International Journal of All Research Education and Scientific Methods (IJARESM),
ISSN: 2455-6211, Volume 11, Issue 11, November-2023, Available online at: www.ijaresm.com

Global Economic Recession and Hamas – Israel Conflict Affecting GDP Growth, Oil Prices, Financial Markets, and Palestinian Economic Development – An Assessment

Dr. G. Yoganandham

Professor & Head, Department of Economics, Director – Centre for Knowledge, Thiruvalluvar University (A State University), Serkkadu, Katpadi Taluk, Vellore City, Tamil Nadu – 632115, India

---******************---

ABSTRACT

The Israeli-Palestinian conflict escalated with an attack against Hamas in 2022, involving 1,500 visas granted to Gazan laborers and Hamas curtailing military operations to deceive Israel. The attack involved paraglide training, fake Israeli settlement assault, and hostage snatching. The attack was approved by Iranian security authorities, but US authorities refuted this connection. Hamas uses Gaza's tunnel network for movement, storage, and command. Israel attacks tunnels, causing Palestinian terrorist attacks and deaths. Israeli-Palestinian conflict, rooted in land control, has impacted thousands, with Palestinians launching rockets and kidnapping Israeli troops. Hamas' Operation Al – Aqsa Flood, a failed attempt to incite Israel's invasion of Gaza, resulted in 345 deaths and reduced Israeli Gross domestic product (GDP), potentially impacting Palestinian economic growth. Challenges include war-torn economies, donor assistance, economic attrition, and governmental limits impede Palestinian development attempts. For a durable economic recovery, a tailored strategy that links aid to long-term objectives, institutional structure, participatory procedures, and measures for reducing poverty is required. Oil will not be produced in Saudi Arabia or Russia until 2024, and Israel-Saudi ties are under jeopardy due to US aircraft carrier deployment. Israel's economy is impacted by the Gaza War, and the Palestinians experience economic hardship.

Despite the above, the main objectives of this research article are to analyze the global economic recession and Hamas-Israel conflict affecting GDP growth, oil prices, financial markets, and Palestinian economic development, as well as other related issues, in a macroeconomic theoretical analysis using secondary sources of information and statistical data relevant to the article's topic. According to this point of view, the current situation is both critically important and relevant in terms of both the economy and society.

Keywords*:* Palestinian Conflict, Gross Domestic Product, Economic Growth, War – Torn Economies, Economic Attrition, Economic Recovery, Reducing Poverty, Economic Hardship and Financial Markets.

Global Economic Recession and Hamas-Israel Conflict Affecting GDP Growth, Oil Prices, Financial Markets, and Palestinian Economic Development - An Assessment
Dr. G. Yoganandham, Professor & Head, Department of Economics, Director – Centre for Knowledge, Thiruvalluvar University (A State University), Serkkadu, Katpadi Taluk, Vellore City, Tamil Nadu – 632115, India.

Theme of the article
In an attempt to incite Israel to invade Gaza, the Palestinian Islamist militant group Hamas began coordinated strikes against Israel on October 7, 2023, from the Gaza Strip. Operation Al-Aqsa Flood, as the attacks were named, started with powered paraglide incursions and a rocket bombardment. 345 Israeli troops and police officers as well as 845 Israeli citizens were slain by Hamas fighters who broke across the Gaza-Israel border. There were over 200 Israeli troops and civilians seized as captives, along with 30 abducted children. 44 countries condemned the incident as terrorist, with Arab and Muslim nations accusing Israel.

Despite projecting growth above 2% this year and subsequent, the Israeli central bank reduced its economic outlook on October 23, provided that violence is minimized. Since investors are demanding greater risk premiums, the conflict's effect on the global economy is probably limited to higher oil prices. Because of the dispute between Israel and Palestine, Israel, an OECD member, finds it difficult to build a completely autonomous economic system in Palestine. Interest rates and foreign direct investment have been influenced by the Israeli-Palestinian conflict, the 1967 Six-Day War, and the Palestine War of 1947–1949. A tight labor market, high demand, and a financial crisis in the West Bank are the consequences of war expenditures, debt, inflation, and demographic concerns. These difficulties are predicted to cause the Palestinian economy to contract in 2023. In spite of power outages endangering access to water, sanitary conditions, and health care, the European Union and Arab League have been the main providers of aid to the Palestinian people since 1993.

Statement of the problem

The first significant Israeli-Palestinian conflict action since the crisis of 2021 was an attack against Hamas. In 2022, the Israeli Defense Ministry granted 1,500 visas for Gazan laborers, while Hamas curtailed its military operations to mislead Israel. The Hamas militants had spent two years preparing in six training centers located around the Gaza Strip. Their preparation included motorized paraglide training, fake Israeli settlement assault, and hostage snatching. Found among the dead Hamas terrorists' documents were a thorough investigation of army bases and nearby areas with the goal of capturing hostages and causing civilian fatalities. A change in desire in a military confrontation was indicated by Hamas' deceit. Prior to the attack, 500 members of Hamas and the Palestinian Islamic Jihad received military training in Iran and the strike was approved by Iranian security authorities. US authorities refuted a direct connection by pointing to Iran's historical backing of Hamas. Due to explosives smuggling, Israel halted Gaza's exports of commercial products, which had an impact on thousands of people.

Hamas uses the network of tunnels in Gaza, sometimes referred to as the "Gaza metro," for movement, storage, and command. For at over two years, Hamas avoided Israeli intelligence by communicating covertly using hardwired phone lines. Israel has attacked tunnels used by Hamas in Gaza City, Beit Hanoun, and Rafah as part of its assault against the organization. After breaking through the Gaza-Israel border, Palestinian terrorists attacked Israel with rockets, resulting in more than a dozen killings, including one at a music festival. Palestinian laborers and business plans from Iran and North Korea were involved in the construction. Israeli forces closed the Gaza border, blocking the flow of people and goods, and Palestinians launched Qassam rockets toward Israeli settlements and carried out cross-border attacks in an attempt to murder or kidnap Israeli troops. Control and ownership of land are the basis of the thousands-year Israeli-Palestinian conflict, despite historical claims dating back to the early 20th century. Despite what has been said, the main objective of this article is to analyze the global economic recession and Hamas-Israel conflict affecting GDP growth, oil prices, financial markets, and Palestinian economic development in a macroeconomic theoretical analysis. It accomplishes this by utilizing secondary sources of data and statistics pertinent to the topic of the article. This viewpoint holds that the current state of affairs is extremely important and pertinent in terms of politics, the economy, and society.

Objective of the article

The overall objective of this article is to analyze the global economic recession and Hamas-Israel conflict affecting GDP growth, oil prices, financial markets, and Palestinian economic development. To do this, researchers use a macroeconomic theoretical framework, secondary sources of data, and statistical analysis that is pertinent to the topic at present.

Methodology of the article

The data and information utilized in this study were compiled after consulting secondary sources relevant to the topic of the article. It is an empirically grounded conceptual, descriptive, and diagnostic evaluation. Secondary research, often known as desk research, makes use of previously acquired data. To improve the efficacy of the research as a whole, the existing data is gathered and organized in keeping with the objective of the article in mind. The goal of the article is to guide the collection and organization of the available data in order to increase the research's overall efficacy. The researcher conducted talks with academics and professionals in business to obtain knowledge and statistical data related to the article’s issue. The researcher is still working on this theme. Secondary sources of knowledge and statistical data can be found in a variety of venues, including books, specialized media, journals, websites, and public records and documents, can be used to find secondary information. The time and research required to use these sources of information are comparable. In order to arrive at results and conclusions for the article, the statistical data and information gathered are finally organized in accordance with the article's purpose and presented in a clear and understandable manner.

The major gas and oil producers in the Middle East

Saudi Arabia leads the OPEC + oil cartel, a powerful fossil fuel player in the region, responsible for controlling global oil market prices through precise output control. Currently, Saudi Arabia produces around 9 million barrels of oil per day. Each day, more than 3 million barrels of oil are produced in Iran and the United Arab Emirates. Nine million barrels of oil are produced daily in Russia, a major OPEC + supporter. Reduced demand for oil due to high oil prices may cause economic downturns, which might encourage Saudi Arabia to boost output in order to maintain market dominance. In order to stabilize oil prices amid concerns about economic growth, Saudi Arabia and Russia have decided to withhold more than a million barrels of oil per day until 2024, with the option to reverse course if needed.

Russia and the US have different roles to play

Since rising oil prices help Ukraine's war effort, they pose serious dangers to energy businesses and might have an impact on US elections as well as Russia's financial situation. In an effort to prevent Hamas allies from joining the battle, the US sends aircraft carriers, endangering the normalization of relations between Saudi Arabia and Israel and raising oil output. In contrast to Hamas' long-standing backing, Qatar's financial assistance for Gaza was challenged in October 2023. Global coverage of the Ukraine crisis has been enormous, necessitating in-depth reporting and real-time blog updates. As the Russian Revolution of 1917, the Ukrainian famine of the 1930s, the fall of the Soviet Union in 1991, and the Russo-Ukrainian conflict of 2014 have shown, it is imperative to be present both during and after events. Encourage and effect change. Millions have trusted us for the past 200 years, coming to us in times of need, uncertainty, hope, and unity. We are financially supported by over 1.5 million members from 180 countries, which allow us to remain independent and transparent. The idea is to deliver high-impact worldwide reporting free from political or economic interference, guaranteeing the truth about who is speaking the truth and who is misrepresenting. In order to promote information equality and empower more people, regardless of financial resources, to follow world events, comprehend their implications, and take action, we provide free access to high-quality, accurate news.

The financial consequences of the Israel-Hamas conflict

The war between Gaza and Israel is wreaking havoc on the region's infrastructure, cutting off power and other essentials, taxing the labor pool, and hurting investment and tourism, among other economic effects. The war with Hezbollah in Lebanon has the potential to devastate Lebanon's economy by extending beyond Gaza and Israel, resulting in further human misery and economic effects on the MENA region. The global economy may be greatly impacted by a future direct conflict with Iran, a large oil producer and Israel's adversary. This would prompt action from other nations, such as the US, which would tighten the supply of oil and drive up prices. Due to investors' need for increased risk premiums, the conflict's worldwide effects will be restricted to rising oil prices. The battle will also affect the diplomatic ties that have been strengthened since the Abraham Accords between Israel and the Arab nations of the Middle East and North Africa (MENA). Additional reconciliation is doubtful, which would weaken stability and could have an impact on investment.

The possible global economic downturn and the turmoil in the Middle East

Numerous people are suffering greatly as a result of the Hamas attack and Israel's reaction, which might trigger a recession or a slump in the world economy. Despite the thousands-killing Hamas onslaught, Israel's army is ready to invade Gaza. Syriac and Lebanon’s militias may join the conflict. A more drastic increase may spark outright hostilities with Iran, sending oil prices skyrocketing and the world economy plunging. The latest humanitarian catastrophe in Gaza, which has mostly affected civilians, has elevated tensions and made a military escalation more likely because of the possibility of missile and ground strikes. Middle Eastern conflict, which is a major source of energy and a shipping route, has the potential to shock the world, as demonstrated by the 1973 Arab-Israeli War and its aftermath of oil embargoes. The global economy is at risk from another battle that releases energy, which might reignite the inflation that Russia's invasion of Ukraine aggravated. Based on the manner in which the conflict develops over the next few weeks or months, Bloomberg Economics has looked at three possible scenarios for how it can affect inflation and global economy.

Regional Warfare and Restricted Conflict

Three possible situations that the conflict between Israel and Hamas might take on Israel and Gaza remain the main theaters of violence in the first. In the second, the battle is escalating to neighboring countries like Syria and Lebanon, where powerful militias backed by Tehran are engaged in a proxy war between Israel and Iran. In the third, direct military confrontation between the two opponents of the region would take place. Although the size varies, the trend in all these scenarios is the same: more costly oil, more inflation, and slower gross domestic product. The influence of a war shifts from being localized to global as it expands.

Impact of Conflict on the Economic Development

Israel's economy has been greatly affected by the Gaza war, albeit the exact damage has depended on how long the fighting has lasted. In the future, issues like protracted occupation and judicial changes could make economic expansion much more difficult. Israel has seen a decrease in tourism, employment losses, and military mobilization as a result of the Hamas attack. The nation is losing $260 million a day to the conflict. Three possible paths for how the Israel-Hamas war may develop and their effects on global GDP and inflation undoubtedly, these scenarios are not comprehensive enough to encompass the whole spectrum of potential hazards and opportunities. In the turbulent times of recent years, it has been challenging to foresee even limited economic chains of cause and effect; wars are even more difficult. Even so, the situations we present here ought to assist in organizing the way you could consider the possible directions to choose.

Battle has been restricted to Gaza

In 2014, a ground assault of Gaza that claimed over 2,000 lives began when Hamas abducted and killed three Israelis. The conflict remained contained to Palestinian territory, and it had little effect on oil prices or the world economy. Already, there have been more deaths in the last week. However, one conceivable course for the current situation would be a reenactment of that tragic tale coupled with increased US implementation of sanctions against Iran's oil. With the thawing of ties with the US indicated by prisoner swaps and asset unfreezing, Tehran has raised its oil output by as much as 700,000 barrels per day this year. Oil prices might rise by $3 to $4, according to Bloomberg Economics, if those barrels are removed due to pressure from the US. In this case, there would be very little effect on the world economy, particularly if Saudi Arabia and the United Arab Emirates used their excess capacity to balance the loss of Iranian barrels.

The rationale behind oil prices

Since Hamas attacked Israeli people two weeks ago, the price of oil have increased globally, reaching $94 per barrel. The supply of gas and oil has not been impacted by worries about interruptions to Middle Eastern shipments. An intensification of hostilities may jeopardize central bankers' attempts to control inflation by obstructing an important transit route and driving up oil costs. Despite the bombings, the Israeli government limited gas supply to Egypt by closing the Tamar gas field. Fears over Europe's gas supply have caused gas prices to soar. Supply and demand shocks have an impact on how much oil prices change. In an interview made during the International Monetary Fund's annual meeting in Morocco, Treasury Secretary Janet Yellen claimed that she is not yet seeing any evidence of large economic ripple effects. According to Yellen, it is critical that the debate remain limited.

Conflict of Proxy

Hezbollah, a Lebanese organization supported by Iran, has exchanged fire with Israeli soldiers near the border and claimed to have targeted an Israeli army base with guided missiles. Iran and Hezbollah are keeping an eye on the situation in Gaza, and a proxy war between Iran and Israel is possible if the crisis escalates to Lebanon and Syria. An escalation in hostilities between Israel and Iran, akin to the 2006 Israel-Hezbollah conflict, may potentially raise oil prices by 10% to around $94. Tensions may rise in the neighboring neighborhood as well. Egypt, Lebanon, and Tunisia are all in shambles economically and politically. Protests have already broken out in many countries in the region in response to Israel's response to the Hamas assault. The divide on Arab Street between anti-Israel marches and anti-government rioting is narrow. A repeat of the Arab Spring, a wave of protest and insurgency that toppled governments in the early 2010s, is not unthinkable. A 10% spike in oil prices and a risk-off move in financial markets, akin to the Arab Spring, result in an eight-point surge in the VIX index. Higher oil prices might impede global growth by 0.3 percentage points, costing $300 billion in production and raising global inflation by 0.2 percentage point, putting pressure on central banks to maintain monetary policy despite economic disappointments.

Global economic development might be considerably impacted by the Middle East crisis

Global GDP growth in three scenarios for the Israel–Hamas conflict a worldwide recession and increased inflation might result from the unlikely but catastrophic direct battle between Iran and Israel. There is a substantial chance of error even in the face of local apathy. Regarding Iran's role in the Hamas attack, there have been conflicting statements from Israel and the US, while there is evidence that suggests they may have been aware of it. American politicians observe Iran as culpable in a larger sense because of its finance and armaments, but they also argue that Iranian authorities were caught off guard. Iran may use its proxies in Yemen, Bahrain, Syria, and Iraq to strike Western targets in any future conflict with Israel. Heightened tensions between superpowers, amidst strengthening connections between China and Russia, the United States as an ally, and worries about the diversion of military resources and attention. Since the Gulf area provides a fifth of the world's oil supply, oil prices might soar in 2019. This could be caused by pro-Iranian extremists attacking Aramco installations. Should Israel and Iran persist in firing missiles, oil prices may rise and maybe hit $150 per barrel. The decision by Iran to block the Strait of Hormuz may cause financial markets to become less risk-averse, which might have an impact on Saudi Arabia and the United Arab Emirates' spare production capacity.

Conflict Possible Increase Global Inflation

The war between Israel and the Palestinians may cause the world economy to contract by 1.7% in 2024, its lowest level since 1982, as a result of the COVID-19 epidemic, the swift rise of economies such as China, and the necessity of a worldwide financial crisis. An oil shock would undermine global price stability, pushing inflation to 6.7% in the upcoming year and impeding the United States reelection campaign with pricey fuel.

The Chaotic Road

A violent counterattack and regional war are becoming more likely due to Israel's high toll, but the odds are still in favor of a small-scale fight with little effect on the economy. There is no longer any hope for a more stable Middle East. The continuous impact of geopolitics is evident in the Middle East, where new conflicts such as the trade dispute between the United States and China, the Russian invasion of Ukraine, and tensions around Taiwan are being dealt with.

The Israel-Palestine War affects the world's economy, trade, and financial markets

Since Hamas' surprise attack on Israel resulted in a declaration of war and major military actions by Israel, causing at least 700 dead and thousands of injuries, the Middle East has become a geopolitical crisis that is affecting the world economy. The Israel-Hamas conflict, which has culminated in 1,100 deaths and thousands of injuries, has affected the world economy and expanded to the Middle East, especially to Iran, a significant oil producer and Hamas sponsor. An important factor influencing the world economy is the rise in oil prices, which have already approached the $90 mark. Given that the global economy is presently dealing with a higher for longer scenario for interest rates, a further escalation of the conflict towards other Middle Eastern countries that are major suppliers of oil offers a greater threat and requires continuous monitoring.

Crude oil prices have surged as a consequence of increased tensions in the global economy and markets brought on by the Israel-Hamas war. The United States West Texas Intermediate crude oil prices increased 3.85% to $85.98 a barrel, while Brent crude increased 3.44% to $87.49 a barrel. Iran's role in the Israeli attacks raises concerns about potential retaliation, which might jeopardize ships passing through the Strait of Hormuz, a crucial waterway that Iran had previously threatened. The extended conflict may change the dynamics of oil, which may have an effect on the global economy. India may be impacted by high pricing owing to supply interruptions, and the participation of Iran may result in higher transportation and insurance expenses. Increased crude prices might put pressure on the currency and skew trade balances.

The impact of inflation on oil prices

Global inflation is at risk due to rising crude oil costs, especially for major oil importers like China, India, and the United States. Inflation is being driven by rising energy and oil prices, which might undermine the government's attempts to control it and result in persistently high interest rates. Higher interest rates have a negative impact on the growth of the world economy and diminish investors' expectations for peak rate rises and likely rate declines, as the US Federal Reserve has indicated another rate rise and may even increase rates.

Trade between India and Israel

The West Asian crisis is not having an immediate effect on India's commerce with Israel. However, if the dispute gets out of hand, it can lead to supply-side issues. 1.8% of India's total goods exports, dominated by petroleum products, are sent to Israel. Israel purchases refined petroleum products from India for between $5.5 and $6 billion. India exported $8.4 billion worth of goods to Israel in total during the 2023 fiscal year.

Markets around the world

Equity markets have been rattled by the Israel-Hamas conflict, prompting investors to look for safe-haven investments. While gold prices have increased by more than 1%, United States stock futures and Asian markets are trading down. The strengthening of the Japanese yen and dollar suggests cautious investing. When foreign institutional investors sell equities because of rising bond rates and crude oil prices, long-term investors might buy more stocks during dips. The current crisis in Israel is not expected to have an immediate impact on the Indian stock market, according to analysts. However, there are fears about Iran's possible participation and the possibility of a third front. The Nifty 50 is currently trading between 19,300 and 19,250, in a crucial demand zone, with 19,800 acting as a major barrier. A break below 19,250 may trigger a decline that might take the price down to 18,800. An extensive decline may present a purchasing opportunity for long-term investors, but short-term traders should proceed with care. The markets will be keenly watching state elections and earnings season as the Israel-Hamas scenario continues to change.

The war between Israel and Palestine shocks the economy

The ongoing war in the Middle East has affected India, the global economy, and created geopolitical instability. The war's immediate effects are seen in Israel, where the price of crude oil increased by 4%. This is a catastrophe of humanitarian proportions. The IMF forecasts that global economic growth would slow to 2.9% in 2024 and warns of war-related uncertainty. A rise in oil prices may cause inflation to rise by 0.4% and economic growth to decline by 0.15%. War-related disruptions, made worse by the current state of confrontations in Israel and Ukraine, will raise geopolitical tensions and destabilize the economy. Over the past two decades, commerce between India and Israel has increased; in Fiscal Year 2022–2023 India exported $7.89 billion, while Israel exported $2.13 billion.

Israel sells defense items, machinery, and petroleum oils; India exports pearls, precious stones, and automobile diesel. The effects of conflicts on nations and economy concern economists, especially when it comes to nations like India and Israel. There has been a greater increase in man-made disruptions than in natural disasters, and there is a dearth of study on the possible effects of conflict on businesses and nations. International businesses had to close their doors as a result of the conflict in Ukraine, which hurt both nations. With regard to the religious, social, and political challenges raised by the ongoing conflict between Israel and Palestine, prevention is the only viable course of action. Over the previous decades, there have been many deaths, with many deaths occurring in this war.

The Palestinian War and the unstable economy and their impact on state formation, development, and aid

There has been discussion about creating a viable state and economy since the Palestinian uprising in 2000. At the outset of a political solution, Palestinians are encouraged to prepare for future conflicts and become a state. The debate focuses on the economic policies and future requirements of the Palestinian people, suggesting liberalization and governmental change. But unpleasant facts are often ignored, and outside limitations make it harder for the Palestinian people to survive the situation. The protracted occupation, the denial of Palestinian legitimacy, and the conditions akin to war pose a serious threat to the Palestinian economy. The process of de-development has increased due to the division of occupied territory, heightened internal obstacles, and suspension of non-domestic income streams like as fiscal revenues and remittances.

The possibility of a breakdown in government operations and doubts about the validity of the Protocol on Economic Relations have caused the Israel-Palestine agreements to stall, making it more difficult for the international community to provide the Palestinian people with the economic and social support they need. For two decades, the governing body of the United Nations Conference on Trade and Development (UNCTAD) has been routinely analyzing the problems facing the Palestinian economy, using lessons from the past to comprehend present economic trends and offer technical support. Still, since 1988, the Palestinian economic situation has not changed materially. The approach outlines the obstacles to Palestinian economic growth, suggests remedies that take consideration the political and economic climate of the present, and identifies the structures that would be required for a future Palestinian state.

A comprehensive review of the restricted self-rule experience from 1994 to 2000 is necessary in light of Palestine's present economic difficulties. In spite of this, statistics from Palestine indicate impressive development during 1998, with 6% growth in gross domestic product and 3.5% per capita gross national income in 1999. The percentage of the people living in poverty fell by 3.5%. Since October 2000, the global economic crisis has worsened the Palestinian economy, causing structural imbalances, a high unemployment rate, and an expanding trade deficit. A war-torn economy with worsening growth, dwindling export potential, budgetary constraints, a move toward non-traded activity, and prolonged poverty are the consequences of this. A thorough conception must be developed for tackling the development conundrum of the Palestinian economy. This framework should contrast the purported benefits of liberalization with the necessity of customized processes for development. Because colonial economic growth mechanisms are carried over into post-independence and are not eliminated, post-colonial nations frequently have unstable economies. For instance, the economies of Palestine are structured in an unfavorable path dependence that restricts growth rates and development opportunities. During Israel's 1967 invasion of Palestinian territory, a 25-year quasi-customs union (CU) was created that permitted labor and products mobility between the two economies. Military commands applied to Palestinian imports and exports, and clearance was needed for investment initiatives.

Subcontracting agreements, non-tariff trade restrictions, and discriminatory tax laws were all confronted by Palestinian industry. Asymmetric economic relations, regulatory restraints, budgetary pressure, and the theft of natural resources were the results of these actions. Due to Israel's policies impeding Palestinian industrial growth, the country became dependent on Israel for supplies and goods as well as on outside money sources, mainly remittances from Palestinian laborers. These problems were made worse by the Paris Protocol and increased limitations on Palestinian labor and products. The quasi-customs union (CU) has exacerbated the structural deficiencies and dependency of the Palestinian economy on Israel, resulting in high customs taxes, tariffs, and fees, low-skill, labor-intensive activities, and polarizing impacts. The export of labor services to Israel puts upward pressure on real wage levels in the Palestinian economy. This pressure is further compounded by the current trade system, which imposes trade liberalization costs on the Palestinian economy despite the advantages being limited. Israel, which employed 21% of the Palestinian labor force in 1999, was the primary destination for labor services exported by the Palestinian economy. As a consequence of this, since 1995, the trade imbalance has exceeded 50% of the gross domestic product. A high trade concentration with Israel widened the trade imbalance and increased the economy's susceptibility to outside shocks.

War – Induced economic devastation

Increasing mortality rates and the growth of informal industries have drained the Palestinian economy and created a vicious cycle of decline in development. Businesses that have been able to continue operating face difficult circumstances because of declining demand, unemployment, and poverty. The amount of foreign direct investment needed to modernize economies is decreasing. With a decline in businesses since 2000, the industrial base has moved toward low-productivity and low-paying industries. Although Palestine's government and agricultural sectors have grown to be important employers, Israel's land expropriation threatens this development.

In order to survive income losses, Palestinian households developed coping mechanisms such as cutting back on spending, refocusing on necessities, selling assets, deferring payments, and borrowing. But, these tactics had run their course, and just 17% of West Bank households were making enough money. Between 1999 and 2004, the collapse of worker remittances from Israel and a trade imbalance with Israel caused the actual gross domestic product of Palestine to drop by more than 11%. Palestinian Authority (PA) finances are under jeopardy due to Israeli withholding of tax revenues and donor limitations. Between 1999 and 2004, the Palestine Authority's budget deficit grew from 6% to 8.6% due to a decrease in overall investment and limitations on Palestinian manufacturing capability. Israel's economy has been able to withstand employment losses to some extent, albeit at low productivity, which has reduced supply capacity. Intercommunity commerce is one of the coping mechanisms that Palestinians have developed, and policymakers might utilize job creation programs to focus on important sectors.

Constraints binding external entities

The Israeli strategy of asymmetric containment, which entails implementing one-sided sanctions to maintain conformity with security-first political processes, has caused the Palestinian economy to incur considerable economic losses. According to UNCTAD forecasts, the economy lost $1.7 billion in real GDP in 2005 alone, which is almost twice as much as it was in 1999. A number of issues, including a lack of national sovereignty, the Separation Barrier, weak governance, conditional foreign aid, constrained policy space, and donor interests, impede the economic growth of Palestine. These problems are made worse by the transitory international mechanism (TIM) that the Quartet established. The institutional capability of the Palestinian Authority is further undermined by the perception that funding for the development of jobs is better allocated to the private sector.

Market, state, and economy distortion policies

Experiences with development demonstrate that the state is crucial to creating growth and that government action does not always skew progress. The Palestinian state must restore economic activity by implementing time-sensitive plans, emphasizing labor- and capital-intensive industries, fixing market imperfections, and developing investment and profit nexuses in high-priority areas. In order to prevent distorting policies and guarantee effective development in the Palestinian context, it is imperative to address current distortions, such as resource shortages and circumstances caused by war. The contested, landlocked, and war-torn Palestinian economy has not received enough attention from the Palestinian Authority's (PA) reform plan. It is impractical and does not include any steps to lessen external limitations. Rather than emphasizing the construction of a well-structured development plan for Palestinian national sovereignty, Palestinian officials should concentrate on attaining statehood and putting best practices into effect. For Palestinian reform and growth, international aid is essential, but the quality matters more. Aid that doesn't mislead should help the receiving government put policies into place and get rid of obstacles.

The Palestinian people's vision of their future national economy should be the foundation for aid, together with the elimination of asymmetric containment and support for the PA budget. Nearly as crucial as financial or humanitarian support is technical aid for the establishment of institutions.

Growth, poverty reduction, and trade policy

Challenges to the devastated by war Palestinian economy include the loss of $4 billion in capital stock and a persistent trade imbalance with Israel that surpasses $300 million in annually donor contributions. International organizations and funders frequently encourage trade liberalization, deregulation, privatization, and conformity with WTO regulations in conjunction with development plans for Palestine. Experience, however, indicates that a varied economy is necessary and trade liberalization does not always result in poverty reduction. The basis of Palestinian trade policy needs to be a development-driven strategy that entails several laws and years of diligent work. Trade growth is a long process, and Palestine, which can utilize trade policy to assist industrial applications, needs to comply with WTO regulations.

Elements of the ideal trade agreement for the future Palestinian State

The trade regime in Palestine, which is based on an economic vision, needs to take into account both external and internal limitations in order to manage second best, particularly in Palestine where these limitations impede progress. When determining its future trade policy, the Palestinian Authority should take into account a 5% tariff rate based on an examination of the characteristics and structure of the economy rather than on speculative theoretical ideas. Because

Palestine does not have a national currency, the link between the exchange rate regime and tariffs in trade policy has not been taken into account. Developing nations should put more of their attention into enacting sensible trade policies rather than depending on tariffs as a means of generating fiscal income because this might result in inefficiencies. Developing nations are compelled to adhere to WTO norms and regulations on trade policy, which also applies to Palestine. But rather than assuring compliance, the problem is in making use of the flexibility that WTO accords allow. In accordance with WTO regulations, the Palestinian economy already complies with Israel's customs union.

Since support institutions are essential to the efficient administration of trade regimes, the Palestinian Authority must decide the type of institutions and public-private partnerships to use. The link between trade and investment, particularly for tiny economies like Palestine to spur growth, is becoming a component of the rising discussion on trade in services. Although it shouldn't be the main priority, the restoration of commercial links with Israel is essential for Palestinian growth. Most-favored nation treatment or association agreements, with choices ranging from shallow to deep integration, might be part of a two-state solution. With their distinct political and economic ramifications, free trade agreements and customs unions are the main topics of discussion. Due to distinct economic boundaries, the CU gives borders top priority on the political agenda; yet, the implications for land ownership have not been fully investigated. Trade regimes don't always fit neatly into conceptual frameworks, thus the conversation should go beyond traditional research and conceptual formulations.

A conflict resolution process for sustainability, labor movement agreements, monetary unions, free trade agreements (FTAs), and technical cooperation packages are among alternatives. Based on evaluating possible trade agreements with Arab and other trading partners, Most Favored Nation is the second best choice for economic ties with Israel. Investigating Arab nations makes sense in light of Israel's intention to further sever its economic ties with the Palestinians.

Essential Components of a Palestinian National Identity

In order to achieve a sustained economic recovery, the Palestinian national vision places a strong emphasis on the necessity for an asymmetric containment policy that addresses and dismantles external restrictions in addition to working toward their eradication. The main goals of future reconciliation and economic rehabilitation initiatives should be to close resource gaps, alleviate poverty, solve current economic requirements, and lessen reliance on Israel. Coping mechanisms, diversifying sources of income, and bolstering domestic resources should all be part of emergency and rehabilitation initiatives to build up development benefits. Aligning economic policy with development goals and establishing sectoral priorities are essential for effective resource allocation.

It is imperative that the government and civil society adopt a participative approach. Due to their high volatility and poor growth rates, Latin American countries have established a new paradigm for development that emphasizes the value of a varied approach. According to the paradigm, governments should concentrate on four areas in order to achieve sustained growth, which include development-friendly macroeconomic management, distribution policies that go beyond the safety net, industrial policy to address market failures, and human resource development to maintain low labor productivity and ensure equitable income distribution. The need for a comprehensive strategy since the economy's brief expansion signaled that the present framework for economic policy would not be able to sustain growth. The sustainability of the Palestinian economy requires a national socio-economic vision, comprehensive integration of trade, fiscal, investment, and labor policies, the potential for a national currency, a reassessment of trade and fiscal agreements, and undistorted international assistance.

CONCLUSION

The challenges that Palestinian development initiatives confront, such as war-torn economies, growing donor support, economic attrition, and constrained policy space. A customized development approach that links aid to long-term development goals and state-formation agendas, based on distinct economic features and institutional structure, participatory processes, and tangible poverty reduction strategies, is necessary to ensure sustainable economic recovery. Establishing a broadly acknowledged Palestinian socioeconomic vision, mobilizing domestic and international support, and advancing a reform agenda are the stated goals of the strategy toward a democratic, contiguous, and economically self-sufficient State of Palestine.

In order to stabilize prices amid worries about economic development, Saudi Arabia and Russia, the leaders of the OPEC + oil cartel, have laid aside more than a million barrels of oil per day until 2024. Energy firms, US elections, and Russia's financial situation are all under jeopardy. US aircraft carrier deployment puts relations between Israel and Saudi Arabia in jeopardy. The economies of North Africa and the Middle East are struggling. The Gaza War has significantly impacted

Israel's economy, costing $260 million daily and affecting global GDP and inflation. The Israel-Hamas dispute may lead to a direct clash between Iran and Israel, causing inflation and a global recession. The war's escalation may pose further threats to high prices and the global economy, especially for India. The Palestinian economy is also facing challenges due to prolonged occupation, denial of legitimacy, and discriminatory tax laws. The Palestinian Authority faces increased fiscal deficit and challenges in government and agriculture sectors. To revive economic activity, the state needs to address resource shortages, market defects, labor-intensive businesses, international help, and WTO rules.

REFERENCES

[1]. Wright, J. W. (2013). Competing Trade Agendas in the Arab–Israeli Peace Process: A case studies approach. In The Political Economy of Middle East Peace (pp. 40-70). Routledge.
[2]. Zanotti, J. (2010). Israel and Hamas: conflict in Gaza (2008-2009). DIANE Publishing.
[3]. Reuveny, R. (2000). Palestinian islamism and Israeli-Palestinian peace. In Research in Social Movements, Conflicts and Change (pp. 219-245). Emerald Group Publishing Limited.
[4]. Yaari, M. (2020). Israel and Qatar: Relations Nurtured by the Palestinian Issue.
[5]. Tausch, A. (2021). Introduction: Factors Affecting the Gulf's Future. In The Future of the Gulf Region: Value Change and Global Cycles (pp. 1-39). Cham: Springer International Publishing.
[6]. Montgomery, E. B., & Pettyjohn, S. L. (2010). Democratization, Instability, and War: Israel's 2006 Conflicts with Hamas and Hezbollah. Security Studies, 19(3), 521-554.
[7]. Oberschall, A. (2014). The 2014 Gaza war and the elusive peace in Palestine. Corvinus Journal of Sociology and Social Policy, 5(2), 115-130.
[8]. Ahmadian, H., & Khodayar, B. (2021). Russia and Hamas after 2006: Realities of a Questionable Relationship. World Sociopolitical Studies, 5(1), 193-223.
[9]. Swain, A., Öjendal, J., & Schulz, M. (2009). Security in the Middle East–Increasingly Multidimensional and Challenging.
[10]. Asali, R. (2015). International migration-development nexus: the case of the occupied Palestinian territory (OPT). Robert Schuman Centre for Advanced Studies Research Paper No. RSCAS, 52.
[11]. Skobilov, D. (2016). Economic Implications Of The Israeli-Palestinian Conflict On Egypt. Case Study: Aid And Cross-Border Trade (Doctoral dissertation).
[12]. Tohme, M. (2022). The Abraham accord shaping a new Middle East (Doctoral dissertation, Notre Dame University-Louaize).
[13]. Mahmoudian, A. (2023). Israel-Hamas Conflict: Operational Considerations and Strategy.
[14]. Hitman, G., & Kertcher, C. (2023). Explaining a state status quo and non-state revisionist dynamic: The case of the conflict between Hamas and Israel 2007–2019. Ethnopolitics, 22(2), 140-156.
[15]. Flamer, N. (2022). Offsetting the offset: Israel's strategy vis-à-vis Hamas during the 2021 Gaza War. Israel Affairs, 28(3), 373-393.
[16]. Pipes, D., Inbar, E., & Sherman, M. (2023). Is Disarming Hamas Israel's Best Policy?. Middle East Quarterly.