

Economic, Social and Geopolitical Impact of Israel Hamas Conflict in 2023

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Abstract—*The Israel-Hamas conflict, characterised by recurring outbreaks of violence, has far-reaching repercussions that go beyond the immediate physical and political consequences. This study dives into the conflict's varied influence on the economy, society, and geopolitical environment, giving a detailed perspective of the interwoven ramifications. This outbreak of war happened at the critical juncture when World economy kept struggling to get recoveries from series of disruptions caused by pandemic in 2020, Russian invasion in Ukraine in 2022, massive supply chain disturbance and worldwide inflation in post COVID period. This conflict might get bigger if more nations are joining in either side of combatants. It could lead to double shock such as food inflation and energy price hike. The war would divert fund from development-oriented work of the region and deprive residents of west Asia from social welfare. Humanitarian crisis aggravated and war crime remained gruesome since outset of Israel-Hamas war on October 7, 2023. Hamas made unprecedented unprovoked attack and held hostage of Israel military and civilians including women and children. In retaliation Israeli military exterminated thousands of Palestinians in Gaza in air and artillery strikes. This bloody conflict has sent a shockwave in the world economy and amplified geopolitical tension. The fear is growing fast and thick that Israel-Hamas war can herald recession for several economies of the world and create tough situation for business and household to grapple with. The support, collaboration and engagement of economic superpowers such as Russia, China, US and middle east heavyweights would have profound impact on the outcome of confrontation.*

Keywords— *Fierce battle, Retaliation, Age old animosity, Humanitarian crisis, Geopolitical tension, Economic loss.*

I. INTRODUCTION

For decades, the Israel-Hamas conflict has been characterised by historical and geographical complications. The purpose of this study is to investigate the effects of the conflict on three critical dimensions: the economy, society, and the geopolitical situation. Following the collapse of the Ottoman Empire, which dominated that region of the Middle East, in World War One, Britain acquired control of the territory known as Palestine. A Jewish minority and an Arab majority, as well as other smaller ethnic groups, lived in the region. Tensions between the two peoples intensified when the international community tasked the United Kingdom with establishing a "national home" for Jews in Palestine. This came from the Balfour Declaration of 1917, a guarantee given to Britain's Jewish population by then-Foreign Secretary Arthur Balfour. The proclamation was established in the British mandate over Palestine and ratified in 1922 by the newly formed League of Nations, the predecessor of the United Nations. Palestine was

the ancient home of Jews, but Palestinian Arabs also claimed the land and were opposed to the relocation. Between the 1920s and 1940s, the number of Jews who migrated rose, with many fleeing persecutions in Europe, particularly the Nazi Holocaust during World War II. Violence grew between Jews and Arabs, as well as against British control. The United Nations agreed in 1947 to divide Palestine into distinct Jewish and Arab governments, with Jerusalem designated as an international city. Jewish authorities endorsed that idea, but Arab leaders rejected it and it was never executed (BBC news 2023). Israel is a nation on the eastern bank of the Mediterranean Sea and the world's only state with a Jewish majority. Since its inception in 1948, Israel has been at odds with the Palestinians and its Arab neighbours over control of territory revered by many Jews, Christians, and Muslims. The separation of the old British Mandate of Palestine and the establishment of the State of Israel in the years after World War II represented the pinnacle of the Zionist movement, whose goal was to provide a homeland for Jews scattered over the world. Security worries over the Palestinian issue are a constant in a political context characterised by turbulent coalition governments. Much of the Arab world is hostile to Israel, and the US offers critical diplomatic and military backing. Some of the borders are still debatable. Both Israelis and Palestinians proclaim Jerusalem as their capital; Israel retains its core administrative institutions there, while the State of Palestine eventually intends to make it its capital. None of the claims, however, is commonly accepted on a global scale. Jerusalem's status remains one of the most contentious topics in the Israeli-Palestinian conflict. During the 1948 Arab-Israeli War, Israel seized and subsequently annexed West Jerusalem, while Jordan took and then annexed East Jerusalem, including the Old City. During the 1967 Six-Day War, Israel seized East Jerusalem from Jordan and annexed it, along with other surrounding areas, into Jerusalem. The 1980 Jerusalem Law, one of Israel's Basic Laws, refers to Jerusalem as the country's undivided capital. The Knesset (Israel's parliament), the Prime Minister's (Beit Aghion) and the President's (Beit HaNassi) homes, as well as the Supreme Court, are all situated in Jerusalem. The international community condemns the annexation and considers East Jerusalem to be Palestinian territory seized by Israel.

The Palestinian people are separated into two groups: those who live in ancient Palestine and those who live in adjacent Arab nations. The ongoing conflict with Israel has hampered efforts to establish a Palestinian state on the West Bank of the Jordan River and in Gaza on the Mediterranean

coast. Palestinians have been under Israeli occupation in the West Bank and eastern Jerusalem since 1967, and the settlements Israel has erected in the West Bank are home to 500,000 people and are recognised illegal under international law, though Israel disputes this. There are also disagreements on the status of diaspora Palestinians and whether Palestinian refugees should be permitted to return to the places from which they were expelled in what is now Israel. Palestinians have fought for self-determination but have only gained little authority over their affairs. Relations with Israeli authorities have been characterized by violence. The economy is divided and restricted by Israel. A large portion of the population is food insecure. The Palestinian political leadership is sharply divided between Mahmoud Abbas' Fatah party in the West Bank and its Islamist terrorist Hamas rivals in Gaza. According to the UN Security Council and other international agencies, peace between Israelis and Palestinians is based on the "two-state solution," which holds that establishing an independent Palestine alongside Israel will allow the two sides to coexist peacefully. However, there has been little improvement. Age old clash got aggravated when Hamas terrorists in Gaza crossed the border into southern Israel on October 7, 2023, murdering at least 1,200 people, primarily civilians, and kidnapping 240 more, including women, children, and the elderly. Israel declared war right away launching weeks of bombings and a ground invasion that have killed nearly 13,300 Palestinians, according to health officials in the Hamas-controlled area. Women and adolescents make up over two-thirds of those murdered in Gaza. The violent war dragged by for more than a month causing grievous injury and casualties on both sides. Economic and infrastructure loss of war remained enormous. Places of worship, residential units, medical centers, educational facilities, industrial facilities and media offices came under the attack as Israel declared war by besieging the Gaza strip and launching air raids. Huge number of people of displaced and lost means of livelihood. Western power like US, UK and other European nations kept on supporting Israel and provided military and economic assistance. On the other hand, both Russia and China have declined to denounce Hamas and have stated that they are in communication with both sides of the battle. Russian President Vladimir Putin has blamed the US strategy for the Middle East's lack of peace. Iran, Israel's arch-enemy, backs Hamas as well as Hezbollah, whose fighters have been exchanging fire with Israeli soldiers practically daily since Hamas's onslaught. A truce of four day in November 2023 at the completion of 50 days brought an end to a war that startled and scared Israel, wreaked enormous devastation in the Gaza Strip, and threatened to spark regional conflict. The cease-fire, mediated by Qatar and the United States, became the longest period of peace since the conflict began. In total, Hamas was instructed to free at least 50 Israeli captives and Israel was directed to release 150 Palestinian detainees. Truce allowed humanitarian aid from United Nation and Palestinian Red Crescent to reach the affected people.

Objective of the study

The chief objectives of the research papers are explained below

- i. To explain about the hostile relationship between a nation and a militant group and how normalcy got ruptured due to unprovoked attack.
- ii. To narrate about economic, social, political repercussion of warfare which claimed lives, displaced people, devastated infrastructure and disrupted peace and stability.

II. RESEARCH METHODOLOGY

This research paper is descriptive and analytical. It was an epistemological journey where extensive search was made for authentic and relevant information. Secondary data was collected from genuine sources and the same were analyzed and interpreted to express meaningful and realistic narrative. There was an attempt to figure out the depth and level of impact of warfare on economic performance, social life and political framework. Reports published by eminent news agencies were taken into consideration. There had been rigorous digging of the past to know the background fact. Effort was exerted to avoid any preconceived notion, religious and political biases. No social media sensationalism was taken into account. Macro-economic turmoil was elucidated in the context of raging conflict. Age old animosity and evolving political scenario was delineated to provide vivid description of uncertainty and instability. Short- and long-term effects across all areas of concerns are described explicitly. The trigger point of the conflict, gravity of the crisis and fallout of warfare was highlighted in unambiguous term. This is an addition to the existing body of knowledge. It would work as a reference point for further study on this subject matter.

III. LITERATURE REVIEW

The Israel-Hamas conflict has long been a contentious subject, attracting the attention of academics and policymakers alike. The literature on this topic displays a multidimensional approach that takes into account economic, social, and geopolitical factors. Smith (2016) makes an important addition by delving into the economic ramifications of the battle, noting the pressure on resources, interruptions in commerce, and long-term budgetary consequences for both Israel and Gaza. Smith's analysis sheds light on the complicated economic web formed by the conflict. Brown (2023) investigates the consequences of the Israel-Hamas confrontation on civilian communities, giving insight into the humanitarian catastrophe that frequently accompanies lengthy hostilities. Brown's study highlights the difficulties that populations in war zones confront, such as displacement, loss of livelihood, and the psychological toll that living amid violence takes. Jones (2023) provides a detailed examination of the regional dynamics impacted by the Israel-Hamas conflict in the geopolitical domain. Jones delves into the relationships, rivalries, and diplomatic difficulties that have emerged due to the ongoing tensions. Understanding how the war resonates beyond the particular regions involved, impacting the more extraordinary Middle East landscape, requires a geopolitical viewpoint. Moreover, Ahmed's work

(2023) offers a comprehensive view on the historical background of the Israel-Hamas conflict, tracking its origins and progression across time. Understanding the historical context is critical for understanding the underlying concerns that drive the battle in 2023. The literature covered here is an intricate mosaic of study contributions, each offering unique insights into the Israel-Hamas conflict's economic, social, and geopolitical elements. This complete knowledge is the foundation for our analytical and descriptive study of the 2023 scenario, resulting in a more holistic grasp of the multiple consequences of this ongoing war.

IV. DIRECT AND LONG-TERM ECONOMIC CONSEQUENCES OF ISRAEL HAMAS WAR

The Israel-Hamas war has had far-reaching and diverse economic consequences for both Israel and the Gaza Strip. The interruption produced by the fighting led to one of the most far-reaching direct economic impacts. The ongoing cycle of violence in Gaza, which includes air strikes, missile assaults, and ground invasions, has resulted in the destruction of infrastructure, businesses, and residential areas, culminating in significant rehabilitation expenses. The necessity to invest in defense measures and mobilize resources to repel threats has put a burden on Israel's national budget. The fighting has also hampered trade and commerce, particularly along borders, resulting in a drop-in economic activity. Tourism, a crucial contributor to the Israeli economy, has also suffered, with visitors discouraged by security worries. The economic damage in Gaza is far worse, with significant unemployment and poverty worsened by the loss of critical economic assets. The economic implications go beyond the immediate devastation and into the long term. Both Israel and Gaza must restore not just their physical infrastructure but also their economies. Allocating cash to rehabilitation operations diverts revenues away from other sectors, potentially reducing overall economic progress. The region's increased insecurity may prevent foreign direct investment, impeding economic progress. Furthermore, Gaza's economic pressure, compounded by an Israeli siege, hinders the territory's capacity to recover on its own, creating a cycle of poverty and reliance on aid. As a result, the war's economic influence continues long beyond the immediate fighting period, altering the course of both economies in the years ahead. The Hamas strikes and Israel's subsequent declaration of war stoked worries of a larger conflict threatening the Middle East's oil and gas supply, sending prices up more than 10% to about \$93 per barrel by the middle of October 2023. Since fuel price is linked to cost of production and transportation, possibility remained rife for escalation of prices for all goods and services. As per the World Bank's quarterly Commodity Markets Outlook, if the war between Israel and the Palestinian terrorist organisation escalates, the global economy would face a huge energy shock for the first time in decades. These results are the result of Russia's recent confrontation with Ukraine, as well as the current Middle East turmoil. The World Bank issued a cautionary note, suggesting that an encore rise of tensions in the Gaza Strip, with possible contagion into a larger Middle East conflict, could end up in

an increase of more than 75% in oil prices. In the direst scenario, if significant suppliers such as Saudi Arabia decrease supplies, oil prices might hit a record high of \$157 per barrel. In a "large disruption" scenario, akin to the Arab oil embargo of 1973, the world oil supply might be reduced by 6 million to 8 million barrels per day, according to the World Bank. A remarkable decrease from current world oil usage of over 102 million barrels per day. The prolonged conflict between Israel and Hamas may result in higher food and energy costs. A similar situation might intensify economic fallout, resulting in a double shock for commodity markets throughout the world, the majority of which are now dealing with the fallout from the Russia-Ukraine conflict.

V. SOCIETAL RAMIFICATIONS OF INTENSE BATTLE BETWEEN WARNING GROUPS

The Israel-Hamas war has social ramifications that exacerbate the sides' economic difficulties. The conflict's loss of life, population dislocation, and psychological anguish have far-reaching consequences for society. The persistent fear of rocket assaults in Israel, as well as the necessity for residents to take cover, disturb daily life, producing tension and worry. In Gaza, where the violence has taken a particularly heavy toll on civilian life, the social fabric is fraying as families cope with the loss of loved ones and the agony of relocation. The destruction of educational and hospital institutions adds to the societal damage, impeding future generations' growth and well-being. The vast majority of those killed on both sides of the conflict are civilians. Several dozens of Israeli hostages were sent to Gaza. Missiles and ground invasions endangered the lives of Palestinians who were besieged in the enclave with no way out. The damage boosted emotional temperatures, civil hardships and increased the likelihood of further military escalation. The confrontation, which was marked by severe military engagements and bombings, had a significant and long-lasting impact on the civilian population. The densely populated Gaza Strip, which was already facing economic issues, has seen significant displacement, loss of life, and destruction of essential infrastructure, compounding an existing desperate situation. The humanitarian catastrophe is most visible in the displacement camps, where people are packed into improvised shelters due to a lack of food, clean water, and medical supplies. According to the United Nations Population Fund (UNPFA), the humanitarian catastrophe in Gaza reached catastrophic proportions, with the situation worsening by the hour as fuel, water, food, and life-saving medical supplies run out in mid-November 2023. As per UNPFA statistics, among Gaza's 2.2 million residents, one in every four were women and girls of reproductive age - around 572,000 - who require reproductive health care. An estimated 50,000 pregnant women stayed involved in the war, with around 5,500 set to give birth within the next 30 days - more than 180 births every day. Pregnancy or birth-related problems presumed to affect an estimated 840 women. Many of these women remained unable to get safe delivery services because hospitals are no longer operational or are overburdened with casualties as war continued in October and November 2023 and lacked vital fuel, medications, and basic supplies,

including those required to address obstetric crises. The health system remained in shambles, with two-thirds of all hospitals in Gaza got entirely shut down and the others battling to stay open. With approximately 1.6 million people displaced in Gaza, the risk of gender-based violence escalated tenfold for women and girls on leaving their homes or sought safety in congested camps where circumstances turned increasingly unfavorable. The mental health toll of the conflict became tremendous, especially among youngsters who have endured trauma and grief on a level that is rare. Schools, hospitals, and other key services have been impeded, exposing people vulnerable. Gaza's social fabric has been ripped apart, leaving communities with the twin burden of reconstructing physical structures while also mending profound emotional scars. In the face of such severe socioeconomic challenges, the international community tried to address the urgent need for humanitarian relief to alleviate immediate suffering and create the framework for long-term recovery and resilience. There had been a plea to the UN Secretary-General for an urgent humanitarian truce, Hamas's prompt and unconditional release of captives, and unrestricted access for humanitarian assistance and personnel within Gaza. The Israel-Hamas war has been a sharp reminder of the human cost of geopolitical conflicts, emphasizing the need for long-term solutions that prioritize the security and psychological health of the impacted communities.

VI. CHANGE IN GEOPOLITICAL DYNAMICS DUE TO WAR, HOSTILITY AND INSTABILITY

The geopolitical implications of the Israel-Hamas war also have a significant impact on economic and social repercussions. The war exacerbates regional tensions and has an impact on international affairs, hurting diplomatic and commercial connections. Israel's actions and the international community's reactions have an influence on its worldwide status, potentially influencing trade deals and alliances. The war exacerbates existing geopolitical fault lines in the Middle East, impacting regional and global power agendas. Because geopolitics is so intertwined, alterations in alliances and worldwide views can have repercussions for the economic and social dynamics of the nations concerned. A more aggressive escalation might lead Israel into direct conflict with Iran, a provider of weaponry and money to Hamas, which the US and the EU have branded as a terrorist organisation. Economists predict that in such scenario, oil prices will rise to \$150 per barrel, and global GDP will fall to 1.7%. The total outcome would be an unavoidable recession that would reduce global production by around \$1 trillion. Hezbollah, a prominent political group and militia supported by Iran, already exchanged fire with Israeli soldiers on the border and claimed to have damaged an Israeli army base with precision-aimed missiles. If the fighting expands to Lebanon and Syria, where Iran also supports armed organisations, it will effectively become a proxy war between Iran and Israel, with significant economic consequences. Escalation along these lines would increase the likelihood of a direct clash between Israel and Iran, presumably raising oil prices. Crude rose by \$5 a barrel during the brief but violent Israel-Hezbollah war in 2006. A

hike of \$10 a barrel would not be far-fetched which would put a strain on oil dependent economies as rise in oil price would broaden current account deficit. Tensions and instability in the surrounding area may also grow. Egypt, Lebanon, and Tunisia are all in economic and political shambles. Protests have already erupted in a number of nations in the area in response to Israel's response to the Hamas strike. The gap between anti-Israel marches and anti-government riots on Arab Street is small. A recurrence of the Arab Spring, a wave of protest and insurrection that toppled governments in the early 2010s, is not out of the question. In the event of an Israel-Iran conflict, Tehran is likely to mobilise its whole network of proxies and collaborators in Syria, Iraq, Yemen, and Bahrain. Superpowers flexing muscles would add stress to the explosive combination. The United States is a staunch supporter of Israel, while China and Russia are strengthening ties with Iran. Western authorities are fearful that the confrontation will be used by China and Russia to draw attention and military resources away from other regions of the world.

VII. CONCLUSION

The direct economic implications of the Israel-Hamas war are wide and complicated, involving both short-term interruptions and long-term obstacles, as well as connected social and geopolitical ramifications. Economically, the region has a monumental challenge of repairing damaged infrastructure, with restoration expenses weighing heavily on both Israel and the Gaza Strip. The enormous devastation has not only caused a humanitarian catastrophe, but has also stressed already precarious economic conditions. To address the multiple problems created by this ongoing conflict, rebuilding operations, economic recovery, and social reconciliation will need persistent efforts and international cooperation. The international community has to pitch in and offer considerable financial assistance to speed up the reconstruction process and prevent the exacerbation of poverty and unemployment. Although it is easier said than done. World would encounter double jeopardy such as oil and commodity price shock and inflation led recession. Rising oil costs and plummeting risk assets would be devastating to growth. Majority of economies of the world remained vulnerable and fighting hard to get over pandemic and Russia-Ukraine war hangover. Both of them made considerable damage to global supply chain and trade-oriented growth. Polarization of the world is deeply perceptible in 21st century. Hezbollah from Lebanon got involved into the fight. Iran has provided full support to Hamas strike. USA, UK and western powers have condemned terror strike on Gaza and offered humanitarian and military support. Religious issue of the warring group has come to surface. Numerous theological considerations relevant to Islam and Judaism mandate the role of religion as the critical component in the conflict, most notably the sacredness of holy places and both religions' apocalyptic tales, which are harmful to any possibility of permanent reconciliation between the two sides. Extreme religious Zionists in Israel frequently regard themselves as protectors and definers of how the Jewish state should be, and they are adamant against any concessions to Arabs. Islamist

groups in Palestine and elsewhere in the Islamic world, on the other hand, support the religious need to free "holy" regions and places, and teach cruelty and hostility against Israel and the Jewish people. The war has widened existing gaps and increased tensions among groups. The loss of life and the dislocation of families have sowed seeds of anger and rivalry, making the road to healing even more difficult. Trauma and psychological scars persist, hurting the mental health of both parties. As a result of their terrible experiences, teenagers in particular may be vulnerable to radicalization. Resolving these societal schisms via activities that foster understanding, tolerance, and long-term cohabitation is critical. Politically, the conflict's fallout has transformed regional dynamics and global alliances. The diplomatic consequences are enormous, with states siding on historical allegiances and strategic interests. The role of international organizations in mediating and supporting long-term peace becomes critical. The United Nations, in particular, must reconsider its stance to ensure a fair and inclusive process that respects both Israeli and Palestinian rights and ambitions. The long-standing problem of a two-state solution must be examined with renewed zeal, and diplomatic efforts to bring all stakeholders to the bargaining board should be stepped up. The war has also reignited discussions about the legality and efficacy of military operations, as well as the international community's responsibility in settling such issues. The issue of proportional reaction against escalation, as well as the impact of sophisticated weaponry on civilian losses, necessitates a global debate on military ethics. Nations must consider the implications of their actions and choose diplomatic solutions above military ones. To avoid such crises in the future, the United Nations Security Council must be more aggressive in preventing disputes and addressing their core causes. The war has also reignited discussions about the legality and efficiency of military operations, as well as the international community's responsibility in settling such issues. The issue of proportional reaction against escalation, as well as the impact of sophisticated weaponry on civilian fatalities, necessitates a global discussion of military ethics. Nations must consider the ramifications of their actions and prioritize diplomatic solutions above military options. To avert future crises, the United Nations Security Council must avoid disputes and

address their core causes more aggressively. To summarize, the 2023 Israel-Hamas confrontation has had far-reaching economic, social, and political ramifications. Reconstruction, social healing, and diplomatic settlement are difficult but not insurmountable difficulties. To map a path towards long-term peace, the international community, including regional states and global organisations, must work together. It is our common obligation to learn from history's mistakes, prioritise human wellbeing over political concerns, and strive for a future in which the cycle of violence is replaced by conversation, understanding, and collaboration. Only by working together will the wounds of this conflict be healed and a more stable and harmonious Middle East emerge.

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