials, lime, and cement
4.0	0	Cereals options
3.2	12.9	Machinery and equipment powered by electricity, as well as components and add-ons for audio and video recording devices, television picture recorders, and sound recorders
2.8	6.6	Equipment, boilers, nuclear power plants, and mechanical devices; parts of these
2.3	0	Cider, vodka, and other alcoholic beverages
2.2	0	Wood, wood products, and wood charcoal
2.1	0	Animals, meat
1.9	0.8	Fruits, nuts, citrus fruits, and melons' edible peels
1.9	3.6	Polymers and items made from them
1.8	0	Things not otherwise mentioned or included: dairy products, eggs from birds, natural honey, and culinary items derived from animals
1.8	0.2	Various products made from paper pulp, including paper, paperboard, and paper
16	0.2	Vehicles, components, and add-ons for use in modes of transportation other than trains and trams
1.5	9	Medicinal goods
1.5	0	Cigarettes and other synthetic tobacco products
1.2	0.2	Iron and steel
1.1	0	Finished goods from the milling process, wheat gluten, malt, starches, and inulin
1.0	0.1	Sweets sweetened with sugar

Source: UNCTAD and World Bank (2016).

Israel and Israel's global exports, with the exception of a few products like electrical gear, plastics, and fruit and nuts. It is worth noting that the data provided by UN Comtrade does not include Israel's exports to the Palestinian economy in its reports. However, the Palestinian Authority reported significantly higher imports from Israel in 2014 compared to Israel's stated global exports of mineral fuels and other goods.

Discussion

A complex and long-running issue, the Israel–Palestine conflict has far-reaching consequences for commerce between the two areas. A complicated and frequently contentious economic connection has resulted from the battle, which began in the early 1900s. Political unpredictability, security worries, and different levels of economic dependence all play a role in shaping Israeli–Palestinian trade. The first was an effort to lay the groundwork for economic cooperation through the 1990s Oslo Accords, which included things like trade facilitation and the formation of joint economic committees. Ongoing violence, however, has often derailed such endeavors. Strict border controls and limitations, prompted by security concerns, greatly impede the free flow of products. Shipping delays, price hikes, and rotting of perishable commodities can result, for example, from the implementation of security checks and the frequent closure of border crossings. Palestinian companies suffer as a result of these delays because they depend on Israeli ports for both importing and exporting goods. Israel and Palestine have vastly different economies, which further worsens their trade deficit. There is a large trade surplus between Israel and Palestine since Israel's economy is more advanced and diverse. The Palestinian industrial sector has formidable challenges in maintaining competitiveness due to a lack of resources, mobility restrictions, and suitable infrastructure. Palestine depends significantly on imports from Israel for a wide range of items, from necessities to more advanced technologies, due to its low industrial potential. Because of this reliance, critical items are susceptible to price and availability fluctuations in the event of political or security crises. Foreign assistance and trade policy also have significant impacts. Palestine is economically weak due to its lack of international recognition and strong economic links, in contrast to Israel's robust economy, which is a result of its involvement in global markets and trade agreements. Unfortunately, political constraints and circumstances frequently impede the efficacy of international assistance to Palestine, which aims to ease economic misery and encourage growth. International political attitudes fuel economic boycotts and sanctions, further complicating trade dynamics. The direct economic impact of movements like Boycott, Divestment, and Sanctions (BDS) on Israel is debatable, although it does have implications for commerce and enterprises. Trade restrictions and the war have far-reaching social and economic consequences. Stagnation in the economy and few chances for commerce have a multiplicative effect on poverty and high unemployment rates, especially in Gaza. Particularly restricting the circulation of products and adding to a humanitarian catastrophe, the embargo on Gaza poses an almost insurmountable barrier to trade.

To sum up, the trade between the two regions is profoundly impacted by the Israel–Palestine conflict, which in turn intertwines commercial operations with political tensions and security concerns. Even though there have been attempts to ease commercial collaboration, the continuing conflict and the restrictions that follow provide substantial economic hurdles, especially for Palestine. A fairer and more open economic climate, in addition to political will, is necessary to solve these problems.

Policy Implications

The research presents several suggestions to tackle the difficulties that the Palestinian economy is now facing:

1. *Trade Agreements Reassessment:* The research suggests conducting a comprehensive evaluation of trade agreements, including those with Israel and other countries, taking into account the distinctive economic circumstances of Palestine. Evaluating the conditions of these agreements is essential to ensure they are in line with the economic needs of the Palestinians.
2. *Economic Policy Reform and Local Industry Development:* The Palestinian Authority is urged to formulate strong economic and commercial policies to foster the growth of local products. An essential approach is to decrease dependence on imports, which will effectively tackle imbalances in the Palestinian economy and diminish the trade deficit.
3. *Encouraging Foreign Investment:* To boost economic growth, it is recommended that the Palestinian Authority actively promote and support foreign investment in the Palestinian territories. Offering incentives and creating favorable conditions to attract and retain investors would help develop a robust and self-sufficient economy.
4. *Enhancing the Private Sector:* The research highlights the significance of bolstering the involvement of the private sector, namely in the service industry, and in the local market. Aligning the service sector with Palestinian national objectives is considered vital for the overall economic prosperity of the region.

Conclusion

Ultimately, the Israel–Palestine conflict significantly hampers trade between the two regions, as economic activity gets closely entangled with persistent political tensions and widespread security concerns. The pursuit of economic collaboration, exemplified by the Oslo Accords, has been consistently thwarted by the persistent conflict, leading to significant trade imbalances and severe economic difficulties for Palestine. The significant economic inequality between Israel's thriving economy and Palestine's suffering sectors is worsened by strict border restrictions, frequent closures, and a heavy reliance on Israeli imports. Palestinian businesses face severe constraints due to restricted access to resources, limitations on travel, and insufficient infrastructure, which hinder their ability to compete and perpetuate a cycle of economic stagnation. The global trade dynamics are already complicated, and they are further influenced by factors such as global trade policies, conditional aid, and movements like BDS. The socio-economic consequences are severe, especially in Gaza, where the embargo poses an almost insurmountable obstacle to trade, leading to extreme poverty and a humanitarian crisis. The future course is filled with challenges and requires more than just political discussions. An extensive restructuring is required to create a fair and transparent economic atmosphere, allowing trade to thrive without being hindered by conflict and persecution. Hope for sustained development and mutual prosperity in this severely divided region can only be achieved via collaborative endeavors focused on reducing economic barriers and promoting true cooperation.

Notes

1 Israel's defense expenditure as a percentage of GDP has decreased. However, it is still around twice as high as the average of the Organization for Economic Co-operation and Development (OECD). This estimate solely encompasses direct expenditures. However, it does not consider indirect costs, such as the expenses associated with lengthy mandatory service, which are significantly higher. While the immediate expenses associated with the occupation are substantial, the cessation of occupation would not automatically result in a substantial decrease in Israeli defense expenditure. Nevertheless, if the occupation were to come to an end, it would lead to a reduction in regional tensions and foster a cooperative partnership between Palestine and Israel, ultimately enabling significant decreases in defense expenditures over time. For instance, refer to the study conducted by Arnon and Bamya (2015).

2 Please consult an article published by the World Bank in 2017 called "Palestine—Prospects for Growth and Jobs: A General Equilibrium Analysis."

3 Take a look at the "Summary Overview" of the Initiative for the Palestine Economy by the Office of the Quartet Representative (2014).

4 For information on poverty rates in the Palestinian Territory, West Bank, and Gaza Strip, please refer to PCBS (2011).

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8 Charting a Path Forward

Synthesizing Key Findings of Economic and Diplomatic Solutions

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Introduction

The ongoing conflict between Israel and Palestine has a range of impacts on the global economy. It has the potential to disrupt trade, tighten conditions, raise energy prices, and reduce consumer confidence. Such conflicts often result in a shift of funds from social and development projects to military expenses leading to significant economic disruptions. Businesses, households, and governments may encounter challenges such as disrupted supply chains, a lack of workers due to conscription, an emphasis on producing goods for war efforts, and reduced spending by consumers on essential items (Arsahanova & Larin, 2020). Heightened conflict has the potential to drive up oil and gas prices placing added pressure, on both households and businesses. Financial markets could see fluctuations as investors look for investment options leading to stricter financial conditions and increased borrowing expenses in the year 2024. This economic pressure may result in a rise in unemployment rates and prolonged uncertainty about the future. Governments might face challenges balancing defense spending and economic aid that could lead to levels of debt and fiscal imbalances. These interconnected factors could create a cycle where economic instability further fuels tensions, according to an analysis of the impact conducted in 2021.

The continuous Israeli–Palestinian conflict has influenced the Israeli economy to be one of the technologically innovative and strong markets. Due to constant security threats from neighboring countries and non-state actors, expensive investments in defense and security are mandated, which reduces spending in other areas like education, healthcare, and social services. Such long-lasting conflict also gives birth to political instability and uncertainty, hence decreasing investor confidence and consequently hindering the growth of the economy. Apart from the aforementioned aspects, the Israeli–Palestinian conflict influences broader diplomatic relations by affecting trade partnerships and international aid, and accordingly, diplomatic negotiations, further complicating the economic environment.

The economic outlook for the Palestinian territories in 2024 remains highly uncertain due to ongoing conflict dynamics that significantly threaten economic stability. Key factors contributing to this instability include the intensity and persistence of the conflict, changes in Israeli policies affecting Palestinian access to the

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Israeli labor market, and the resolution of the long-standing clearance revenue dispute (Daoud et al., 2023). The most recent comprehensive data for the West Bank and Gaza comes from the 2023 Palestinian Expenditure and Consumption Survey (PECS). This data offers valuable insights into the current economic conditions and living standards in these regions, revealing substantial economic disparities and challenges faced by the Palestinian population. To address these issues, concerted efforts from both Israeli and Palestinian authorities, alongside support from the international community, are essential to foster a stable environment conducive to economic development and peace (Najdi, 2023).

The conflict between Israel and Palestinian militant groups, led by Hamas and primarily centered in the Gaza Strip, escalated dramatically on October 7, 2023. Hostilities have also extended to the West Bank and the Israel–Lebanon border (Yakubu & Oyigebe, 2023). On the initial day of the conflict, militants affiliated with Hamas launched a coordinated and unexpected assault on southern Israel from the Gaza Strip. The attack involved a barrage of rockets and the breach of the Gaza–Israel barrier by an estimated 3,000 militants. This sudden onslaught resulted in the tragic loss of over 800 Israeli civilians and more than 200 soldiers (Wolf, 2023). The scale and coordination of the assault caught Israeli defenses off guard, leading to significant casualties and widespread destruction in the affected areas. In response, Israel launched extensive airstrikes targeting Hamas infrastructure in Gaza, intensifying the conflict further. This sudden eruption of violence has led to international calls for de-escalation and urgent humanitarian aid to the impacted regions (Yakubu & Oyigebe, 2023). This conflict has deep historical roots, with periodic escalations often linked to broader political, territorial, and security issues between Israel and Palestinian groups. The October 2023 events represent one of the most severe escalations in recent years, highlighting the ongoing volatility and the complex dynamics at play in the region (Times of Israel, 2023a).

The fiscal crisis in the Palestinian territories has significantly intensified due to a sharp decline in clearance revenue transfers, reduced domestic resource mobilization, and a rigid expenditure framework. In 2023, the financing gap for the Palestinian Authority (PA) after accounting for aid reached $682 million, representing 3.9% of gross domestic product (GDP). This situation is projected to deteriorate further in 2024, potentially escalating to $1.2 billion (Times of Israel, 2023b). The economic prospects for Gaza are extremely grim, with a projected GDP contraction of over 50% in 2024 compared to the previous year, following a sharp downturn at the end of 2023. This economic depression is highly attributed to the continual effects of capital destruction (World Bank, 2023). In West Bank, the economic situation is projected to still be difficult for the entire year 2024 due to a deteriorating security environment coupled with increased movement restrictions. These have considerably limited the activities of the private sector hence contributing to the continual strain on the economy.

This Eastern Mediterranean coast has often been wracked with political instability and conflicts that have grossly undermined the food security in the region, with an increase in cases of malnutrition. In particular, since 2007, when the blockade was first imposed, the Gaza Strip has been torn apart by consecutive bouts of violence and hostilities. For the past 16 years, Gaza has been under siege, as the State of Israel controls its borders, the travel of people, the transit of electricity, and access to basic resources. This has fostered serious concerns of food security and undernutrition, accompanied by related health issues. Separate studies document the deplorable conditions that exist in Gaza, with an extreme shortage of necessary supplies, a breakdown of health services, and growing malnutrition rates with food insecurity among its population.

Method

In this chapter, we especially focused on post-Israel–Palestine conflict and how this conflict has an impact on economic stability. Additionally, this chapter emphasized how to resolve this diplomatic matter at the international level. We have studied various articles, reports, and reputable web sources from various online and offline platforms that helped in selecting an appropriate topic related to this book. Additionally, we started finding the best sources related to selecting this topic, which was not only related to Israel–Palestine conflict but also studied how this conflict affected other aspects, such as other countries, economies, societies and global relationships.

This required a thorough review of the literature on post-conflict economic situations, with more narrow research coming from sources relevant to some future situation in Israel and Palestine after 2023. Overall, we included 30 research articles and excluded 15 popular site articles, as well as three book reviews from the analyses. Sixteen (16) records were excluded after critical appraisal for not describing up-to-date evidence. In the end, we retrieved 32 sources, of which 19 were research articles, 7 were website articles, and 2 were book reviews. Such sources relate directly to the 2023 Israel–Palestine conflict and its economic aftermath.

The data from these various sources were coded and grouped systematically. The systematic approach allowed us to organize the scheduling through identified criteria, developing an exhaustive framework crucial in results synthesizing phase (Torres-Carrión et al., 2018). A thematic approach was utilized to recognize key themes, topics, and recurring patterns within economic elements. The primary goal of this study was to assess the economic repercussions for Israel and Palestine following the conflict. In addition to how it has affected their economic trajectories and possible solutions for economic improvement through international mobilization. A thorough examination was carried out to validate the findings, enhancing the robustness of the study's conclusions (Halkias et al., 2022).

Discussion

Economic Consequences of the Israeli–Palestinian Conflict on the West Bank and Gaza Strip

The many military and economic measures that have been put in place by Israel since it occupied the West Bank, including East Jerusalem and the Gaza Strip, have not done well for the economy and businesses, which have suffered massively. It has been an immense price to pay by the West Bank, with estimates of as much as $600 million lost through work absences. That is about 6% of the country's weekly GDP (Times of Israel, 2023a). Times of Israel (2023b) highlighted that another six months to a year of war will cost the Israeli economy more than $50 billion—close to 10% of Israel's GDP. That, of course, assumes that the 350,000 workers return to work in the not-too-distant future. Hassoun et al. (2024) argue that it was not affected in these two countries; the economic zones in Europe were also widely affected and included depressed regional trade, tightening financial conditions, rising energy costs, as well as lower consumer sentiment. After the conflict, Israel had faced a financial shortage of up to $680 million, later rising to $1.2 billion after a few months. The early months of 2024 were marked by an unprecedented economic slump in Palestine, with the GDP per capita having decreased by 12% from its position in December 2023 (Times of Israel, 2023b).

Israel has confiscated over 40% of Palestinian land in the West Bank, establishing settlements and related infrastructure. Additionally, the construction of a 709 km separation barrier has led to the permanent loss of at least 8% of Palestinian agricultural products (United Nations Conference on Trade and Development, 2023). Movement restrictions enforced by the Israeli military disrupt daily business activities, impede market and resource access, and slow down import and export processes (Ajamieh et al., 2023).

A cautionary note addresses the effect of economic growth on social and political stability in the West Bank and Gaza Strip. In other words, the belief that economic growth or the creation of income or job opportunities should directly reduce social tension and political conflict has been far too simplistic an understanding of reality in this and other politically sensitive contexts. Such periods of expansion are just as likely to be followed by political awareness and mobilization, crystallization of nationalist aspirations, etc., as periods of stagnation.

Economic Impact of Recent Conflict on Gaza's Employment

The recent conflict has severely impacted employment across two countries, particularly in Gaza, where approximately 61% of employees lost their jobs, and over 80% of employees did not receive salaries during the month-long war (Bhowmick & Khan, 2023). As a result, workers from market and corporate sectors returned to their hometowns, leading to an employment crisis that persisted for two to three months post-conflict. Small and medium-sized enterprises were forced to shut down due to the lack of available employees and disrupted supply chains. Additionally, tightened border security measures exacerbated the situation, creating significant barriers to economic stability.

This employment imbalance has profoundly affected Gaza's urban economy. In October 2023, Gaza's GDP declined by 23%, and by December 2023, the GDP had plummeted by 41% (Times of Israel, 2023a). Existing literature indicates that the economic repercussions of this conflict extend beyond Gaza, also destabilizing the Palestinian economy. In response to the Israel–Palestinian conflict, Palestine increased its tax system, which further strained economic sustainability (Bhowmick & Khan, 2023). The ongoing instability has deterred foreign investment and limited economic growth, leaving the Palestinian territories economically fragile and dependent on international aid. Although rare, joint ventures between Israeli and Palestinian businesses exist and are seen as a means of peace building, fostering cooperation, and mutual understanding.

According to selected literature, by the end of January 2024, 201,000 employees in Gaza had lost their jobs (Zeina et al., 2024). Additionally, the halt in work permits meant the loss of employment in Israel and its settlements to 148,000 workers from the West Bank who had been working there prior to the above suspension (UN Population Fund, 2024). By the fourth quarter of 2023, only around 24,000 workers from these regions remained employed in Israel (International Labor Organization Report, 2024). As a result of the conflict, approximately 182,000 jobs were lost in Gaza alone, which puts a dent in the local workforce. This hard blow to the economy brings to the fore some of the humanitarian situations confronting the people of Gaza (Yakubu &Oyigebe, 2023). Furthermore, 144,000 jobs were lost in the West Bank due to the rising violence and associated disruptions of supply chains and production capacities, as well as impacts on workers' ability to get to work (Mahmoudian, 2023). The Palestinian economy suffered an estimated daily loss of $21.7 million, while Israel's economy declined by 12.9% in October 2023 due to the overall decrease in national labor income (World Bank, 2024). The Palestinian territories faced an estimated daily labor income loss of $25.5 million, highlighting the severe economic consequences of the conflict.

Economic Impact on Global Markets

After the conflict, Israel has faced significant international economic condemnation for its marketing strategies in global markets, particularly in Arab countries (UNGA, 2024). Efforts to promote sustainable development between these countries have been encouraged by the UN, which aims to maintain positive relationships with business sectors by promoting entrepreneurship in both the public and private sectors (United Nations, 2024). Most Arab countries have discontinued entrepreneurship contracts, leading to a comprehensive rise in food and energy prices in local sectors. This has negatively impacted the world economy, causing a double shock to commodities markets (Yoganandham & Kareem, 2023). Crude oil's 30-day volatility surged to a three-month high amid geopolitical news that is being closely watched by India, the third-largest importer of crude oil in the world. If anything, "economies have become immune to some extent to supply shocks. The share of Middle East's oil exports has been falling over the last five decades and is now 30% of global oil supply." Middle Eastern oil producers are concerned about reduced oil production from Saudi Arabia and Russia, creating a deficit in the oil market (Yoganandham & Kareem, 2023).

The intensifying disagreement is particularly troubling due to its anticipated impact on global interest rates and the broader economy. The humanitarian crisis in Gaza, coupled with the Israeli military's response, has raised significant concerns in Egypt and Jordan. These concerns may lead to calls for the relocation of Palestinians from the West Bank to Jordan, sparking fears of the potential displacement of one million Palestinians by Israel (Rajoub, 2024). The strain on diplomatic relations between Israel and its original peacemakers, Egypt and Jordan, threatens potential diplomatic withdrawals, which could further complicate the resolution of the conflict and the release of hostages and prisoners, ultimately affecting regional stability (Arnaout, 2024).

Such a conflict only strengthens the already existing geopolitical rivalries in the Middle East, with implications for regional and global political power. Any change of alliances and international opinion may have significant impacts on the economic and social situation for all parties. If the conflict escalates to an aggressive level, then Israel could directly enter into a conflict with Iran—one of the main allies of Hamas, which is recognized as a terrorist organization by the USA and the EU (Staff, 2024). Economists expect this kind of escalation to drive oil prices as high as $150 a barrel and lower world GDP by 1.7%. This will create a severe recession that may lower global production by about $1 trillion.

Global Impact and Future Risks

The 2023 war in Israel–Palestine affects the world economy, causing ripples across sectors and deepening existing economic vulnerabilities. This war in Israel–Palestine adds to the rising volatility in the global stock market, forcing some investors to shift their interest to traditional safe-haven assets such as gold and government bonds. The uncertainty of how long it would last or whether the conflict would escalate made investors more cautious, hence likely reducing investment in riskier assets and slowing down growth.

At the beginning, the conflict between Israel and Hamas had a minimal effect on the global market. The concern of regional spillover and digital product supplies may be disrupted due to this violence and regional cooperation is also getting tougher day by day. Many nations are debating the possibility of advancing new collaboration platforms. The Middle East, being a major source of global oil supply, faces the risk of disrupted oil production due to the conflict (Yoganandham, 2023). This could reduce global oil supply, potentially leading to higher oil prices and increased global energy costs. The conflict has notably affected Singapore's digital economy, which fetched $77.5 billion from December 2023 to February 2024 but dropped to $58 billion by March 2024 (Times of Israel, 2023a). The Japanese market has also suffered due to a lack of digital material suppliers and significant road trafficking issues in Israel, resulting in a 30% decline in production sales (The Global Risks Report, 2023). These disruptions have conservatively impacted Indian markets as well.

Economists warn that the escalating Israel–Hamas conflict, as the Israeli military intensifies its Gaza offensive in response to Hamas terror acts, poses growing risks to the global economy. Times of Israel (2023b) has estimated, this war is costing the Israeli economy $600 million a week due to absenteeism from work, which means around 6% of Israel's weekly GDP. This estimate does not represent the total damages, excluding the effect of the absent Palestinian and foreign workers. Indeed, the Bank of Israel calculated the cost of the entire war at $53 billion by 2025. As for the immediate economic impact, the long-run repercussions of war are more speculative but potentially much more serious. If protracted conflict leads to sustained economic activity, then the results may be far worse: increased military spending at the cost of developmental resources. These two factors may become drags on the revival of the economy and retard growth to weaker extents in the conflict-affected regions.

The Economic Impact of the Israel–Hamas Conflict on India

The burning conflict between Israel and Hamas has led to colossal economic global problems, with the economy of India among those being greatly affected. First, the price of crude oil has risen because of the current conflict, and India is bound to be seriously affected as it is a net importer of crude oil. Iran is a key supporter of Hamas, and it might open another window of singeing petroleum prices and in case of another window, it can add extra pressure and bring the oil market into a sell-off. India's macroeconomic stability is under threat, with even a limited escalation of the conflict leading to an interruption in supply and a spurt in crude oil prices. According to Yoganandham and Kareem (2023), for every $10 increase in Brent futures, India's current account deficit (CAD) widens by 0.5%, weakening the Indian Rupee (INR) and causing import inflation that impacts industries such as chemicals, paints, tires, and aviation.

Beyond the oil market, it has had far-reaching impacts on agricultural trade as well. On the other hand, India being the major trading partner had the least negative impacts from the severely affected agriculture and industry of Israel (Pandey & Pandey, 2023). According to the World Bank (2024) agriculture in Israel accounted for only 0.9% of GDP in 2021, down from 1.1% in 2020, and the country is greatly dependent on imports of major commodities. Any prolonged conflict will get into crucial export markets, and this will open opportunities for India's agriculture sector. Imports to Israel increase by 2% per annum, and more than half of the agricultural supply is covered by imports. India ranks 21st for oilseeds and 36th for grains. Collaborative public-private partnerships between Indian and Israeli agriculture companies have led to the implementation of smart farming pilot projects (Yoganandham, 2023). The positive export relationship between India and Israel is primarily focused on pharmaceuticals, industrial equipment, and petrochemical derivatives.

Moreover, the conflict affects India's trade dynamics, as Israel is a key partner in the technology, defense, and agriculture sectors. Instability in Israel could disrupt trade flows, affecting the supply of advanced technology and defense equipment to India, which could hinder India's technological advancements and defense preparedness (Sathian, 2024). The conflict can also impact global financial markets, inducing volatility that affects Indian markets. Investors might withdraw from emerging markets like India, preferring safer havens, leading to a drop in the Indian stock market and the rupee's depreciation.

Address Economic Fragility at the International Level

The majority of the ventures in Israeli sectors, at around 80% as of mid-October 2022, had suffered major setbacks resulting in widespread job losses with extreme negative impacts on the economy. This collective call to the Israeli government, while more than economic advisories, is a stinging reminder of the outcomes of long-standing policies and practices that have relegated Palestinian rights. There is an urgent call to reflect in the light of current conflict on re-ordering budgetary priorities. Such reflection would signify the idea that peace and stability will be achieved when and only when justice and equality, in terms of rights for all, are evenly delivered to Palestinians. Despite the apparent boom in its economy, the current round of conflict really reveals the fragile nature of a system that is grounded on contested land and disputed policies. There are a few sectors facing financial hardship due to the divestments and boycotts under the BDS (Boycott, Divestment, and Sanctions). However, Israel's GDP has been otherwise strong owing to diversified sectors such as technology, drugs, and agriculture. Mutual engagement in open dialogue with pro-BDS advocates may result in better mutual understanding; on the other hand, open policymaking and transparency about Palestinian concerns would likely address some of the movement's criticisms. Cross-country collaboration with Palestinians will demonstrate cooperation and shared growth with mutual prosperity.

In effect, neutral players mediate conversations between antagonistic camps with peace-oriented initiatives and have the benefit of keeping such global conversations apolitical, which further reduces potential biases or misrepresentation in the conversations. This challenge has to be addressed through mutual efforts: Israel needs to tackle the root causes of this conflict, and the international community needs to support balanced narratives and constructive dialogue. Mendes and Dyrenfurth (2015) said that the decentralized nature of BDS campaigns, with varying strategies, objectives, and degrees of non-violence across different regions, poses challenges to achieving a cohesive approach. Additionally, observed that the broad and multifaceted goals of the BDS movement make it difficult to measure its overall effectiveness. However, activists have successfully used BDS as a tool to reshape the discourse surrounding the Israeli–Palestinian conflict, raising awareness and influencing policy changes. This reframing underscores the movement's value in bringing attention to critical issues, even if its outcomes are complex to quantify.

The Escalating Food Security Crisis in Gaza

Food security in Gaza has been a long-standing issue and has been influenced or determined by various socio-economic factors. The blockade by Israel was very instrumental in determining the food security situation in Gaza. The situation of food security at the household level in Gaza calls for both physical and economic access to food availability, access to markets, and price stability. The impacts on food security do not just pertain to physical damage but also include problems with trade and disruptions in the value chain (Hassoun et al., 2024). A case in point is the dire starvation that has been suffered by Gazans, particularly during the initial five months of the current conflict, where the first deaths through starvation occurred in last month of February and early March 2024 in northern Gaza.

Furthermore, economic access to food has been the most reduced by an absolute decrease in incomes, with many having lost jobs as a consequence of war and massive infrastructure destruction. By December 2023, economic activities and employment rates in the affected region had plummeted by approximately 85% since the onset of the hostilities (World Bank, 2023). Both independent experts and advocacy groups have warned that the combination of a stringent blockade, forced population displacement, and relentless attacks on infrastructure—including those crucial for food production—are escalating the risk of a dire food crisis in Gaza. A situation already characterized by severe food insecurity due to a blockade that has been in effect for a long period of time may deteriorate into famine conditions. The most recent report from the Integrated Food Security Phase Classification (IPC) dated February 7, 2024, reveals that all 2.2 million residents of Gaza are experiencing high levels of acute food insecurity, with a quarter of the population facing an extreme phase of food crisis known as catastrophe.

The allegations by Israel that United Nations Relief and Works Agency (UNRWA) employees were involved in the October 7, 2023, attack have resulted in many countries freezing funding to the UN agency supporting Palestinian refugees. The implication is that this will raise concerns for exacerbating the deepening humanitarian crisis in Gaza, where Palestinians already face a dire shortage of food, water, and medicine. The convergence of all these factors has created a situation that is quite precarious, threatening to drive the food security crisis in Gaza to unprecedented heights.

Economic Consequences of the Israeli–Palestinian Conflict on the West Bank and Gaza

The Israeli–Palestinian conflict has had a profound effect on the economy, affecting employment, GDP, and the general stability of the economy within the West Bank and Gaza Strip. This conflict has not only affected the Palestinian territories but also imposed substantial costs on Israel, with broader regional implications. The economic repercussions in Palestine include increased tax burdens on small businesses, stemming from partial salaries paid to workers and withheld tax revenues by Israel. Early 2024 saw a 12% decrease in GDP per capita in Palestine compared to December 2023, with the Palestinian economy facing an estimated daily loss of $21.7 million. Israel's economy also suffered, experiencing a 12.9% decline in October 2023 due to decreased labor income (World Bank, 2024). In the West Bank, work absences resulted in estimated losses of $600 million, which equates to roughly 6% of its weekly GDP (Yakubu & Oyigebe, 2023). In Gaza, the conflict led to a significant GDP decline, with a drop of 23% in October 2023 and a further decrease of 41% by December 2023 (Times of Israel, 2023b).

The blockade of Gaza by Israel and Egypt significantly limits import and export capabilities, hindering business growth and access to materials and markets

(UNCTD, 2023). Gaza's economy, heavily dependent on aid, struggles with high poverty and unemployment rates due to these restrictions. Businesses in Gaza primarily focus on survival and catering to the local market within the constraints of the blockade and economic limitations imposed by Israel (Ajamieh et al., 2023). The Palestinian territories function under a one-sided customs union with Israel, allowing Israeli products to enter Palestinian markets freely, while Palestinian exports to Israel face numerous barriers. Additionally, Israeli settlement expansion and the construction of the separation barrier have resulted in the confiscation of over 40% of Palestinian land in the West Bank and a permanent loss of at least 8% of Palestinian agricultural output (da Costa et al., 2023). Movement restrictions further disrupt daily business operations, affecting market access and slowing the import and export processes (Daoud et al., 2023). The ongoing conflict is expected to decrease overall human development in the State of Palestine by 11 to 16 years, impacting educational attainment, life expectancy, per capita income, and nutrition (United Nations Development Programme, 2023).

One-State Alternative Solution

The Palestinians placed the establishment of a state that would encompass all of Palestine and the full restoration of their rights as priorities in response. As the Peace Process continued to stagnate, many scholars pushing for a one-state solution contended that the two-state solution had become an impossible cure for the Israeli–Palestinian conflict (Edward, 1995; Farsakh, 2005). These scholars produced very comprehensive social, political, and economic analyses outlining the failures of the two-state solution. Early on, Edward (1995) also predicted that the Oslo record (2014) would harm Palestinians, labeling it a tool for Palestinian surrender—a "Palestinian Versailles." He attacked Palestinian leaders and the PA for operating like a "Vichy government," serving the interests of elites while ignoring the voices of the majority, including refugees, laborers, peasants, and urban and camp dwellers. With 30 years of research on the economic and social conditions in Palestine. Roy (1995) concluded that the Peace Process was designed not to dismantle the Israeli occupation but to prolong and deepen it. This scholar noted that the Palestinian economy and society were systematically undercut during this period. Through road closures, territorial fragmentation, confiscation of land, and settlements that furthered expanding lands, Israel had devastated all Palestinian economic infrastructure. The one-state solution idea faded into the background after the Palestine Liberation Organization recognized Israel as a legitimate state, mainly staying within the intellectual discussions of Palestinian thinkers.

Greater Influence on Global Economy

Exiting literature reports indicate that the 2023 Israel–Palestine conflict has had a profound impact on the Palestinian labor market, with approximately 148,000 skilled workers in the West Bank losing their jobs, work permits, and homes (PCBS, 2024). Despite this upheaval, around 24,000 workers managed to retain their jobs, albeit facing more than double the usual salary structure. This disruption has severely affected local demand in the West Bank, contributing to a significant rise in unemployment, reaching 12.9% as reported in the World Labor Report (2023). Globally, the conflict initially had limited economic repercussions, but persistent instability has raised concerns about regional spillovers and disruptions to supply chains. This has led to increased volatility in global stock markets, with investors seeking safer investments like gold and government bonds. Ongoing uncertainty about the conflict's duration and potential escalation has prompted cautious investment behavior, potentially slowing global economic growth (Batool, 2025). A critical concern is the Middle East's pivotal role in global oil supply; any disruption in production could lead to reduced supply and higher global oil prices. Yoganandham (2023) highlights that these developments have prompted investors to demand higher risk premiums, which, coupled with elevated oil prices, could trigger economic downturns as oil demand declines.

Impact of Wars on Sustainable Development

Wars and armed conflicts seriously undermine the three pillars of sustainability: the social, economic, and environmental dimensions; hence, progress in the attainment of the SDGs has been quite slow. Financial resources are being redirected from critical areas such as health, education, clean energy, and sustainable infrastructure to military expenditures and emergency relief. This shift hampers initiatives aimed at poverty reduction and enhancing health and well-being (Béné et al., 2024).

This conflict majorly affected food security, which is a central aspect of SDGs (in particular, SDG 1: No Poverty; SDG 2: Zero Hunger; SDG 3: Good Health and Well-being; SDG 13: Climate Action; and SDG 15: Life on Land). Recent November 17, 2023, satellite data reveals large-scale destruction of agricultural systems in Gaza, therefore leading to severe hunger, food insecurity, and increasing malnutrition. Conflicts also lead to the clearance of natural habitats, which causes a considerable loss in biodiversity and genetic diversity. Furthermore, conflicts complicate the resolution of long-standing disputes and complicate accountability for human rights violations and breaches of international law. The resolution of these issues is a precondition for durable peace, justice, and effective institutions that would be a central key to improved well-being and security for affected populations. Global priorities urgently need adjustment so that sufficient attention and financing go toward development and climate goals if the realization of the 2030 Agenda for Sustainable Development is to become a reality. A balanced approach is necessary to address immediate conflicts while maintaining a focus on long-term sustainable development objectives.

Conclusion

The 2023 Israel–Palestine conflict has severely undermined the economic stability of the West Bank and Gaza Strip, leading to dramatic declines in employment and

GDP. Gaza is especially hard-hit, with a projected GDP decrease of over 50% in 2024 and an acute food security crisis exacerbated by a prolonged siege and recent hostilities. The blockade and military actions have stifled economic growth, increased poverty, and severely disrupted daily business operations and unemployment. Additionally, the conflict has strained Israel's economy, resulting in significant financial losses and potential long-term instability. On a global scale, the conflict has led to heightened stock market volatility, disrupted oil supplies, and affected agricultural trade, impacting economies far beyond the immediate region. The escalation threatens sustainable development goals by diverting resources from essential services to military spending and emergency relief, complicating long-term peace and development efforts. Addressing these economic challenges necessitates comprehensive international cooperation and strategic interventions to provide both immediate relief and support for sustainable development in the region.

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9 The Israel–Palestine War and Its Ripple Effects on the Indian Stock Market

An Event Study of Key Sectors

Partha Acharjee, Indrajit Singha, Sauvik Chakraborti, and Debasis Neogi

Introduction

When geopolitical risks emerge, emerging economies experience heightened volatility across foreign exchange, banking, and debt markets (NguyenHuu & Örsal, 2024). Due to its significant impact on the economy, events like wars significantly affect the financial markets in terms of volatility and change in the behavior of the investors (Assaf et al., 2023). For instance, emerging geopolitical risks in China have significantly influenced Canada's stock market but particularly in resources and energy indicating that investors need to hedge geopolitical risks (Singh & Roca, 2022). Another old conflict is the Israeli–Palestinian conflict, which is based on the Jewish–Arab confrontation over territories in Palestine in the late 19th and early 20th centuries (CFR Interactives, 2024). More recent developments of this conflict have raised international awareness through humanitarian crises and threats of regional insecurity. The conflict therefore is not only a political and humanitarian issue but also has major ramifications economically. The position of Israel in supplying the oil and gas markets (Abhinav, 2023), and pharmaceuticals and technology markets (Pharmaceutical Technology, 2016) makes it a strategic economy for international trade. Due to the conflict, trading areas, investors' confidence, and market stability in different parts of the world can be interfered with.

Of all the industries involved in this conflict, two whose impacts are more significant are the oil & gas and the pharmaceutical industries. The oil & gas sector is a vital element of the world economy since energy prices are somewhat influenced by political events (Stevens, 2018). Global oil prices can be volatile for countries that import this natural resource, and India is no exception, as a potential volatile can be seen below: Likewise, the pharmaceutical industry also has its importance in international and Indian markets; conflict in supply chain can hamper the production and export of pharmaceutical products in India (Vyas et al., 2020). As India conducts business with both Israel and Palestine, shifts in the Israel–Palestine conflict threaten to possibly detrimentally impact its business relations and market perceptions. Specifically, geopolitical risks bring volatility in stock markets specifically in BRICS nations where Russia is most vulnerable while India offers least

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susceptibility often influenced by political and financial risks, domestic demand besides immediate exposure to dollar (Balcilar et al., 2018).

But in light of the efficient market hypothesis (EMH), such events are thought to have no influence that could be predicted, and hence have no bearing on the stock prices as the latter are supposed to follow a random walk that incorporates information (Malkiel, 1989). The "Semi-Strong" form of the EMH postulates that all available stock-related information is already reflected in the stock price (Loonen, 2007) and, as such, past events cannot have a predictable impact on stock prices given that they are random (Fama, 1995). This paper thus seeks to establish the extent to which the Israel–Palestine conflict has an effect on the Indian stock market, especially focusing on oil & gas and pharmaceutical industries. This study will provide more information about the role and effect of geopolitics and, in general, Indian stock market. It is hoped that the findings from this research will be useful for all investors, as well as policymakers, to mitigate these conflict risks.

The second section aims to summarize the literature for the purpose of having better insights into the research problem. The method section describes procedures and techniques used in this study. The fourth section gives a review of the data gathered and discusses the results emanating from the study. Lastly, the fifth section summarizes the main findings and presents final conclusions and recommendations.

Literature Review

Looking back to the late 19th century, the Israeli–Palestinian clash has been a protracted military and political dispute within the region. As of now, numerous efforts have been undertaken to address this most prolonged conflict. Consequently, due to this ongoing war, the people of these two countries have faced serious issues related to economic, social, and humanitarian. This war has affected both countries economically by increasing poverty levels, impacting Gross Domestic Product (GDP), and introducing volatility in the financial markets that discouraged investors from channeling their investments in these two countries. The Israeli–Palestinian conflict not only influences these two countries' stock markets but also affects global equity markets (Goyal & Soni, 2024). Therefore, the present literature review seeks to uncover the existing research gap by evaluating prior studies that applied a similar kind of methodological approach.

The historical records suggest that war, territorial disagreement, and conflict have repercussions on the financial market (Pandey et al., 2023). For example, a study by Altemur et al. (2024) investigated the effect of Hamas–Israel conflict on financial markets of Turkey and Middle Eastern countries. Event study methodology was used to assess the event impact of major stock indices of these countries. The outcome of the study reveals that this conflict had a notable impact on these countries' stock indices. Under the study, the market model of event study was applied to calculate the abnormal return, and cross-sectional regression analysis was used to determine the probable underlying variables that impacted the CARs in different window periods of 24 emerging and 23 developed countries' stock indices. The results obtained from the study uncover that this conflict had a heterogeneous impact on various markets. Furthermore, the study also reveals that in different window periods, certain variables significantly influenced the CARs. In a similar nature of study, Bhattacharjee et al. (2024) analyzed how the stock markets of trading partner nations reacted to the occurrence of the Israel–Hamas war. The expected return of Israel, along with its 23 trading countries, has been calculated based on the Morgan Stanley Capital International (MSCI) benchmark index. The results of the study conclude that there were some factors, such as geographic distance, economic standing, and trade connection with Israel, that caused an unbalanced response among trading partner countries. Another study by Pandey et al. (2024) analyzed the happier countries' stock market reaction to the Israel–Hamas conflict using 71 global stock indices. The research results highlighted that stock indices of happier countries exhibit more resilient to the impact of this war. However, the cumulative repercussions of this geopolitical clash were mostly negative; the markets in Africa, Europe, and the Middle East showed greater vulnerability.

A similar kind of geopolitical conflict that affects the global financial market has been empirically analyzed in various prior research, which was related to the Russia–Ukraine conflict (Boubaker et al., 2022; Fang & Shao, 2022). Specifically, Assaf et al. (2023) examined the influence of the Russian invasion of Ukraine on the global financial market. The researchers considered a sample of global stock indices of 73 countries by applying the event study method to investigate the event repercussions. The study found that stock indices get negative ARRs and CAARs post-announcement of invasion. However, a cross-sectional difference exists in abnormal returns based on country-specific variables. This is supported by Yousaf et al. (2022) as they studied the effect of the same conflict in G20 countries and chosen stock markets. Their research supported the fact that countries such as Hungary, Poland, and Russia together with others experienced negative cumulative abnormal returns (CARs) both pre- and post-event in the European and Asian sectors.

These studies indicate that in general there is a negative response of stock markets to war but with differential intensity across geographical and economic characteristics. Furthermore, Abbassi et al. (2022) assessed how this geopolitical conflict affected the G7 nations' stock markets. The research result pointed out a heterogeneous effect across various stock markets, though the overall market was fragile in nature as a consequence of the war. The response of the economy to war is also not consistent, and the literature has provided studies that imply sectoral differences. K (2023) for the purpose of understanding about the Russia and Ukraine war the impact of the sector was examined with the help of eight indices of NIFTY of India and concluded that out of eight indices, the automotive, bank, and financial services were badly hampered. But in sectors such as pharma, metals, and energy, the negative abnormal returns were observed in the anticipation window while there were positive adjustments later. Maheshwari et al. (2024) also did notice sectoral heterogeneity in a similar manner in his empirical study on the effect of GST implementation on Indian sectors. A favorable impact was observed in the Fast-moving consumer goods (FMCG) sector, whereas the pharma and power sectors faced some unfavorable impacts. Such results suggest that even wars may have disparate effects on various industries, and sometimes can have post-recovery patterns.

Most of these studies adopt a uniform methodological approach, the event study methodology, to estimate the extent of abnormal returns in the context of major geopolitical events. For instance, Umar et al. (2022) examined the effect of the Russo–Ukrainian war crisis on energy and metal markets for a 27-day event window and 120 days of estimation windows; they also found that clean energy stocks experienced heightened AAR than the pre-crisis period, while the traditional energy stocks were not as affected. These papers show that estimation and event windows are useful in identifying the response of stock prices to the geopolitical crises.

This paper studies how structural characteristics of countries such as geopolitical closeness and economic entwinement with conflict regions affect stock market responses. The negative impacts were highest for Austria, Greece, and Egypt, whereas Argentina and Japan reported positive results. Yousaf et al. (2022) also provided similar evidence where the Russian market was observed to respond most during the Ukraine conflict, and all the European and Asian markets observed high levels of abnormal returns. The variation in market reactions to wars highlights the fact that economic relations and political inclinations play major roles in formulation of the stock market reactions to wars.

In addition to contentious disputes, political speeches based on national security can also cause massive stock market fluctuations. For instance, Verma et al., 2022 analyzed the reactions of the Indian stock market after Prime Minister Modi's speech on national security after the 2019 Balakot Air Strikes, in which the authors found positive trends in the BSE SENSEX 30 as well as in the CNX NIFTY 50 for 11 days before the strike, and negative reactions, afterward. This is evident that political climate in terms of war and national security impacts the market outlook in terms of short-term market price cycles. Other events have also been compared to war for they bring about calamities in the same sense of the word especially in handling issues related to coronavirus or COVID-19. There is a number of investigations of the effect of COVID-19 on world and domestic stock exchanges by utilizing the event study method (Kumar et al., 2020; Yousaf et al., 2022). Negative abnormal returns from the NIFTY 50 index in India were noticed during the COVID-19 outbreak, which shows that the returns were abnormal beyond a certain level. Similarly, according to Khatatbeh (2020), the announcement of COVID-19 led to negative response of 11 world stock market indices. Some of these works emphasize the similarities between pandemics and geopolitical risks insofar as they upset the financial markets are concerned.

Considering the volatile reactions of financial markets to various events, this paper intends to check whether there is any impact of Israel–Palestine war attack in the Indian stock market, particularly to the major companies of oil & gas and pharmaceutical sectors. To that, the following hypotheses were developed:

H_{01}: The stock prices are not significantly affected by the Israel–Palestine war attack.
H_{02}: The AAR of the oil & gas sector is almost near zero.
H_{03}: The AARs of pharmaceutical sector are almost near zero.
H_{04}: The AARs occur randomly.

Data and Methodology

Data

The present study seeks to investigate the repercussions of the Israeli–Palestinian war on two major sectors of the Indian stock market. To examine the impact, two sectors, that is, oil & gas and pharmaceutical, were selected on the basis of their sensitivity to geopolitical events and sectors which have Israeli connections. In each sector, five companies were picked based on their market capitalization. For the oil and gas sector, we have selected Oil and Natural Gas Corporation (ONGC), Indian Oil, Petronet, and HOEC. On the other hand, for the pharmaceutical sector, we identified Cipla, Divis, Zydus, Sun Pharma, and Torrent companies. Secondary data has been used for the study. The daily closing price of each company and the Nifty 50 index were obtained from the National Stock Exchange (NSE) official website. Nifty 50 index has been employed as a benchmark for the market. The present study considered October 9, 2023, as an event date because October 7, 2023, was a holiday, and trading activity was closed in the Indian stock market.

Methodology

Event study methodology has a well-established presence in the field of economic and financial research. It is commonly used as a preferred technique to assess

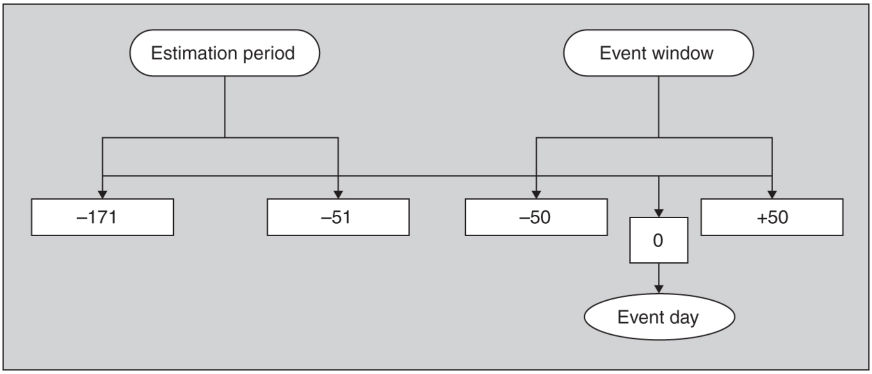

Figure 9.1 Event Study Periodisation.

Source: Author’s construction.

the abnormal price movement of financial assets after the occurrence of specific events. Several high-quality recent academic research studies have been carried out using this technique to analyze the effects of various events (Boubaker et al., 2015; Pandey & Kumar, 2022; Kumar et al., 2023). Event study methodology is grounded under the assumption that any information revealed to the public is promptly absorbed into the stock price (Brown & Warner, 1985). Therefore, the impact of newly released information on the price of securities is examined with the help of this technique (Arora et al., 2015). In the present study, an estimation window of 120 trading days was taken into account to compute the expected return. Furthermore, the event window covers a period of 101 trading days, which includes 50 days before (anticipation period) and 50 days after (adjustment period) the war has occurred, and the event date is marked as 0. Figure 9.1 depicts the event time frame. There are various kinds of models that exist to estimate the expected return in the event study, but the market model is the most commonly applied model (Bash, 2020; Goyal & Goyal, 2023). This is shown in Figure 9.1.

The expected return $E(R_{t)}$ of individual stock is computed by applying the following formula

$$E(R_{it)} = \alpha_i + \beta_i R_{mt}$$

Here, $E(R_{it)}$ denotes the expected return of ith securities on day t. α_i and β_i represent the parameters of ith securities on time t. R_{mt} signifies the return of benchmark index on time t.

The abnormal return $(AR_{it)}$ is computed by taking difference between expected return $[E(R_{it)}]$ and actual return (Rit) shown in the following equation.

$$AR_{it} = E(R_{it}) - R_{it}$$

Here, AR_{it} represents abnormal return of ith stock in t period. R_{it} denotes the actual logarithmic return of ith stock in t period.

The average abnormal return (ARR) is calculated by applying the following formula

$$AAR_t = \frac{1}{N}\sum_{i=1}^{N} AR_{it}$$

Here, N refers to the total number of stocks within the sample

To determine the cumulative effect of specific window periods, CARs are calculated by adding up the abnormal return of ith stocks of that specific event window. The formula mentioned below is used to compute CARs

$$CAR_{i(t_1 t_2)} = \sum_{t=t_1}^{t_2} AR_{it}$$

Here, t_1 and t_2 denote specific event window period.

Cumulative average abnormal return (CAAR) is to be determined by applying the following equation

$$CAAR = \sum_{t=t_1}^{t_2} ARR_t$$

Next, in the present study, we check the randomness of ARRs across the event window period by applying runs test. It is a non-parametric test employed to assess the level of independence among elements within the sequences (Kumar et al., 2020). SPSS statistical package is used to carry out the test.

Analysis and Interpretation

In the present study, the analysis is carried out with different dimensions for finding out the impact of the war attack is analyzed for both the sectors.

Table 9.1 shows the different CAR values of companies from two sectors: oil & gas and pharmaceuticals. Five companies from each sector were chosen based on their market capitalization for this study. In the oil and gas sector, Reliance and ONGC did not show any significant changes in CAR during either the pre-event, post-event, or the event itself. On the other hand, Indian Oil showed a significant positive CAR in several post-event windows, including periods like (7, +20), (+ 10, +30), (+1, +30), (+20, +40), and (+1, +50). Interestingly, Indian Oil's CAR only increased after the event; there were no significant changes before it happened. Petronet, however, displayed negative CAR in both the pre-event period (−7, −20) and the post-event windows (+7, +20), (+10, +30), and (−15, +15). HOEC also showed a negative CAR in the pre-event window (−7, −20) and a significant negative CAR in the post-event window (+10, +30). These five companies are in the same industry, but their CAR results varied significantly. In the pharmaceutical sector, Cipla and Divis didn't experience any notable changes in CAR during the pre-event or post-event windows. Zydus Life, however, saw significant negative CAR in both the pre-event (−7, −20) and post-event windows (−15, +15) and (−30, +30), with large fluctuations in both periods. Sun Pharma didn't show any significant changes in CAR related to the Israel–Palestine conflict. Torrent, however, had negative CAR in the pre-event window (−7, −20), but no significant changes in the post-event window following the Israel–Palestine war. In summary, even though companies in the same sectors were studied, their CAR results varied significantly depending on the company and the event timing.

Table 9.2 shows the average abnormal returns (AAR) for two sectors: pharmaceutical and oil and gas, and Figure 9.2 shows how the AAR fluctuated for both sectors. On the day of the Israel–Palestinian war attack, the AAR was positive but not significant. However, in the days leading up to the event (pre-event window), the AAR was significant for the oil and gas sector on the following days: D−47, D−44, D−40, D−39, D−24, D−19, D−17, D−16, D−15, D−14, D−5, and D−4. After the event (post-event window), the AAR became significant on days: D+12,

Table 9.1 Reaction of Stock of Both Sectors Around the Attack (CAR)

Industry	*Company*	*(−7, +7)*	*(+1, +7)*	*(−7, −20)*	*(+7, +20)*	*(−1, −7)*	*(+10,+30)*	*(+1, +30)*	*(+20, +40)*	*(−30, +30)*	*−15, +15)*	*(+1, +50)*
Oil & Gas	**Reliance**	0.00	0.01	−0.02	0.02	0.00	0.03	0.04	−0.04	−0.04	0.02	0.02
		(0.0655)	(0.1857)	(−0.550)	(0.6296)	(−0.1565)	(0.6767)	(0.6352)	(−0.7313)	(−0.4270)	(0.3703)	(0.29815)
	ONGC	−0.02	0.02	0.01	0.03	−0.04	0.00	0.02	−0.01	0.02	0.01	0.03
		(−0.0093)	(0.0140)	(0.0041)	(0.0181)	(−0.0304)	(0.0008)	(0.0063)	(−0.003)	(0.0056)	(0.0020)	(0.00870)
	Indian Oil	−0.03	0.02	−0.03	0.1179**	−0.03	0.0809**	0.1013**	0.1236**	0.02	−0.05	0.2163**
		(−0.9461)	(1.0608)	(−0.9543)	(3.7393)	(−1.4251)	(2.0696)	(2.1153)	(3.1624)	(0.2765)	(−1.023)	(3.49895)
	Petronet	−0.04	0.03	−0.03	−0.142**	−0.04	−0.147**	−0.133**	0.03	−0.12	−0.159**	−0.07
		(−1.016)	(1.2217)	(−0.7099)	(−3.9436)	(−1.5488)	(−3.286)	(−2.438)	(0.7536)	(−1.549)	(−2.858)	(−0.9993)
	HOEC	0.08	0.06	−0.137**	−0.06	0.00	−0.165**	−0.12	−0.15	−0.24	−0.04	−0.20
		(1.1857)	(1.4055)	(−2.198)	(−1.0313)	(0.0637)	(−2.127)	(−1.247)	(−1.938)	(−1.772)	(−0.450)	(−1.6403)
Pharma	**Cipla**	0.04	0.04	−0.06	0.05	0.00	0.05	0.08	−0.02	0.03	0.01	0.05
		(1.2485)	(1.7241)	(−1.8100)	(1.4950)	(0.0854)	(1.0958)	(1.6262)	(−0.597)	(0.4389)	(0.1754)	(0.7111)
	Divis	−0.04	−0.02	0.01	−0.05	−0.01	0.03	−0.02	0.04	−0.04	−0.12	−0.07
		(−0.6828)	(−0.5685)	(0.1093)	(−0.9653)	(−0.3252)	(0.4439)	(−0.206)	(0.5848)	(−0.3196)	(−1.365)	(−0.6095)
	Zydus	−0.07	−0.05	−.0906**	−0.02	−0.01	0.04	−0.03	0.00	−0.183**	−0.182**	−0.07
		(−1.680)	(−1.9326)	(−2.5010)	(−0.5376)	(−0.3584)	(0.8223)	(−0.473)	(−0.020)	(−2.3343)	(−3.256)	(−0.931)
	Sun	0.02	0.02	0.00	0.04	0.00	0.04	0.06	0.04	0.06	−0.03	0.06
		(0.7368)	(1.0610)	(−0.1568)	(1.2564)	(0.0595)	(1.2169)	(1.3473)	(1.2083)	(0.89956)	(−0.748)	(1.0076)
	Torrent	0.02	0.00	−0.067**	0.01	0.02	0.07	0.05	0.00	−0.03	−0.02	0.02
		(0.4487)	(−0.0383)	(−2.0542)	(0.4550)	(0.8080)	(1.751)	(1.084)	(0.11025)	(−0.4467)	(−0.4680)	(0.28724)

Source: Authors' estimation.

Note: T-Statistics value are presented in the parenthesis.

Table 9.2 Reaction of Stock of Both Sectors Around the Attack (AAR)

Days	*Oil & Gas Sector*			*Pharma Sector*		
	AAR	*T-Stat*	*P value*	*AAR*	*T-Stat*	*P value*
ED−50	0.0012	0.43	0.34	0.0013	0.37	0.35
ED−49	−0.0056	−2.05	0.06	0.0371	10.83	0.00
ED−48	−0.0031	−1.14	0.19	−0.0022	−0.64	0.30
ED−47	0.0071	2.60	0.03	−0.0065	−1.90	0.07
ED−46	−0.0030	−1.10	0.20	−0.0040	−1.17	0.18
ED−45	0.0011	0.40	0.35	−0.0018	−0.53	0.32
ED−44	−0.0069	−2.50	0.03	0.0103	3.00	0.02
ED−43	−0.0012	−0.45	0.34	0.0146	4.27	0.00
ED−42	−0.0013	−0.47	0.33	0.0132	3.84	0.01
ED−41	−0.0011	−0.40	0.35	−0.0002	−0.06	0.38
ED−40	0.0106	3.87	0.01	−0.0018	−0.54	0.32
ED−39	0.0067	2.46	0.04	−0.0062	−1.81	0.08
ED−38	−0.0004	−0.16	0.37	−0.0130	−3.81	0.01
ED−37	0.0016	0.58	0.31	−0.0056	−1.63	0.11
ED−36	0.0024	0.87	0.25	0.0068	1.98	0.07
ED−35	−0.0058	−2.10	0.06	−0.0070	−2.05	0.06
ED−34	−0.0048	−1.77	0.09	−0.0020	−0.59	0.31
ED−33	−0.0027	−0.98	0.22	−0.0005	−0.16	0.37
ED−32	−0.0007	−0.25	0.37	−0.0044	−1.27	0.16
ED−31	−0.0042	−1.55	0.12	−0.0054	−1.59	0.11
ED−30	−0.0057	−2.08	0.06	−0.0039	−1.15	0.19
ED−29	0.0047	1.72	0.09	−0.0108	−3.17	0.01
ED−28	−0.0022	−0.82	0.26	0.0070	2.05	0.06
ED−27	−0.0023	−0.83	0.26	−0.0018	−0.51	0.33
ED−26	−0.0032	−1.16	0.18	−0.0025	−0.74	0.28
ED−25	−0.0061	−2.22	0.05	−0.0115	−3.35	0.01
ED−24	0.0119	4.34	0.00	−0.0164	−4.78	0.00
ED−23	0.0016	0.60	0.31	0.0054	1.59	0.11
ED−22	0.0025	0.92	0.24	0.0125	3.65	0.01
ED−21	−0.0011	−0.42	0.34	0.0126	3.68	0.01
ED−20	−0.0055	−2.00	0.07	−0.0106	−3.08	0.02
ED−19	0.0092	3.35	0.01	−0.0068	−2.00	0.07
ED−18	−0.0029	−1.05	0.21	−0.0004	−0.12	0.38
ED−17	−0.0166	−6.06	0.00	0.0007	0.21	0.37
ED−16	0.0084	3.07	0.02	0.0008	0.23	0.37
ED−15	0.0107	3.92	0.01	−0.0021	−0.62	0.30
ED−14	−0.0110	−4.00	0.01	0.0041	1.20	0.18
ED−13	0.0010	0.37	0.35	−0.0006	−0.17	0.37
ED−12	0.0028	1.02	0.22	−0.0031	−0.90	0.24
ED−11	0.0012	0.43	0.34	−0.0111	−3.24	0.01
ED−10	−0.0039	−1.44	0.13	−0.0173	−5.06	0.00
ED−9	−0.0015	−0.54	0.32	−0.0001	−0.03	0.38
ED−8	0.0049	1.80	0.09	−0.0052	−1.53	0.12
ED−7	−0.0042	−1.54	0.12	0.0084	2.44	0.04
ED−6	0.0010	0.37	0.35	−0.0070	−2.04	0.06
ED−5	0.0091	3.33	0.01	0.0220	6.43	0.00
ED−4	−0.0172	−6.29	0.00	−0.0116	−3.38	0.01

Table 9.2 (Continued)

Days	*Oil & Gas Sector*			*Pharma Sector*		
	AAR	*T-Stat*	*P value*	*AAR*	*T-Stat*	*P value*
ED−3	−0.0043	−1.56	0.12	−0.0106	−3.09	0.02
ED−2	−0.0035	−1.28	0.16	−0.0060	−1.75	0.09
ED−1	−0.0045	−1.66	0.10	0.0047	1.38	0.14
ED−0	−0.0029	−1.06	0.21	−0.0024	−0.70	0.29
ED+1	0.0015	0.54	0.32	−0.0061	−1.78	0.09
ED+2	0.0018	0.67	0.29	0.0043	1.25	0.17
ED+3	0.0043	1.58	0.11	−0.0050	−1.47	0.13
ED+4	0.0029	1.06	0.21	0.0037	1.08	0.20
ED+5	0.0033	1.20	0.18	−0.0059	−1.72	0.09
ED+6	−0.0003	−0.10	0.38	−0.0002	−0.05	0.38
ED+7	−0.0002	−0.07	0.38	0.0072	2.10	0.06
ED+8	−0.0023	−0.85	0.25	0.0019	0.56	0.32
ED+9	0.0002	0.08	0.38	−0.0149	−4.35	0.00
ED+10	−0.0045	−1.65	0.10	−0.0109	−3.19	0.01
ED+11	0.0017	0.62	0.30	−0.0006	−0.17	0.37
ED+12	−0.0065	−2.37	0.04	−0.0079	−2.31	0.04
ED+13	0.0076	2.79	0.02	0.0064	1.87	0.08
ED+14	0.0127	4.64	0.00	0.0038	1.12	0.19
ED+15	−0.0033	−1.19	0.18	−0.0077	−2.24	0.05
ED+16	0.0102	3.71	0.01	0.0033	0.95	0.23
ED+17	0.0019	0.69	0.29	0.0024	0.71	0.28
ED+18	0.0066	2.41	0.04	0.0049	1.42	0.14
ED+19	0.0094	3.42	0.01	0.0072	2.10	0.06
ED+20	0.0081	2.97	0.02	0.0107	3.13	0.01
ED+21	0.0028	1.03	0.21	0.0160	4.69	0.00
ED+22	−0.0077	−2.82	0.02	−0.0023	−0.66	0.30
ED+23	−0.0041	−1.49	0.13	0.0022	0.64	0.30
ED+24	0.0004	0.16	0.37	0.0014	0.40	0.35
ED+25	−0.0002	−0.06	0.38	−0.0020	−0.59	0.31
ED+26	0.0095	3.49	0.01	−0.0030	−0.87	0.25
ED+27	0.0067	2.44	0.04	0.0006	0.18	0.37
ED+28	−0.0136	−4.98	0.00	0.0113	3.29	0.01
ED+29	0.0034	1.24	0.17	0.0046	1.33	0.15
ED+30	−0.0176	−6.44	0.00	0.0053	1.56	0.12
ED+31	−0.0005	−0.18	0.37	0.0010	0.30	0.36
ED+32	0.0047	1.70	0.10	−0.0227	−6.65	0.00
ED+33	−0.0049	−1.78	0.09	0.0085	2.47	0.03
ED+34	0.0166	6.07	0.00	−0.0087	−2.54	0.03
ED+35	−0.0090	−3.27	0.01	0.0006	0.19	0.37
ED+36	0.0085	3.11	0.01	0.0114	3.32	0.01
ED+37	−0.0044	−1.60	0.11	0.0001	0.02	0.38
ED+38	0.0139	5.07	0.00	−0.0085	−2.47	0.03
ED+39	−0.0003	−0.12	0.38	−0.0067	−1.95	0.07
ED+40	0.0018	0.66	0.30	−0.0070	−2.05	0.06
ED+41	−0.0025	−0.92	0.24	0.0111	3.26	0.01
ED+42	−0.0126	−4.59	0.00	−0.0165	−4.81	0.00

(*Continued*)

Table 9.2 (Continued)

Days	*Oil & Gas Sector*			*Pharma Sector*		
	AAR	*T-Stat*	*P value*	*AAR*	*T-Stat*	*P value*
ED+43	0.0007	0.25	0.37	−0.0030	−0.88	0.25
ED+44	−0.0058	−2.12	0.06	−0.0078	−2.28	0.04
ED+45	−0.0013	−0.46	0.34	0.0098	2.86	0.02
ED+46	0.0019	0.69	0.29	−0.0025	−0.74	0.28
ED+47	0.0114	4.18	0.00	−0.0031	−0.91	0.24
ED+48	−0.0007	−0.25	0.37	0.0200	5.83	0.00
ED+49	0.0048	1.74	0.09	0.0052	1.51	0.12
ED+50	0.0030	1.08	0.20	−0.0135	−3.95	0.01

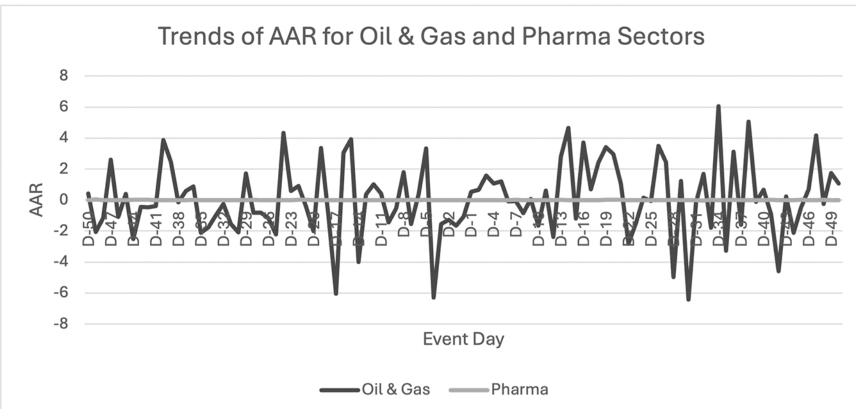

Figure 9.2 Event-Driven Stock Reactions in Oil & Gas and Pharmaceutical Sectors.

Source: Author's construction.

D+13, D+14, D+16, D+18, D+19, D+20, D+22, D+26, D+27, D+28, D+30, D+34, D+35, D+36, D+38, D+42, and D+47, showing that the oil and gas sector was more affected after the war. Similarly, in the pharmaceutical sector, the AAR was insignificant on the event day but showed significance before the event (pre-event window) on the following days: D−49, D−44, D−43, D−42, D−38, D−29, D−25, D−24, D−22, D−21, D−20, D−11, D−10, D−5, D−4, and D−3. After the event (post-event window), the AAR was significant on these days: D+9, D+10, D+12, D+15, D+20, D+21, D+28, D+32, D+33, D+34, D+36, D+38, D+41, D+42, D+44, D+45, D+48, and D+50. From Figure 9.2, it's clear that the AAR of both sectors fluctuated a lot, but the oil and gas sector had less fluctuation compared to the pharmaceutical sector.

The CAAR values for the oil and gas and pharmaceutical sectors across different time windows before and after the Israel–Palestine war attack were demonstrated in Table 9.3. In the oil and gas sector, significant CAAR values were observed only in the (+7, +20) window period after the event, while other time periods, both pre-event and post-event, showed no significance. In the pharmaceutical sector, significant CAAR values were found in the (+10, +30) window period after the event, with other windows remaining insignificant. Overall, both sectors exhibited significant CAAR values only in the post-event period, while the pre-event periods remained insignificant.

Tables 9.4 and 9.5 show the results of the descriptive statistics of the AAR for both the oil and gas sector and the pharmaceutical sector, as well as the results of the runs test. The runs test was done to check if the AARs for both sectors were happening randomly or not. The test was conducted for the event window, which

Table 9.3 Cumulative Reaction of Stock of Both Sectors Around the Attack

Event Window	*Oil & Gas*	*Pharma*
(−7, +7)	−0.011	0.009
(+1, +7)	0.010	0.014
(−7, −20)	−0.001	−0.041
(+7, +20)	0.045**	0.031
(−1, −7)	−0.024	0.019
(+10, +30)	0.028	0.073**
(+1, +30)	0.035	0.054
(+20, +40)	0.004	−0.002
(−30, +30)	0.005	−0.032
−15, +15)	−0.004	−0.009
(+1, +50)	0.060	0.018

Table 9.4 Descriptive Statistics for Runs Test

Sectors	*N*	*Mean*	*Std. Deviation*	*Min.*	*Max.*
OIL	101	1.5149	.50227	1.00	2.00
Pharma	101	1.5644	.49831	1.00	2.00

Table 9.5 Results of Runs Test for Both the Sectors

	Oil	*Pharma*
Total Cases	101	101
Number of Runs	55	46
Z	.710	−.949
p-value (2-tailed)	.478	.343

includes 101 days: 50 days before the event (pre-event window), the event day (0), and 50 days after the event (post-event window). The standard deviation was found to be 0.50227 in the oil and gas sector and 0.49821 in the pharmaceutical sector. The mean AAR for the oil sector was 1.5149, and for the pharmaceutical sector, it was 1.5644. The runs test showed that there were 55 runs in the oil and gas sector and 46 runs in the pharmaceutical sector. The Z value for the oil sector was 0.710, and for the pharmaceutical sector, it was −0.949. The p-value for the oil and gas sector was 0.478 (which is more than 0.05), and for the pharmaceutical sector, it was 0.343 (also more than 0.05). Since both p-values are more than 0.05, they are considered insignificant. This means that the null hypothesis can be rejected for both sectors, and we can conclude that the AARs occurred randomly. There is no evidence of any systematic pattern in the abnormal returns during the pre-event and post-event periods for either sector.

Discussion and Conclusion

This study was done to examine the impact of the Israel–Palestine war on the Indian stock market. To do this, five companies from two sectors, the oil and gas sector and the pharmaceutical sector, were selected based on their market capitalization. The event study methodology was used to analyze the effects, and an event window from 50 days before to 50 days after the event was chosen to observe stock price movements. Additionally, a runs test was used to check if the AAR occurred randomly.

The study used the market model to estimate expected returns, abnormal returns, and CAR and also calculated the AAR and CAAR. The results showed that CAR was significant for different window periods, especially in the post-event periods, meaning the war had a noticeable effect on stock returns after the event. However, for the top two companies from each sector, the CAR was found to be insignificant, which could be due to their large market capitalization. Investors might have been more confident in these companies because of their strong market presence, so their stock prices were less affected. The AAR was found to be insignificant on the actual event date for both sectors, but significant changes were observed in the pre-event and post-event periods. This suggests that the war didn't have an immediate shock on the stock market, but its effects were felt later on. The runs test results were also insignificant, meaning the AAR appeared randomly without a specific trend. This shows that the market was inefficient in quickly processing the information related to the war, causing stock prices to be impacted over time.

The study has some limitations. It only considered five companies from two sectors, so adding more companies and sectors could make the results more accurate. A longer event window could also give better insights into the long-term effects. In future research, similar studies could be done on other sectors that operate in Israel and Palestine, or in other countries that trade with Israel. Further analysis could also focus on identifying the exact reasons behind abnormal returns, using more advanced statistical tools.

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10 Scholarly Sentiments and Research Focus in the Context of the Geopolitics of the Israel–Palestine Conflict

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Introduction

The recent Israel–Palestine conflict of 2023–2024 has emerged as a crucial event that has garnered intense scrutiny and analysis across multiple scholarly disciplines. This conflict, significantly escalated by the October 7, 2023, Hamas attacks and the subsequent Israeli military counterattacks, has led to a dramatic increase in violence and civilian casualties, further deepening the humanitarian crisis in the region (Oktavina, 2024; Ugarte et al., 2024). The repercussions of this conflict have not only been felt on the ground but have also resonated in the global academic community, prompting a surge in research focused on the geopolitical, social, and humanitarian dimensions of the ongoing conflict.

A key area of concern highlighted in recent studies is the deep impact of the conflict on region's life expectancy and overall well-being. The ongoing violence, coupled with the long-standing blockade and military operations, has exacerbated an already dire humanitarian situation, raising alarm among international observers and humanitarian organizations (Ugarte et al., 2024). Efforts by international organizations to protect human rights in Palestine have faced significant challenges, particularly in effectively promoting and safeguarding these rights amid the continuous hostilities (Butt, 2024).

The Israel–Palestine conflict is often viewed as a microcosm of broader issues plaguing the Middle East, with Israel's role being a central point of focus in discussions surrounding the quest for regional peace (Ige, 2015). In this context, economic diplomacy has emerged as a potential avenue for conflict resolution, with some scholars examining the economic challenges faced by Palestine and the disruptions in key sectors, such as construction in Israel, as critical factors influencing the trajectory of the conflict (Fahlevi, 2023).

The complexity of the Israel–Palestine conflict, deeply rooted in historical, political, and religious factors, has made achieving a resolution particularly challenging (Arsal et al., 2022; Pratiwi et al., 2022). The involvement of Islamic countries, both regionally and globally, has been a subject of significant analysis, with research exploring their influence on the conflict's dynamics and the broader geopolitical landscape (Ashraf, 2023). The media's role in shaping perceptions of the conflict

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has also been extensively studied, with outlets like Al-Jazeera often emphasizing Palestinian perspectives and portraying Palestinians as victims of Israeli aggression (Elmasry et al., 2013; Zawawi, 2024).

Moreover, the perpetuation of the conflict has been linked to a sense of hopelessness among younger generations, who see little prospect for a peaceful resolution. This sentiment, coupled with the enduring nature of the conflict, has hindered efforts to achieve lasting peace (Hasler et al., 2023). The conflict has been examined through various theoretical lenses, including Edward Azar's protracted social conflict theory, which underscores the deep-seated communal, governance, and human rights issues that have long fueled the strife (Mehdi, 2021).

Given the extensive and complex nature of the Israel–Palestine conflict, there is a crucial need to understand how contemporary scholarship is engaging with and interpreting these events. While much has been written on the historical and political aspects of the conflict, a systematic analysis of recent academic contributions, particularly in terms of research focus and the sentiments underlying these studies, is necessary to understand the evolving narrative within the scholarly community. This research seeks to address this need by analyzing the trends and sentiments that have emerged in recent publications, thereby providing insights into the current academic discourse on the conflict.

To achieve a comprehensive understanding, this study employs the Scopus database, a leading repository of academic literature, to identify and analyze recent publications related to the Israel–Palestine conflict. The study focuses on two key aspects: a research focus analysis, which categorizes and highlights the primary themes and topics of these publications, and a sentiment analysis, which examines the tone and perspectives expressed by the authors. This dual approach offers a holistic view of the academic engagement with the conflict, revealing both what is being studied and how scholars are emotionally and intellectually responding to the events.

The significance of this study lies in its ability to map out the contours of contemporary academic engagement with the Israel–Palestine conflict. By systematically analyzing the research focus and sentiments of recent publications, this study contributes to a deeper understanding of the prevailing narratives and intellectual currents within the field. Such an analysis is invaluable for scholars, policymakers, and the general public who seek to navigate the complexities of the conflict and its broader implications for regional and international stability. Additionally, the study identifies potential areas for further research, highlighting gaps in the literature and suggesting directions for future scholarly inquiry. By doing so, it provides a foundation for more informed and nuanced discussions about the conflict and its enduring impact on global geopolitics.

Research Methodology

The research methodology for this study employed a systematic review of the literature using the preferred reporting items for systematic reviews and meta-analyses (PRISMA) framework, as illustrated in Figure 10.1, to ensure a rigorous,

Identification

Records identified through database search (Scopus) using keywords "Israel", "Palestine", and "War"	162

Screening

Records after removing non-articles	107
Records after removing "In Press" articles	90
Records after excluding non-English articles	85

Eligibility

Records manually screened for relevance	31

Inclusion

Final articles included in qualitative synthesis	31

Figure 10.1 PRISMA diagram for article search and inclusion.

Source: Author's own creation.

transparent, and reproducible approach (Page et al., 2021). The process began with identifying relevant literature from the Scopus database, a widely recognized source for high-quality academic research (Falagas et al., 2008). The search utilized the keywords "Israel," "Palestine," and "War," with a focus on publications from 2023 to 2024. This initial search yielded 162 documents. To refine the results, only peer-reviewed articles were considered, reducing the number to 107. Further filtering involved excluding articles marked as "In Press," resulting in 90 articles. Additionally, only English-language articles were included, narrowing the pool to 85 articles. These articles were then manually screened to assess their relevance to the study's objectives, which specifically centered on analyzing the research focus and sentiments related to the Israel–Palestine conflict during the specified period.

This systematic approach ensured a comprehensive analysis of scholarly work, allowing for the inclusion of only the most pertinent studies in the final analysis. The final selection of 31 articles underwent detailed research focus and sentiment analysis, providing valuable insights into the academic discourse surrounding the recent conflict. This methodology not only highlights the rigorous selection process but also underscores the significance of the study in contributing to the understanding of the geopolitics of the Israel–Palestine conflict (Rusanti et al., 2024).

The PRISMA flow diagram presented in Figure 10.1 visually represents this systematic approach, illustrating the stages of identification, screening, eligibility, and inclusion of the literature used in this research. The PRISMA framework was chosen for its effectiveness in minimizing bias and ensuring methodological transparency, which are critical for the credibility of systematic reviews (Moher et al., 2010).

The analysis of the selected literature was conducted in two main phases: research focus analysis and sentiment analysis. To identify the primary themes, topics, and research trends that scholars have focused on in their studies of the Israel–Palestine conflict during 2023–2024, a qualitative content analysis was performed on the titles, abstracts, and keywords of the selected articles. This involved coding the data to identify recurring themes, topics, and areas of emphasis in the literature. The coded data were then categorized into broader research themes. Further, to assess the underlying sentiments expressed in the scholarly literature regarding the Israel–Palestine conflict, a sentiment analysis was conducted using natural language processing (NLP) tools. This analysis provided a deeper understanding of how scholars perceive and interpret the conflict, offering insights into the emotional and ideological dimensions of academic discourse on this topic.

Results and Discussion

Based on the research identified from the Scopus database on research related to the Israel–Palestine conflict from 2023 to 2024, this section provides an in-depth analysis of research focus, themes, and sentiments.

Research Focus and Themes

The word cloud analysis (Figure 10.2) reveals key discussions and recurring concepts in the research articles. Prominent words indicate dominant topics, with frequently appearing terms reflecting central discussions in the articles. Words such as “conflict,” “Israel,” “Palestine,” “policy,” and “security” suggest a strong focus on geopolitical issues, governance, and international relations. Additionally, terms like “media,” “violence,” “human rights,” and “displacement” indicate discussions on socio-political impacts and humanitarian concerns. The presence of “sustainability,” “technology,” and “economic” terms suggests interdisciplinary coverage, incorporating environmental, technological, and economic perspectives. The word cloud highlights a novel engagement with contemporary geopolitical, security, and policy-related themes.

Figure 10.2 Word cloud of research focus in articles.

Source: Author's own creation.

The research studies suggest a complex approach to studying the Israel–Palestine conflict, with significant emphasis on historical context, media influence, humanitarian impact, legal accountability, cultural identity, and gender dynamics. These studies aimed to provide an understanding of the conflict by exploring its various dimensions (themes) and the complex interactions between them, which are discussed next in subsections.

Settler Colonialism and Structural Violence

A significant portion of the research focuses on Israel's settler-colonial policies and their historical and contemporary implications. Studies such as "Israel's Settler Colonialism and the Genocide in Gaza: Alternatives" argue that Israel's actions since 1948, including the Nakba and subsequent military operations, constitute a continuous process of structural violence aimed at displacing and subjugating the Palestinian population. This research highlights how settler colonialism is inherently linked to genocidal practices, particularly in the context of the 2023–2024 Gaza war, where civilian casualties and infrastructure destruction are framed as part of a broader strategy to erase Palestinian presence.

Another study, "Israel's Spatial and A-spatial Strategy of Dispossessing the Jordan Valley's Palestinian Inhabitants," examines the militarization and discriminatory policies in the Jordan Valley, where Palestinian residents face severe restrictions while Jewish settlers are privileged. This research employs a grounded theory approach to amplify Palestinian voices, revealing the lived realities of military occupation and systemic dispossession.

Humanitarian Crisis and Health Impacts

The humanitarian crisis in Gaza is a recurring theme, with studies documenting the devastating effects of prolonged conflict and blockade. "Responding to the Humanitarian Crisis in Gaza: Damned if You Do… Damned if You don't!" explores the challenges of delivering humanitarian aid in a context where Israel controls access to resources. The study argues that humanitarian interventions are often co-opted into the siege framework, limiting their effectiveness and perpetuating dependency.

Health impacts are also a critical focus. "Radiation Therapy Delivery During the 2023 Israel–Hamas War: Trust Prevails over Fear" examines how cancer patients in southern Israel continued treatment despite the war, emphasizing the role of trust in medical professionals. Conversely, "Impact of the Israeli Military Activities on the Environment" highlights the long-term ecological and public health consequences of military operations, including groundwater pollution and habitat destruction, which exacerbate the humanitarian crisis.

Media Representation and Public Diplomacy

Media framing and public diplomacy are key areas of inquiry. "Framing the Israel–Palestine Conflict 2021: Investigation of CNN's Coverage from a Peace Journalism Perspective" analyzes how U.S. media outlets like CNN predominantly adopt a war journalism framework, though elite counter-discourse can occasionally shift narratives toward peace journalism. This study underscores the role of media in shaping public perceptions of the conflict.

Similarly, "Multilingual Public Diplomacy: Strategic Communication of Israeli Defence Forces (IDF) in Twitter During Operation Guardian of the Walls" investigates how the IDF used social media to craft a uniform narrative across multiple languages, leveraging organized persuasive communication to influence global audiences. This research highlights the intersection of digital diplomacy and conflict communication.

Legal and Ethical Dimensions

The legal implications of Israel's actions are extensively examined. "War Crimes in Gaza Strip from Year 2008–2021: Individual Criminal Responsibility Under the Legal Framework of Rome Statute of the International Criminal Court" argues that Israeli military leaders should be held accountable for war crimes under international law. The study critiques Israel's claims of self-defense, emphasizing the disproportionate impact on Palestinian civilians.

Ethical dilemmas are also explored in "A No Man's Land—Social Work in 'in-between' Conflict Settings: Ethical Challenges and Dilemmas in Kufr Aqab," which examines the challenges faced by social workers operating in contested areas. The study highlights the resilience and resourcefulness required to navigate environments where neither the Palestinian Authority nor Israel provides adequate support.

Emotional and Psychological Dimensions

The emotional and psychological toll of the conflict is a growing area of research. "Emotional Audiences? From Dispassion to Anger in Elite Palestinian Political Discourse, 1930s–1970s" traces the evolution of emotional expression in Palestinian literature, from dispassionate appeals to colonial powers to the use of anger as a tool for mobilizing global solidarity. This study underscores the role of emotion in shaping political narratives.

Another study, "Invisible Wounds of the Israel–Gaza War in Australia," examines the psychological impact of the conflict on diaspora communities, highlighting the intersection of personal trauma and collective memory.

Geopolitical Ramifications

The conflict's geopolitical implications extend beyond the region. "Unlikely Alliances: How the Wars in Karabakh and Gaza Shape Northwest Asian Security" analyzes how the Israel–Palestine conflict intersects with other regional tensions, particularly in the South Caucasus, creating a complex web of alliances and rivalries. The study warns of the potential for cross-regional escalation.

China's evolving role in the Middle East is explored in "China's Role in Conflict Mediation in the Middle East: Normalization of Relations Between Iran and Saudi Arabia and the 2023 Israel–Hamas War," which highlights China's shift from economic engagement to active political mediation. The study notes China's criticism of Israel's actions while supporting Palestine, reflecting broader geopolitical realignments.

Environmental and Economic Impacts

The environmental consequences of the conflict are a growing concern. "Impact of the Israeli Military Activities on the Environment" documents the long-term ecological damage caused by military operations, including pollution and habitat destruction. The study calls for greater attention to environmental justice in conflict zones.

Economic impacts are also examined in "Higher-Order Moment Risk Spillovers Across Various Financial and Commodity Markets: Insights from the Israeli–Palestinian Conflict," which analyzes how the conflict affects global markets, particularly oil, natural gas, and gold. The study finds that the 2023 escalation significantly increased market volatility, with implications for investors and policymakers.

Cultural and Historical Narratives

Cultural representations of the conflict are another key focus. "Fauda and the Israeli Occupation of Palestine: Gender, Emotions, and Visual Representations of Complicity in International Politics" examines how the Israeli TV series *Fauda* shapes public perceptions of the occupation, using emotional narratives to elicit viewer complicity. The study critiques the series for obscuring the structural violence of settler colonialism.

Historical narratives are also explored in "Where Is Palestine in the Anzacs' Palestine Campaign? Israel and the Struggle for Indigeneity in Commemorative State Practice," which critiques Israel's attempts to align itself with Indigenous struggles while erasing Palestinian history. The study argues that such practices delay the possibility of a just resolution to the conflict.

Analysis of the Themes

The outcomes drawn from the research themes reveal an understanding of the Israel–Palestine conflict, highlighting both its localized and global implications. A significant learning is the asymmetry in narrative representation, with a disproportionate focus on Palestinian experiences of displacement, systemic oppression, and humanitarian suffering. While this sheds light on critical issues, it often sidelines Israeli perspectives, particularly regarding security concerns and historical context, creating an incomplete picture of the conflict. This imbalance underscores the need for more inclusive research that integrates both sides to foster a balanced understanding. Another key outcome is the reliance on qualitative methodologies, such as textual analysis and case studies, which, while rich in detail, often lack empirical rigor. This methodological focus limits the generalizability of findings and may introduce interpretive biases, particularly in studies examining media representation and cultural narratives. Greater emphasis on mixed-methods approaches, incorporating quantitative data, could provide a more robust and objective analysis of the conflict's dynamics. The research also highlights the humanitarian and environmental toll of the conflict, emphasizing the long-term consequences of military operations and blockades on civilian populations and ecosystems. These studies call for urgent international intervention and accountability, particularly in addressing war crimes and environmental degradation.

However, the focus on legal and ethical dimensions sometimes oversimplifies the conflict by reducing it to a binary framework of oppressor and oppressed, neglecting the complex geopolitical and historical factors that sustain it. Geopolitical analyses reveal the conflict's far-reaching implications, influencing regional alliances, global markets, and international diplomacy. These studies underscore the interconnectedness of the Israel–Palestine conflict with broader geopolitical dynamics, such as shifting power balances and economic volatility. However, the orientation often leans toward critiquing Israeli policies, with less attention to the role of non-state actors or external stakeholders in perpetuating the conflict. Finally, the research underscores the emotional and psychological dimensions of the conflict, particularly its impact on diaspora communities and cultural identity. These studies highlight the role of emotion in shaping political narratives and mobilizing global solidarity, but they often focus on Palestinian trauma, with limited exploration of Israeli perspectives.

Sentiment Analysis of Research Focus

An NLP-based sentiment analysis of the research articles, as shown in Figure 10.3, reveals a diverse range of emotional tones. Among the studies analyzed, 20 exhibit a predominantly positive sentiment, reflecting optimism or constructive perspectives. Conversely, 11 studies carry a negative sentiment, highlighting concerns, criticisms, or issues related to the subject matter. Additionally, none of the studies maintain a balanced or factual tone, devoid of strong emotional bias.

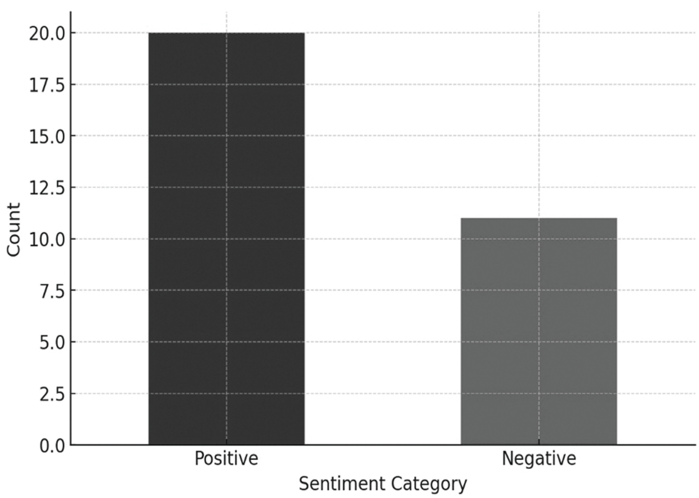

Figure 10.3 Sentiment analysis of research focus.

Source: Author's own creation.

Further, theme-based sentiment analysis reveals a dominant tone of criticism and concern, particularly regarding Israel's policies and actions in the context of the Israel–Palestine conflict. The sentiment is overwhelmingly negative when discussing themes such as settler colonialism, humanitarian crises, and environmental degradation, with frequent use of terms like "oppression," "displacement," "violence," and "genocide." These studies often frame Israel's actions as systematic and deliberate, emphasizing the suffering of Palestinians and the long-term consequences of military operations and blockades. For instance, phrases like "harsh discriminatory regimen," "devastating impacts," and "unrelenting violence" reflect a strong critical sentiment toward Israel's role in the conflict.

On the other hand, there is a positive sentiment when discussing themes of resilience, hope, and advocacy for justice. Studies focusing on Palestinian resistance, cultural identity, and international legal accountability often use empowering language, such as "indefatigable resolve," "robust infrastructure for peace," and "calls for justice." These narratives highlight the agency of Palestinians and the potential for reconciliation, though they remain cautious and critical of the current state of affairs. For example, the possibility of reconciliation is described as a "much-needed source of hope," but it is often tempered by skepticism about the feasibility of such efforts given the entrenched nature of the conflict.

The sentiment toward media representation and public diplomacy is mixed. While there is criticism of mainstream media for adopting a war journalism framework, there is also acknowledgment of the potential for counter-discourse to shift narratives toward peace journalism. This duality reflects a nuanced sentiment, balancing critique with cautious optimism about the role of media in shaping public perception.

In terms of geopolitical and economic impacts, the sentiment is largely analytical and neutral, focusing on the interconnectedness of the conflict with global markets and regional alliances. However, there is an underlying negative sentiment when discussing the environmental and economic toll of the conflict, particularly in Gaza, where terms like "devastated landscape," "open-air prison," and "donor fatigue" underscore the dire conditions and limited prospects for recovery.

Overall, the sentiment analysis reveals a strong critical tone toward Israel's policies and actions, coupled with a sympathetic and hopeful tone toward Palestinian resilience and advocacy for justice. The analysis also highlights a pragmatic and cautious sentiment when discussing media representation, geopolitical dynamics, and the potential for reconciliation, reflecting the complexity and multifaceted nature of the Israel–Palestine conflict.

Conclusion

This study offers a systematic review of academic literature on the Israel–Palestine conflict, utilizing the PRISMA framework to identify key themes, sentiments, and scholarly discourse from 2023 to 2024. By analyzing 31 selected studies, the research highlights critical aspects such as the humanitarian impact, economic consequences, media portrayal, geopolitical tensions, and diplomatic interventions.

A key insight from this study is the evolving nature of the conflict, as reflected in academic discourse, with growing emphasis on international law, human rights violations, and the role of regional and global powers. The findings suggest that while scholarly attention is increasing, there remains a gap in addressing long-term peace strategies and the effectiveness of international mediation efforts.

The implications of this study extend to policymakers, humanitarian organizations, and researchers seeking to develop informed, evidence-based solutions. For policymakers, the insights from these studies provide a deeper understanding of the socio-political and economic ramifications of the conflict, which can aid in formulating diplomatic strategies and intervention policies. Humanitarian organizations can use these findings to refine their approaches in crisis response, ensuring that relief efforts align with the most pressing needs identified in academic literature. Additionally, researchers can build upon this review by focusing on emerging areas such as the role of digital media in shaping public perceptions and the impact of economic sanctions on conflict resolution.

Despite its contributions, this study has certain limitations. First, it relies exclusively on Scopus-indexed literature, which may exclude significant perspectives from non-English sources or regional academic publications. This selection bias limits the diversity of viewpoints analyzed. Second, sentiment analysis, while a useful tool for identifying dominant emotions and tones in academic discourse, is inherently subjective and may not fully capture the nuances of political and ideological standpoints. Additionally, this study does not account for real-time developments in the conflict that may have emerged after the data collection period.

Future research can address these limitations by expanding the scope to include a more diverse range of sources, such as regional journals, government reports, and media analyses. An interdisciplinary approach, incorporating political science, conflict resolution studies, and artificial intelligence-based discourse analysis, can provide a more holistic understanding of the conflict. Furthermore, exploring the role of emerging technologies, such as artificial intelligence in propaganda, misinformation, and cyber warfare, can open new avenues for understanding modern conflict dynamics. By bridging these gaps, future studies can contribute to a more nuanced and comprehensive discourse on the Israel–Palestine conflict, with tangible implications for global peace efforts.

Future research can expand by incorporating a broader range of sources, utilizing interdisciplinary approaches, and exploring the role of emerging technologies, such as artificial intelligence, in analyzing geopolitical conflicts.

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Conclusion

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For years, the Israel–Palestine conflict has symbolized endless divisions and highly complicated geopolitical struggles. This is not a problem that has simply resisted a simple solution over decades, a problem rife with historical grievances, territorial disputes, and sociopolitical inequalities (Smith & Morrow, 2009). The conflict has reverberated beyond the direct area, to worldwide markets, worldwide relations, and intergovernmental systems, having far-reaching impacts on the worldwide economy and political stability. A new approach to address this conflict is to pull together the economics and diplomacy. But the two domains, though distinct, are very tightly linked to the promotion of peace and stability (Sen, 1999). The regional economic fallout of the Israel–Palestine conflict does not concern only the region—we are talking about supply chains, commodity prices, and even international investment climate. The disruption of energy markets, the interruption of agricultural exports, and problems faced by varieties of industries that rely on Middle Eastern resources made unbroken understanding and resolution of these economic dimensions just as necessary (Pinfold, 2022). Yet economic fixes can't untangle the complexities that make this conflict so long-lasting. Addressing the deeper, 'sometimes unseen' problems of trust, sovereignty, or political recognition, which are still blocking peace processes, requires diplomacy. Recognizing the limitations of isolated economic or political initiatives, this essay synthesizes insights from the chapter "Charting a Path Forward: Synthesizing Key Findings of Economic and Diplomatic Solutions."

The findings suggest that peace is possible when stakeholders pursue a dual strategy: Or on the use of economic interdependence to build trust and diplomatic engagements to deal with core political questions (Bar-Tal & Halperin, 2011). Through this integration, a path is presented not only to stabilize the region, but to further enrich its role in a quickly globalizing world. That's why the interconnectedness of modern economies and sharing a vulnerability to global challenges such as climate change and technological disruption, underscore how necessary it is to resolve this conflict (Bercovitch & Fretter, 2018).

This essay will chart the economic consequences of the Israel–Palestinian conflict as it unfolds, support novel ideas for collaboration, and deal with the role of the diplomacy (Klein, 2020). Put together, they provide a road map to not only reduce

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the immediate impacts of the conflict, but to create the conditions that make for a peaceful and prosperous future.

Economic Impact: A Global Perspective

The Israel–Palestine conflict goes beyond being a matter of regional concern: it has an enormous effect, also, on global economic stability. Today's "interconnected world" economy is built on supply chains, trade networks, and market stability between continents, so the disruptions in one part of the world are only just a call away (Bercovitch & Hugues, 2016). This dynamic is exemplified in the world's most protracted conflict in the Middle East, which has impact in energy markets, agricultural outputs, and regional economies that make for difficult policy issues for international policymakers.

A disruption of supply chains is one of the most visible and critical consequences of the conflict. The Middle East is an energy quiet that is crucial to global energy resources, which are particularly oil and natural gas (Lederach, 2003). Even the smallest instability in the region—be it due to political troubles, holdups, or infrastructural damage—leads to immediate and far-reaching consequences for both the supply and the price of energy. Examples include interruptions to oil and gas flows through critical transport routes including the Suez Canal, or pipelines running through the region that feed into, or disrupt, global energy markets (Bercovitch & Jackson, 2009). These disruptions put countries under very great economic and political pressure as they scramble to find alternative suppliers or cut back on consumption.

Further, the conflict hinders not only energy markets but also farming and agricultural trade. Israel and Palestine are both major agricultural producers in the region and export vegetables and other staples in large amounts. But violence, blockades, and access restrictions have resulted in sporadic shortages of these goods in local markets and prevented the export of these goods to international consumers. Like these, volatility in global food prices is exacerbated by disruptions in Middle Eastern agricultural imports, especially to regions such as parts of Europe and Africa heavily reliant on these imports.

The conflict also hits the broader regional economy squarely. Instability among these countries can place a strain on their economies through the ripple effect of instability—from lower trade volumes and greater security spending to the cost of being hosted to displaced people from neighboring countries like Lebanon, Egypt, and Jordan. Borders are closed and enhanced security measures slow trade flows in a way that stifles economic growth and innovation across the region.

The falling out also leads to a climate of uncertainty that makes it difficult for international investment. The reluctance of businesses to invest resources in a perceived volatile area means that opportunities for growth miss out. The lack of investment only adds to existing economic disparities in the Middle East, deepening the conditions that sustain the conflict.

For the stability of interconnected global systems, the Israel–Palestine conflict resolution must be a global policymakers' priority, not just a regional one. The economic fallout of the conflict suggests that concerted international attempts at addressing its root causes should be made. Stabilizing this region ensures the critical supply chains stay stable, markets remain stable, and creates opportunities for equal economic growth not just in the Middle East, but across the globe.

Finally, the government promotes economic cooperation with the aim of individual integration of nations.

The economic solutions are the cornerstone of enduring peace in the Israel–Palestine region. Economic cooperation allows the conflict to become a zero-sum loss to win situation, a win for one is a loss for the other, but by encouraging shared prosperity and mutual interdependence it can be made a win-win scenario. The first step to this journey of peace and reconciliation is to promote bilateral trade, encourage regional integration as well as address deep-seated economic inequalities.

Regional Integration and Bilateral Trade

Bilateral trade has the possibility of building economic ties that foster collaboration rather than fostering hatred between parties. Cross-border trade policies can encourage the economic growth of both sides by playing to the strengths of both sides. Joint agricultural projects could allow Palestinian farmers to tap Israeli high-tech so that yields and quality would be better, along with shared economic interests. Just as Israeli businesses could broaden access for Palestinian labor and market access, this would be a mutually reinforcing mechanism to tie respective economies together.

They point to another promising pathway—regional integration. It would be possible to endow Israel and Palestine with additional economic benefits derived from trade, investment, and cooperation within a broader balance of payments framework: within the framework of agreements—of Middle Eastern origin or not—concerning international trade matters or about cross-border industrial zones. An example could be the creation of shared industrial parks next to borders, being manufacturing, technology, or logistics centers, which will bring employment to both communities and also enable collaboration. More specifically, the concept of such initiatives has precedents in conflict-affected regions around the world, where economic interdependence has had a critical role to play in engineering peace and stability.

Changing Adversarial Relations

More than the financial benefits, economic cooperation has the power to redefine relationships at the same time. Collaborative economic initiatives provide confidence-building measures and encourage trust and goodwill for parties that have generally been opposed. Sectors of this kind demonstrate a tangible benefit of cooperation: joint hydrocarbons, technology, construction, renewable energy, and water resource management can help push forward dialogue while reducing animosity. One of the big advantages of these initiatives is that they create interdependencies (Djilo & Handy, 2021). Costs of conflict are simply too high, especially in two-party situations where both parties rely on each other for mutually derived economic gain. To create more diplomatic engagement and longer-term peacebuilding, economic cooperation can transform adversarial relationships into a partnership on shared interests.

Economic Inequalities

Tension and major barrier to peace: diseconomies of scale between Israeli and Palestinian economic inequalities. Whether it be disparity of wealth or access to resources or disparity of employment opportunities, all this acts as a conduit to widen the divides of disparity and keep them filled with resentment (Bildt, 2011).

In this regard, empowering marginalized communities is a basic strategy. This capital can be used to set up or expand the businesses of Palestinian entrepreneurs to create economic activity and self-reliance. For instance, small loans can enable farmers to purchase modern equipment or artisans to get into new markets to generate growth even in areas of limited economic activity.

Local need-based skill development programs have a transformative role to play. With more Arabic-speaking Palestinians learning the skills needed to thrive in high-demand sectors such as construction, technology, and health care, these initiatives can help make Palestinians more employable and less unemployed. Not only does this solve immediate economic needs, but it also builds a skilled workforce that will contribute to long-term development.

Infrastructure investment—another critical way to keep economic disparities at bay—is another. A better transportation network, a reliable energy supply, and access to clean water can greatly improve the quality of life in Palestinian territories and greatly enhance economic activity. Simultaneously solving pressing resource challenges and encouraging Israeli–Palestinian cooperation could be achieved through shared infrastructure projects, like shared water management systems or energy grids.

Bridging the Divide Through Building an Environment for Reconciliation

However, this aims at promoting such an environment conducive to reconciliation to eventually achieve the goal of economic cooperation. These are initiatives that would reduce economic grievances, provide opportunities for mutual prosperity, and so create the basis for sustainable peace by building trust through common action. Equally important is that diplomatic efforts to create stability are interwoven with efforts for economic cooperation so that such economic gains can be translated into broader political stability (undisclosed).

The chapter emphasizes that economic solutions do not solve all questions but represent a vital part of the puzzle. When diplomatically integrated into appropriate programs, they have the potential to address the root causes of conflict, forge a mutual interdependence, and pave a path toward an ever more peaceful and prosperous future for both Israelis and Palestinians. Economic cooperation can change the face of the region by leveraging targeted policies, sustainable commitment, and international support, and can in fact turn a history of division into the landscape of shared opportunity for the region.

The Role of Diplomacy

The key to resolving the Israel–Palestine conflict, and one of the big pillars of diplomacy, is through the combination of an economic strategy to develop an enduring path to peace. Tangible and intangible barriers to reconciliation can be addressed through integration of diplomatic efforts in the economic initiative, which will lead to trust, cooperation, and long-term stability. As we see growing economic opportunities, they can create the environment for political dialogue to be meaningful and to help resolve long-standing issues that they have.

Economic Alternatives to the Use of Military Intervention as a Diplomatic Tool for Economic Peacebuilding

The idea of "economic peacebuilding" is an embodiment of diplomacy and economic integration. This approach embeds economic cooperation into diplomatic frameworks that will create shared incentives to reduce hostilities and to build confidence between adversaries. It might be a matter of trade agreements, sharing of infrastructure, or working out means of resource management in the collaboration of such issues.

This could involve agreements that encourage cross-border trade or cooperative industrial zones that establish that coexistence can lead to win-win solutions. Consequently, such initiatives satisfy two purposes at once: rapidly remedying immediate economic crises and laying the foundation for trust and interdependence. This trust can in turn help bridge the gulf between difficult political issues, borders, sovereignty, and security.

Multilateral Frameworks Lessons

Economic integration is a historical precedent that can change conflict-ridden areas into arenas of cooperation and stability. Indeed, the European Union (EU) is an obvious example of this. Starting from the ruins after World War II, the EU was coming together to build an economic cooperation, particularly the coal and steel industries. The EU not only promoted economic growth among member states but also made conflict so costly that the benefits did not exceed the cost.

An application of this kind of approach in the Israel–Palestine context could indeed be made. Agreements that would emulate those that underpinned the EU were made for the formation of regional economic integration, which might promote collaboration in fields including energy, water management, and modern technology. These initiatives would create an environment for some economic activity, as well as a platform for sustainable dialogue and cooperation.

Regional and Global Actors: The Role

Israel–Palestine conflict cannot proceed diplomatically isolated. It is regional and global actors that mediate, finance, and help align economic initiatives to peace aims. Regional Stakeholders: The peace process is critical to Egypt, Jordan, and Lebanon. These nations, with their long and deep historical, cultural, and economic ties to both Israel and Palestine, are suited to the role of mediator or facilitator of dialogue. And as examples, Egypt and Jordan have often used their relations to broker ceasefires and trade agreements, de-escalating tensions, for instance, or working together toward cooperation. This increases the probability for success because their involvement makes sure that their solutions are relevant in context and culturally sensitive.

Global Powers: For this process, the international actors, including the United States, the European Union, and China, bring their substantial resources and influence to bear. The development aid, investment packages, and trade agreements can give these powers the power to incentivize cooperation. One example of this might be U.S. financial support for Palestinian development projects, or EU-backed trade incentives for both parties, to create such economic conditions as are conducive to peace. While global powers are naturally involved, any involvement must emphasize broadly agreed and sustainable outcomes which do not alienate local interests as to appear not free from biases that would lose trust.

Multilateral Organizations: Frameworks that have been provided to institutions like the UN, World Bank, and even the International Monetary Fund (IMF) are institutions to facilitate dialogue, mesh aid infrastructures, and the alignment of economic and diplomatic resources. Both the UN's peacekeeping missions and the World Bank's reconstruction projects in post-conflict regions show us how multilateral organizations can be neutral platforms and resources for reaching effective solutions to conflict.

Civil Society and Non-State Actors

Modern diplomacy in fact calls more and more for the participation of non-state actors, as well as civil society organizations. Official channels are great, but these entities often help fill in the gaps that could not be addressed by public institutions, seeking to engage with grassroots concerns and act as a hub for community interest. For a simple instance, NGOs working for human rights or development can mediate local disputes, provide humanitarian aid, and make for inclusive policies.

Additionally, academic institutions, think tanks, and private sector entities can also add in to the innovative idea and resources for peacebuilding process. Formal diplomatic efforts can be complemented by collaborative research initiatives, cross-border business ventures, and community development programs which create a circumstance of trust and mutual respect to build on.

The Issue of Economic and Diplomatic Alignment of Objectives

Getting to a sustainable peace requires economic and diplomatic alignment. The design of economic initiatives must be away from isolated projects as integral components of bigger diplomatic objectives. For example, investments in Palestinian territory should be infrastructure-related and, in addition to addressing economic disparities, can also signal an intention and commitment to equitable development leading to goodwill and lessening of tensions.

Also, they should contain economic cooperation provisions so that political resolutions are translated into hard and good benefits for the affected population. By aligning thus, it can lead to what is a virtuous cycle: political stability reinforced by further economic gains, leading to further diplomatic progress, which opens further economic opportunities.

The Path Forward

The chapter shows how the economic peacebuilding and diplomacy integration is a holistic way of trying to resolve the Israel–Palestine conflict. A peace framework may be created through interdependence, equal social promotion, as well as help from regional and global partnerships. However, this approach is only successful with the continued commitment, creative thinking, and a willingness to let shared prosperity and not individual gain to take the lead. And at the end of it, diplomacy as much as ends a conflict as it creates the conditions for a stable and prosperous coexistence. Through the alignment of economic and diplomatic efforts in such a careful way, such a future becomes not only possible, but achievable.

Future Directions

The Israel–Palestine conflict implies both challenges and opportunities of the future peace and prosperity. In fact, while the political and economic divides remain deeply rooted, the integration of modern tools, as well as innovative strategies on the way to transformative change is very possible. Stakeholders can tackle key issues, bridge divides and create a future for the region that is sustainable, with the use of technology, foster collaboration, and increase international engagement.

The Role of Technology and Innovation

Economic and social progress is driven by technology and innovation in conflict areas. In the challenging Israel–Palestine context especially, digital tools and technological collaboration provide space to transcend barriers and bring about opportunities. This allows digital infrastructure to expand. The Palestinian territories suffer from very low levels of digital connectivity, with a lack of easy and reliable high-speed internet and technology. Exposing digital infrastructure for expanding is a necessary step toward economic growth as well as for reducing disparities. Increasing broadband access will enable Palestinian businesses to compete in the global market, widen e-commerce prospects, and draw in foreign investment. Additionally, internet access can enable remote education and telemedicine to improve the quality of life and resilience in underserved communities.

Empowering Local Businesses

In the region, digital tools and platforms can take businesses by storm. For example, with e-commerce platforms such as Etsy, eBay, Amazon, Palestinian entrepreneurs can reach international clients instead of dealing with logistical headaches presented by restricted mobility and trade barriers. Incorporating digital tools along with digital payment systems and microfinance platforms for accessing financial services to the underserved population can also help entrepreneurship and economic participation.

Collaborative Ventures for Fostering

Israeli and Palestinian institutions have enormous potential for jointly developing research and technological initiatives to accommodate common challenges. Mutually beneficial fields such as renewable energy, water resource management, and healthcare innovation are available for partnership. One example would be joint solar energy projects that would not only supply clean, sustainable power to Palestinian communities but also contribute to meeting Israel's renewable energy goals. There are also agricultural technology collaborations that can further improve both region's food security as well as productivity.

E-Governance for Enhancing Governance

Technology, however, can also transform governance. E-governance platforms can increase transparency, curb corruption, and efficiently enhance public administration. Digital tools could streamline tax collection and the delivery of social services, formalize the social and business registries and help build trust in public institutions, and improve resource management in the Palestinian territories.

Multilateral Support

It is important that long term stability and progress in the region is aided by the active involvement of international actors. To provide comprehensive and inclusive support multilateral organizations, donor countries and global powers must coordinate their work more effectively.

Prioritizing Inclusive Economic Silos

Given that marginalized communities in Israel and the West Bank significantly benefit from any Israeli economic opportunities, international engagement must focus on creating such opportunities that benefit Israelis and Palestinians equally. Projects that promote local infrastructure, create jobs, and boost local economies should be a priority in development aid and investment. For example, because of them, funding for such things as joint industrial zones or sharing of resource management might create economic interdependence, decrease tensions, and build trust.

Multilateral Framework Support of Regional Stability

They have a key role to force playing by coordinating the aid and dialogue and making sure economic and diplomatic policies are in sync between economic and diplomatic initiatives. They can offer neutral platforms for moving forward in the form of taking a neutral position for negotiation, providing technical expertise, and financial resources to make this effort work. As an example, the sustainable development goals (SDGs) of the UN provide a way in which inequalities can be addressed, infrastructure improved, and sustainable development can be pursued throughout the region.

Reconciliation Economic Diplomacy

Bridging the gap is possible through economic diplomacy, focused on partnerships for trade and investment, resource sharing, and joint investment. International mediators can foster bilateral trade agreements between Israel and Palestine, meant to reduce economic barriers to cooperation in addition to unlocking economic opportunities. Integrated economies of neighboring countries, such as Jordan and Egypt, can also be further integrated into regional trade initiatives with neighboring countries and frameworks that will increase their growth and stability.

Building a Sustainable Future

Widening the vision, the technology, collaboration, and international support as a road map in transforming the region's economic and social landscape. Key initiatives to drive this transformation include:

Innovation Hubs: Technology and innovation hubs established in the Palestinian territories are a way to supply resources, training, and mentorship to local entrepreneurs. They can be an excellent center of excellence where a culture of creativity and problem-solving takes root.

Education and Skill Development: Investing in education, specifically STEM education, and training young Palestinians with the skills they will need to be successful in a modern economy will be important to their future. Collaborative program with Israeli universities and other countries will contribute to learn the cross culture and encourage innovation.

Sustainable Resource Management: Water and energy management have been identified jointly as important pressing environmental challenges and, indeed, as a space for collaboration. An example of this is, for example, combined desalination plants and solar farms which are good for people in both communities and that shows the value of cooperation.

The road ahead in the Israel–Palestine conflict is complicated which means that it will need application of multiple elements, management of the mix of economic stability and diplomatic tandem. Progress in one space largely reinforces and empowers progress in the other. It promotes the possibility of solving the causes of the conflict at its roots and building the foundations for the sustainable peace.

But the persistence of the conflict over decades has made it ever clear that purely political or military solutions cannot work. Rather, an economic inclusion, collaborative development, and diplomatic innovation-driven strategy presents better opportunities for progress. Toward a stable, inclusive, and reconciliatory future, stakeholders should be able to address the economic inequalities that sustain resentment and mistrust; integrate creative solutions to long-standing problems; and foster cooperation by shared interests.

Economic Inequalities That Should Be Addressed

The economic disparities between Israelis and Palestinians are at the heart of any sustainable solution. The grievances that sustain the conflict stem from these inequalities, differences in wealth, and access to resources and opportunities. But bridging this gap will require economic development initiatives targeting the Palestinian territories that aim to develop infrastructure, education, and entrepreneurship. What is also equally important is the creation of inclusive frameworks that allow all communities to also reap from growth and development. By empowering the marginalized: women and youth, through targeted programs, this can catalyze wider change in the economic landscape of the region. We must sustain and support international actors to deliver meaningful and lasting impacts.

Fostering Cooperation

The resolution of the Israel–Palestine conflict is both a means and an end of cooperation. Through joint venture platforms in areas of technology, agriculture, and renewable energy, communities can bond, build trust, and build interdependence. These initiatives focus on partners' shared challenges and mutual benefits transforming adversarial relationships into partnerships. Furthermore, regional and global actors have strong responsibility in promoting this cooperation. Its support must be joined by neighboring countries, multilateral organizations, and its international donors in promoting projects that show the real fruits of peace. Financial resources, technical expertise, and neutral mediation, which are among the pillars of cooperative ventures that need to succeed, can be made available by these actors.

Innovation Integration

New tools are offered for tackling the region's challenges in the areas of innovation (with special emphasis on technology and governance). When you expand digital infrastructure, you enable e-governance, technological collaboration, and narrowing divides that lead to opportunities for economic and social change. In addition to these efforts, contributions to and benefits of innovation-driven growth should be balanced by investments in education and skill development to enable individuals and communities to participate in and realize such benefits. Integrating these innovative approaches into the larger peacebuilding strategy enables stakeholders to ground provisionally long-term stability. In fact, technology can overcome what were previously traditional barriers so that completely different forms of interaction and ways to work together could emerge.

Collective Efforts Are Necessary

The findings stress that there is no one who will super solve the issue of Israel–Palestine conflict. This effort also calls for support of local leaders, regional stakeholders, and the international community. A vision of peace and prosperity must be shared, strategic plan has to be created and adhered to in order for such collective actions to endure.

Leaders need to understand that improvement won't happen overnight, and there will be setbacks. But cooperation replaces the cost of conflict with the rewards, it should be able to move to a future in which its economic and diplomatic strategies work in safe alignment.

Peace and Prosperity: A Shared Future

Our ultimate ambition is a future in which Israelis and Palestinians live side by side peacefully, under vibrant economic circumstances and sustainable communities. It's not even a vision, it's a reality that can be achieved with focused policy, ingenious innovation, and rock-solid commitment to reconciliation. Finally, for the Israel–Palestine conflict, this intersection of economic stability and diplomatic engagement lays the strongest arguments to help resolve the conflict. Stakeholders must promote equity, work together, and experiment to establish the groundwork for a future of peace and prosperity. We face big challenges, but big opportunities for reconciliation and progress in a legacy so that the region and the world can move forward together.

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