



ВЪЗДЕЙСТВИЕТО НА ПАЛЕСТИНСКО-ИЗРАЕЛСКИЯ КОНФЛИКТ (07.10.2023 г.) ВЪРХУ ИКОНОМИКАТА В РЕГИОНА И СВЕТА

THE IMPACT OF THE PALESTINIAN-ISRAELI CONFLICT (07.10.2023) ON THE ECONOMY IN THE REGION AND THE WORLD

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Abstract: Following the 10/07/2023 attacks by the Hamas movement against Israel, the Palestinian-Israeli conflict has the potential to plunge the global economy into recession. The war could have major implications for the economic landscape of Europe, the Middle East and other regions, with the potential to significantly impact reduced regional trade, tighter financial regulations, rising energy costs and reduced consumer guarantees.

The state of “uncertainty” facing the global economy is worsening under the weight of many different changes, mostly geopolitical factors, ranging from the war in Ukraine to the fallout from the current war in Gaza and the widespread unrest that accompanies it, including tensions in the Red Sea region and its impact on world trade.

Keywords: economy, war, world economy, region, Hamas, Israel

Not only oil, but the presence of many religions in the Middle East region is a source of constant tension and creating conflicts, or “the most valuable piece of real estate in the world” as **Dwight Eisenhower** (1953–1961), the **US President** after World War II, put it defines the Middle East.

Oil is a major source of energy and is of critical importance to the security and economies of all modern countries. There is nothing more important than the security of the world economy; the development and standard of living of the world’s population depend on its security.

After World War I, the victors imposed massive sanctions on the vanquished. Even before its end, the Great Powers divided up the territories that the Ottoman Empire was likely to lose. According to the secret agreement, which became known as **Sykes-Picot**, **France and Great Britain agreed on spheres of influence**.

With the events unfolding in late 2023 between Israel and the Palestinian movement Hamas and ongoing tensions in the Middle East, the **International Monetary Fund (IMF)** in a recent report on “The Impact of Conflicts and Economic Challenges in the Region” observes the most important factors that are exacerbating the scale of the impact on economic growth in the Middle East and North Africa region, namely:

- ✓ The impact of the escalation in Gaza on the growth of the economies in the region.
- ✓ Decline in oil production (despite continued strong growth in activity outside the oil sector and its positive growth-supporting impact in oil-exporting countries).
- ✓ Stringent and necessary economic policies continue to be implemented in many economies.

Analyzing the views of the **International Monetary Fund (IMF)** report, we find that there is a reduction in the expected growth rate in the Middle East and North Africa region in the current year by half a percentage point to 2.9 percent, following a modest growth rate recorded by the region's economy last year, amounting to 2 percent.

According to the report data, the average growth of the lowest-income countries in the Middle East and North Africa is also expected to remain in the negative zone, continuing the sharp contraction recorded in the past year, mainly due to the continuation of the conflict in Sudan.

The Fund expects that the work to fight inflation will continue in most of the economies in the region, although price pressures will continue in some cases due to factors that the Fund says differ depending on the economy of each country in the region.

Following the conflict following the attacks against Israel by the Hamas movement since 07.10.2023, the **Organization for Economic Cooperation and Development** has warned that the escalation of the conflict between the Islamic Resistance Movement (Hamas) and Israel in the Gaza Strip could have serious problems for the world economy and said: **“If the conflict worsens and engulfs the whole region, the risks of slowing growth and increasing inflation will be much greater than they are now.”**

The organization also pointed out that if the war in the Middle East intensifies and expands, its impact on the world economy could be mainly through oil and gas prices. She pointed out that a \$10 increase in the price of a barrel could lead to a 0.2 point increase in global inflation in the first year and a 0.1 point reduction in growth.

Moreover, she added that trade could be greatly affected due to the presence of two international trade routes in the conflict zone, namely the Strait of Hormuz and the Suez Canal.

The Paris-based (OECD) cut its global growth forecast for 2023 by 0.1 point to 2.9%, while keeping its forecast for 2024 unchanged at a growth level of 2.7%.

It is very important that according to the organization's chief economist **Klaire Lombardelli**, who commented on the looming difficulties facing the global economy and explained in his report a report that the obstacles holding back the economy are not caused by the Middle East and that “tight financial conditions, weak trade and low trust have grave consequences”.

On the other hand, inflation, which is still high, is expected to gradually decrease to 5.3% in 2024 in Organization of the Petroleum Exporting Countries (OPEC) member countries, compared to 7.4% in 2023.

Eurozone inflation is expected to reach 2.9% in 2024 from 5.5% this year and to 2.8% in the US from 3.9% in 2023.

The economic expert **Klaire Lombardelli** pointed out that “the pace of growth is uneven” as the United States is expected to grow by 2.4% this year and 1.5% next year, while the Eurozone's growth rate will be 0.6% this year and 0.9% in the following year.

On the other hand, China's growth rate could reach 5.2% this year and 4.7% in 2024, an increase of 0.1 points compared to expectations in September 2023, while the United Kingdom saw growth of 0.5% in 2023 expected to be 0.7% in 2024.

Limited impact

The outbreak of war between Hamas and Israel on 07.10.2023 brought back concerns about the potential damage to the global economy as it sent oil prices up twenty dollars a barrel so far, while European gas prices rose by around a third, despite that the upswing started before the outbreak of the crisis, due to expectations in a cold winter.

There is global concern about the worsening of the crisis, which is possible, but not expected according to the expectations of observers; it will cause great damage to the world economy. IF the war expands and the international community succeeds in stopping it, a quick resolution to the causes of the war remains unlikely, which keeps economic conditions fragile, especially with weak economic growth and high inflation.

But perhaps which represents a greater threat to the global economy is not only high energy prices, but also potential shortages. If the crisis continues and production in some regions is affected by the war, or if the energy transport corridors from the Persian Gulf and North Africa to Europe are closed, for some reason prices will rise, while the supply of oil and gas will become scarce.

Economic researcher **Mazen Arshid** commented in exclusive statements to the **Eqtisad Sky News Arabia website**, saying: The economic impact of the war in Gaza may remain limited within Palestine and neighboring countries such as Lebanon, Syria, Jordan and Egypt, while provided the impact does not extend to major trade corridors or oil markets.

Also, **Arshid added**: The war in Gaza has resulted in negative impacts on the tourism sector in the Middle East as it has caused a drop in visitor numbers as a result of travel restrictions and flight cancellations, especially in countries adjacent to the conflict zone.

He explained that this decline in tourist traffic is related to a general sense of insecurity, which leads tourists to choose destinations they consider more stable, stressing that the current state of tourism in the region reflects major challenges as many countries rely heavily on tourism as an important source of income and hard currency.

Expert Arshid said that the war in Gaza has multiple impacts on the commercial sector in the region and these impacts range from moderate to severe depending on the development of events and the extent of the conflict.

Oil price changes

In relation to changes in oil prices **M. Arshid** said that one of the scenarios shows the possibility of oil prices rising significantly if the war expands, which could lead to a worsening situation for world trade, especially in the Middle East region. He expects that this rise in oil prices will lead to an increase in global inflation, thus putting... Further pressure on economic growth and affecting the ability of companies to make profits due to higher costs.

In our view, instability in the Middle East will raise energy prices, increase inflation and reduce global economic growth. But the severity of the economic crisis will depend on the degree of expansion of the current conflict. If it remains contained, which most estimates suggest, the effects will also be limited, but if it continues and expands, oil prices could reach \$150 a barrel, according to Bloomberg estimates, among sources.

On the other hand, analysis shows that natural gas may not be affected to the same extent as oil, given the availability of other alternatives and hedging undertaken by European countries after the Russo-Ukraine war. However, forecasts of a harsh winter may lead to a price increase.

From the analyzes of the emerging situation after 07.10 2023, assessments show that the war in Gaza has increased the levels of economic risks in the region, affecting several axes, including trade and other sectors such as tourism, oil and financial markets.

The expert Mazen Arshid also pointed out that countries neighboring Gaza have been affected to varying degrees by these consequences, citing the reason why the International Monetary Fund lowered its growth forecasts for the Middle East and North Africa region as a result of this crisis.

It is logical, after this analysis of the ongoing war in the Middle East between the Palestinian movement Hamas and Israel on 07.10.2023, to ask: **what are the expected results?**

Previous results led the **International Monetary Fund (IMF)** to expect global growth to remain unchanged at 3.1 percent, equal to last year's growth but slightly higher than the previous expectation the Fund announced last October, and to rise slightly to 3.2 percent in 2025.

The global inflation rate is expected to decrease to 5.5% in 2024 and to 4.4% in 2025.

In the Middle East and North Africa region, the Fund expects Egypt's real GDP growth to slow from 3.8 percent in 2023 to around 3 percent in 2024.

For his part, the chief executive officer of the **Corum Center for Strategic Studies, Tariq Al-Rifai**, said in exclusive statements to the **"Eqdisad Sky News"** website that the war in Gaza will not lead to a contraction of the world economy, but the impact is expected to be an increase in the cost of shipping goods around the world, especially in Europe.

Al-rifai's expectations, this situation will lead to a re-inflation in these countries and this will lead to a violation of the expectations of a reduction in interest rates around the world in 2024, stressing that if a new war breaks out, the situation of the world economy will be at stake.

Shipping turmoil in the Red Sea threatens to deepen the pain of the global economy after major international companies decided to increase shipping prices to avoid traveling through the **Red Sea and Suez Canal**, which accounts for about 12 percent of the world's shipping traffic, due to attacks on merchant ships and many companies took alternative routes around Africa.

Since the attacks, the cost of shipping goods has risen sharply as giant shipping companies continued to avoid the main Red Sea route, leading to an 80 percent increase in freight rates last week after they had already risen by nearly 50 percent in the previous week, according to a report published by **British Sky News**.

In conclusion, there can be no global economic chaos according to financial risk experts and they say that for now the world economic situation is under control and the war in Gaza will not affect the economic situation in general and even more so that the western countries are able to decide the Red Sea traffic problem if they want to do it in practice.

Expanding war is in no one's interest, but that doesn't mean it won't expand. The war can be stopped if there is the will and desire of the international community to spare the region and the world from further conflict and tragedy.

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