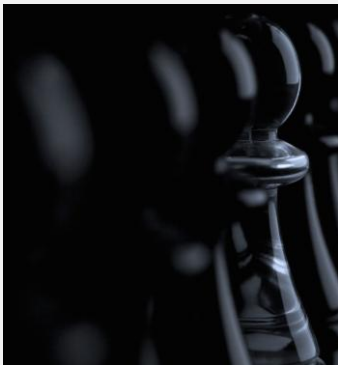




ISRAEL AFTER THE WAR

CONTENTS



25 SCENARIOS AND OUTLOOK

The scenarios for Israel, Hamas, and Gaza, focusing on ceasefire prospects, long-term conflict dynamics, and regional stability.



28 IMPLICATIONS FOR CORPORATIONS

The war's impact on corporations and the outlook for businesses in Israel.

01 INTRODUCTION

The Middle East's evolving geopolitics, the Gaza and Hezbollah conflict's impact on Israel's stability, and the risks for businesses in the region.

04 ECONOMY

The conflict's economic fallout, its impact on Israel's financial stability, and the challenges facing businesses and investors.

06 CASE STUDY:

ASSESSING THE CONFLICT'S IMPACT AND OUTLOOK FOR ISRAEL'S HOTEL AND TOURISM SECTORS.

08 POLITICAL STABILITY

The outlook for political instability in Israel, including government change, protests, and social unrest.

16 DIPLOMATIC TENSIONS

Rising diplomatic tensions, Israel's declining international standing—particularly in Europe, the impact of the new Trump administration, and the future of the Abraham Accords.

19 CONFLICT AND SECURITY

The conflict and security outlook, including Israel's ongoing tensions with Iran and the broader implications for regional stability.



INTRODUCTION

THE GAZA CONFLICT

The geopolitics of the Middle East have evolved rapidly since October 7, 2023. The war in Gaza has devastated the territory, with the UN [estimating](#) that reconstruction will cost at least \$40-50 billion. While Israel has significantly weakened Hamas, it has been unable to eliminate the group entirely—a stated aim of its military operation. A ceasefire may emerge in the coming weeks, but hinges on securing the release or recovery of the remaining hostages taken in the initial attack and how long Israeli troops will remain in Gaza.

Even if open conflict subsides the absence of a comprehensive strategy for Gaza poses long-term risks. Israel may face years of entanglement in the region, marked by ongoing security operations, a persistent insurgency, and enduring instability that could spill over into its borders.

Regional Dynamics

The conflict has escalated tensions across the Middle East. The Houthis in Yemen have demonstrated the growing capacity of non-state actors to disrupt global trade, notably targeting shipping lanes critical to international commerce.

Meanwhile, Israel and Iran have shifted from years of covert confrontation to open conflict, breaking long-standing patterns of restraint. This shift has also drawn in Hezbollah, whose confrontation with Israel has resulted in the erosion of its infrastructure and the loss of key leaders. These developments raise questions about the long-term viability of Iran’s “Axis of Resistance” and its overall deterrence strategy.

In Syria, rebel forces have captured the capital, weakening both Iranian and Russian influence. This shift introduces new uncertainties, particularly regarding the future of the Assad regime and the stability of the region.

Implications for Israel and Businesses

This evolving security environment has significant implications for Israel’s stability and security. Israel is likely to face prolonged direct involvement in Gaza, Syria, and Lebanon, alongside heightened regional tensions.

For businesses operating in Israel, the emerging post-war landscape presents significant operational, financial, and strategic risks. Disrupted supply chains, heightened insurance premiums, and regulatory challenges are likely to affect operations. On the other hand, reconstruction efforts in Gaza and regional realignments may offer investment opportunities, particularly in infrastructure and technology sectors.



EXECUTIVE SUMMARY

The Economy

The war has created significant economic challenges for Israel, marked by a sharp increase in government expenditure, leading to a substantial deficit and rising debt-to-GDP ratio. Sector-specific impacts vary, with severe disruptions in tourism and construction, while the tech sector remains robust, attracting major investments. Historical precedents suggest potential for economic recovery, although political instability, security risks, and geopolitical tensions pose ongoing challenges.

Conflict and Security

The rules of the game have changed and will change again. The escalation of Israel and Iran's shadow war into open kinetic activities increases the risk of further confrontations. Israel will feel it can be more assertive because of its degradation of both Hamas and Hezbollah, the incoming Trump administration, which will be more hawkish on Iran, and Iran's loss of influence in Syria. These same reasons will make Iran feel more threatened. This increases the likelihood that Iran will want to negotiate with the US and the West to protect its expanding nuclear infrastructure from attack as opposed to seeking an agreement.

At the same time, Iran will continue to try and rearm and rebuild its proxy groups. This will be more difficult than after previous conflicts. Although Hamas is weakened it will likely continue to operate an insurgent or terrorist type campaign. This will escalate if Israel occupies Gaza for an extended period. There will be elevated risks of violent protests in the West Bank and terrorism in major metropolitan areas such as Tel Aviv.

Political Instability

Conflict has historically led to political change in Israel. This time is unlikely to be different. There will probably be an investigation into the intelligence failures that led to the October 7 attack and the government's conduct during the war, particularly the lack of progress in bringing hostages home. Prime Minister Netanyahu has said he will not call early elections, but Israeli governing coalitions are notoriously fragile, and we can expect large anti-government protests calling for elections when the fighting ends.

Brain Drain

Emigration pressures have intensified in Israel since the 2023 conflict. Recent data show a significant upswing in the number of Israelis departing the country. Most emigrants were younger, highly educated professionals. Israel's emigration patterns remained relatively stable during

previous periods of conflict. However, the latest war indicates a more sustained shift, reflecting deeper political divisions and persistent economic and security concerns that differ from the resilience observed in the past. As a result, recruitment and retention of employees may prove to be more difficult.

Brand and Reputation

Businesses operating in Israel face heightened risks to brand and reputation due to the negative international perception that the war has brought to Israel. Companies will face internal pressures from employees about projects related to Israel, especially government and defense related ones. There are also external pressures from other stakeholders such as consumers and investors as well as activist groups. This will manifest in employee protests, walkouts, and social media campaigns with the potential for protests targeting companies.

Gaza Outlook

The outlook for Gaza is uncertain. The territory faces severe economic devastation, with GDP per capita projected to take decades to recover to pre-war levels. Governance remains a critical issue, with no clear plan for post-war administration and ongoing divisions among Palestinian factions, compounded by the deaths of key Hamas leaders. A persistent Israeli military presence and the inability to hold elections without Israeli approval will exacerbate the lack of political stability. Public sentiment reflects fractured preferences for governance, with limited support for the Palestinian Authority or international control and continued, albeit diminished, backing for Hamas. Security risks remain high, with the likelihood of sporadic violence and unrest. While reconstruction efforts and potential international aid offer some hope, the absence of a cohesive governance strategy and sustained political instability will continue to hinder meaningful recovery in Gaza.

Israel Outlook

The outlook for Israel is defined by a combination of economic recovery, persistent security risks, and political uncertainty. Security challenges remain high, with ongoing threats from terrorism, sporadic rocket attacks, and the potential for escalation with Iran. Politically, Israel faces internal instability, with protests over governance and the likelihood of early elections adding uncertainty to the regulatory environment. Internationally, Israel's standing has been damaged, leading to strained diplomatic relations and potential trade challenges. The success of Israel's recovery will hinge on managing its security risks, stabilizing its political landscape, and addressing growing reputational and economic pressures in an increasingly polarized global environment.

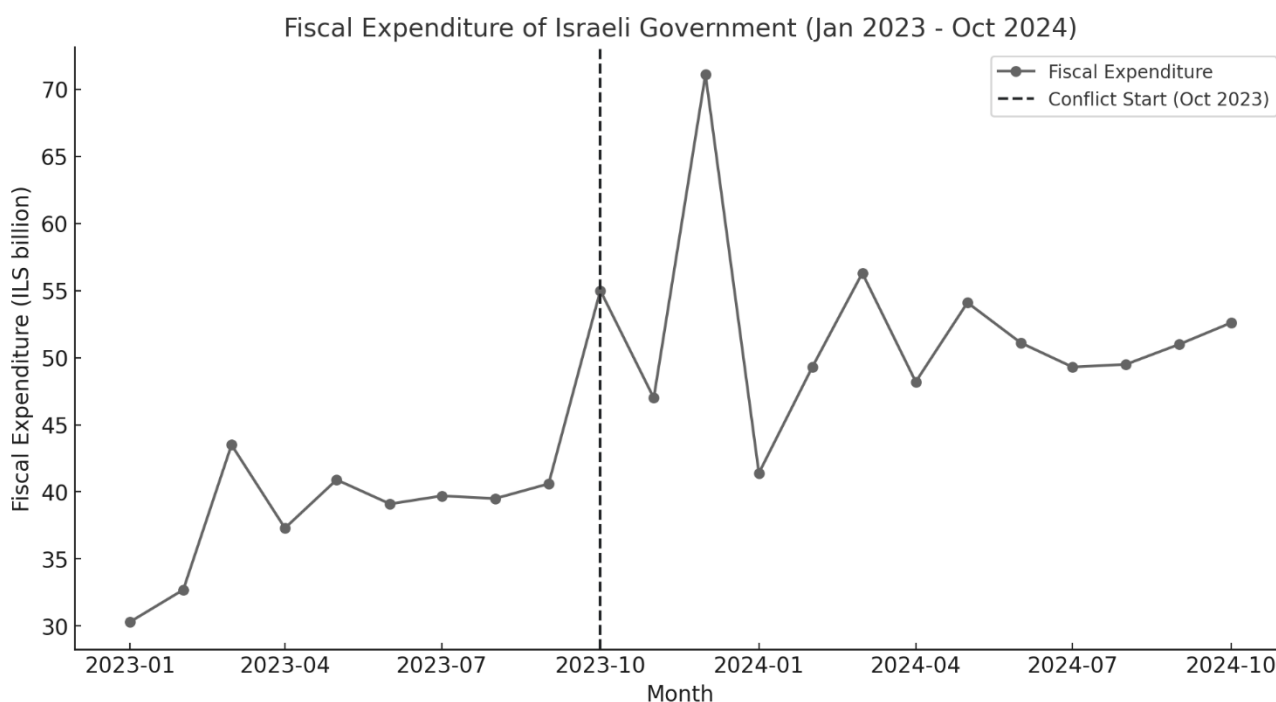
Implications for Corporations

The post-conflict environment in Israel presents a complex mix of risks and opportunities for corporations. Heightened security threats create operational unpredictability and complicate supply chains. Economic recovery will be uneven, with the tech sector demonstrating resilience while tourism, construction, and retail lag due to fiscal pressures, disrupted labor markets, and a significant brain drain. Reputational risks are escalating as Israel's global image declines, driven by international criticism, activism, and potential divestments, while strained trade relations and shifting partnerships add further complexity.

THE ECONOMY

The Israeli economy has encountered severe short- and medium-term challenges as a result of the ongoing conflict. Although historically resilient during times of conflict, the scale and breadth of the current situation have outstripped earlier crises.

The initial economic shock became evident in late 2023, with [GDP contracting sharply](#) by an annualized rate of -20.6% in the fourth quarter. This was driven by widespread business disruptions, infrastructure damage, and declining consumer activity. Early 2024 saw a partial rebound, with GDP growth surging by 17.2% in the first quarter. However, this recovery was uneven and moderated in subsequent months as uncertainty persisted.



Source: Israel Central Bureau of Statistics

Government spending [increased dramatically](#) in response to the crisis. Monthly expenditures surged from 40.6 billion ILS in September 2023 to 71.1 billion ILS by December, reflecting heightened defense costs, social support for affected populations, and productivity losses due to reservist mobilizations. As a result, Israel’s fiscal deficit has [risen](#) sharply—from 2.25% of GDP pre-conflict to a projected 7.9% in 2024.

Policymakers are now implementing austerity measures, including [spending cuts and tax hikes](#), to reduce the deficit to 4% of GDP by 2025. While these measures aim to stabilize the economy, they risk dampening consumer spending and slowing growth in vulnerable sectors. Debt-to-GDP is [expected](#) to climb from 60.5% to 67% by the end of 2024. Although moderate by international standards, this trajectory may invite greater scrutiny from global markets, potentially raising Israel’s [borrowing costs](#) and long-term economic risks.

Consumer confidence remains weak despite slight improvements. In October 2024, the [Consumer Confidence Index](#) stood at -27%, significantly below pre-conflict norms. Households are delaying major purchases, citing concerns about job security, rising prices, and broader economic uncertainty.

The mobilization of approximately 300,000 reservists initially constrained the labor supply, disrupting sectors dependent on local labor. Although most reservists have since returned, the recovery remains uneven. Sectors like tourism, retail, and construction continue to struggle due to weak domestic demand and operational challenges. In contrast, export-oriented industries, particularly in technology, have shown greater resilience and growth.

IMPACTS BY ECONOMIC SECTOR



TOURISM

Foreign and domestic tourism have plummeted since the start of the war. Visitor numbers have dropped significantly since the beginning of the conflict.



CONSTRUCTION

The construction industry, comprising about 14 percent of Israel's GDP, suffered due to the mobilization of reservists and the suspension of Palestinian work permits, creating a substantial labour shortage. To address this, Israel plans to bring in workers from countries such as China, India, Moldova, and Sri Lanka.



TECHNOLOGY

Israel's tech sector has demonstrated resilience, with major firms like Intel continuing their investment plans, including a \$25 billion chip-making factory in southern Israel.



AGRICULTURE

The agriculture sector has been impacted by the loss of Palestinian workers and disruptions to supply chains. The departure of many foreign workers due to the conflict has further exacerbated labor shortages.



RETAIL & SERVICES

Initially, retail businesses and service providers experienced a decline in activity, with reduced foot traffic and sales. Consumer spending has since increased, but households continue to delay significant purchases.

Trade performance in 2024 has been [mixed](#). High-tech exports, including pharmaceuticals and cybersecurity services, increased by 3.4%, reflecting Israel's continued strength in advanced industries. Industrial exports have also grown, benefiting from investments in manufacturing upgrades. Conversely, traditional export sectors, such as agriculture and diamonds, have suffered due to weaker global demand.

Imports rose by 3.5% year-over-year to 28.6 billion ILS, driven by reconstruction needs and elevated energy costs, widening the [trade deficit](#) to 10.2 billion ILS. While the weaker shekel has improved competitiveness for some exports, it has also increased costs for businesses reliant on imported inputs.

Inflation surged early in the [conflict](#), fueled by disrupted supply chains and rising energy prices. The Bank of Israel's interventions have since moderated inflation rates, but housing and energy costs remain elevated. Although the shekel has partly recovered from earlier depreciation, investor caution continues to affect foreign direct investment, which declined sharply in the first half of 2024.

Economic Recovery

Projections for recovery vary widely. The [Bank of Israel](#) forecasts GDP growth of 0.5% in 2024 and 3.8% in 2025, driven by robust performance in technology and defense exports. Meanwhile, the [OECD](#) offers a more optimistic outlook, predicting growth of 2.5% in 2025 and 4.6% in 2026. However, the pace of recovery will likely remain uneven, with sectors like tourism requiring longer to rebound due to their reliance on stable domestic and regional conditions.

Historical experience offers some guidance. After the 2006 war in Lebanon, Israel's economy recovered within a few years, supported by sound policy measures and resilient trade relationships. However, the current conflict presents a more complex geopolitical and economic backdrop, characterized by heightened political instability, strained international relationships, and persistent domestic security concerns. This indicates greater long-term risks for the economy.



CASE STUDY: IMPACT OF THE CONFLICT ON ISRAEL'S TOURISM AND HOTEL SECTORS

This case study examines how the conflict that began in October 2023, affected Israel's tourism and hotel sectors. By comparing performance before the conflict and during its progression, it highlights shifts in key performance indicators (KPIs) such as visitor arrivals, occupancy rates, and revenue generation. The analysis focuses on the period from 2023 into 2024, using previous stable periods (e.g., 2019) and the immediate pre-conflict year of 2023 as reference points.

Pre-Conflict Conditions and the Onset of War

Prior to the conflict, Israel's tourism industry benefited from relatively stable global travel flows and strong brand recognition as a cultural and historical destination. In 2023, international arrivals approached pre-pandemic levels, supported by robust demand from key markets such as the United States, the United Kingdom, and France. Hotels generally reported consistent occupancy and healthy revenue streams, positioning the sector for further growth. However, the onset of the conflict caused severe disruptions. Heightened security concerns and negative media coverage led to a re-evaluation of travel plans by international tourists. Travel advisories, insurance complications, and reluctance to visit a region experiencing instability all contributed to a downturn that became more pronounced in 2024.

Visitor Arrivals and International Market Composition

By October 2024, [visitor arrivals](#) stood at 67,400, down slightly from 69,800 in October 2023. Although this gap appears modest, the cumulative effect over the first ten months of 2024 was significant, with just 835,000 arrivals compared to far higher pre-conflict numbers in 2023. Key source markets scaled back considerably. While the United States remained the top international market in 2024—providing 34% of inbound tourists—these figures still represented a marked decline from the previous year.

Seasonally adjusted data between August and October 2024 showed a 3.5% monthly decrease in tourist arrivals. This sustained decline reflected ongoing security concerns and the broader reluctance of high-spending international travelers to return. The shift in visitor composition toward a smaller, more cautious international market meant reduced foreign exchange inflows and less overall spending in local communities.

Hotel Occupancy, Domestic Substitution, and Revenue Dynamics

The hotel sector's performance varied by region and source of demand. In traditional international tourism hubs such as Tel Aviv, occupancy rates fell from 62.7% in 2023 to 56.4% in 2024, mirroring the downturn in foreign arrivals. In contrast, some southern regions saw occupancy rise from 69.6% to 74.7% over the same period. This increase was driven by domestic demand, including evacuees from northern and southern areas affected by the conflict. Although domestic tourism partly offset the absence of international guests, it did so at lower average spending levels. Hotels relied increasingly on government subsidies and relocation programs rather than traditional leisure travel revenue, placing financial strain on operators accustomed to higher margins from international clientele.

For example, in October 2023, 43% of all domestic hotel stays were by evacuees, accounting for 950,600 person-nights. While this kept national occupancy rates relatively stable (62.4% in 2024 compared to 63.2% in 2023), it shifted hotel revenue structures. Domestic guests, including evacuees, generally spent less per room and on ancillary services than international visitors, contributing to a 20%–30% [decline](#) in overall tourism revenue from 2023 to 2024.

Underlying Drivers of Market Changes

Several factors contributed to these trends. Heightened security risks directly deterred international tourists. Persistent media coverage of the conflict, combined with government travel advisories and complicated travel insurance requirements, further reduced inbound flows. Meanwhile, domestic visitors traveled out of necessity rather than leisure, leading to lower per capita expenditures. The hospitality sector thus faced both demand constraints and pricing

pressures, as hoteliers adjusted rates to appeal to cost-sensitive local guests and manage reduced international volumes.

In this environment, some hotels implemented short-term measures, including discounting and reconfiguring services for domestic needs. Nevertheless, Without robust international demand, businesses increasingly relied on government support and corporate travel—often related to humanitarian, media, or security operations rather than traditional tourism.

Outlook

The prolonged impact of the conflict has raised critical questions about the sector's capacity to return to pre-conflict conditions. If evacuees can return to their homes, a drop in domestic hotel occupancy is likely. Absent of a rapid return of international tourists and business travelers, this could leave hotels with a significant revenue gap.

POLITICAL STABILITY

The war is likely to impact Israel's political stability. Israel's governing coalitions, historically prone to instability, are likely to face even greater challenges in the conflict's aftermath. The prospect of early elections looms, as public dissatisfaction with the government's handling of the crisis grows. This instability threatens legislative efficiency, complicating efforts to address social and economic recovery.

Past conflicts provide insights into how military confrontations reshape Israel's political environment. For example:

- **The Yom Kippur War (1973)** eroded public trust in Prime Minister Golda Meir, culminating in her resignation.
- **The First Lebanon War (1982)** saw domestic criticism force Prime Minister Menachem Begin to step down.

In the current context, concerns about intelligence failures and the government's inability to secure the return of hostages taken on October 7, 2023, have amplified calls for leadership changes. [Internal divisions](#) and legal challenges facing Prime Minister Benjamin Netanyahu exacerbate these tensions. Public perception increasingly views Netanyahu as leveraging the crisis to maintain his position, while reports of mistrust between him and the military establishment further strain political cohesion. These dynamics mirror historical precedents where conflict precipitated governmental change.

Certain or think that Israel's leadership is doing its utmost to secure the release of the hostages (%)

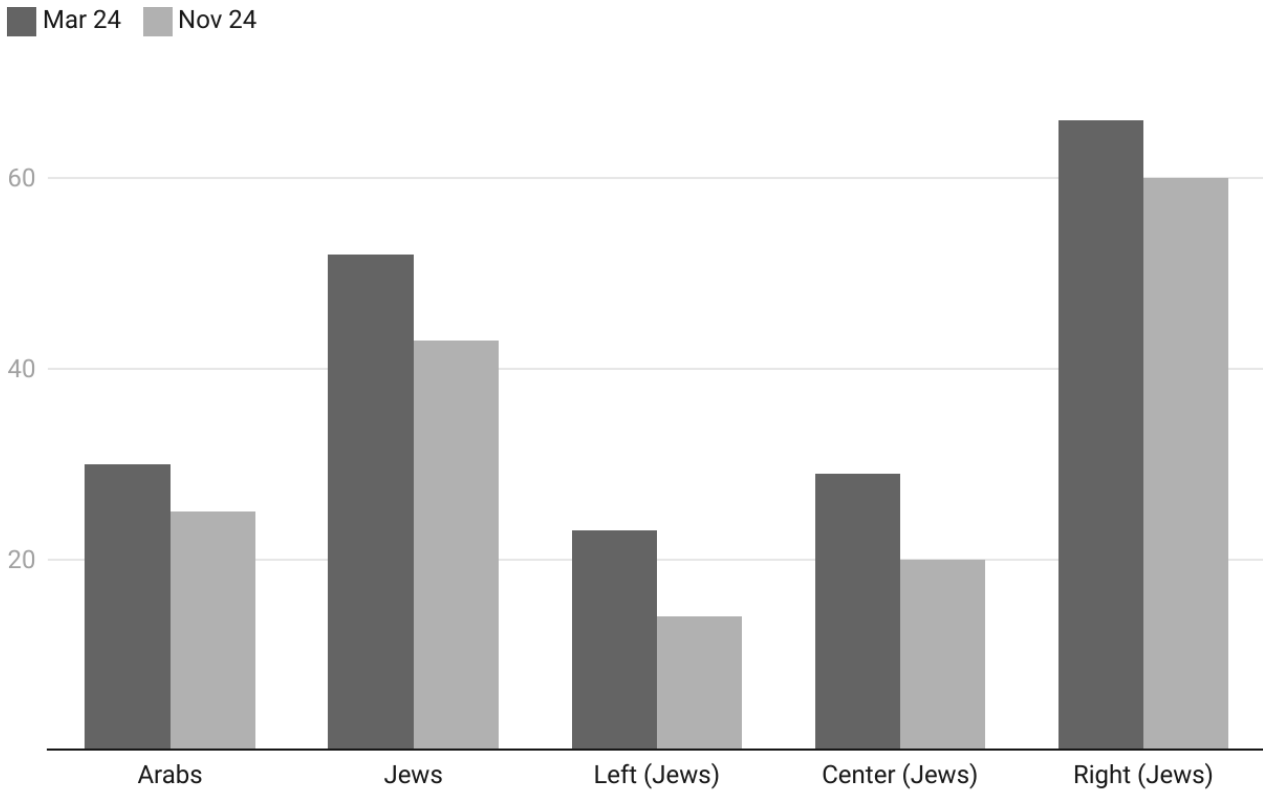


Chart: Insight Forward • Source: The Israel Democracy Institute - Israel Voice Index • Created with Datawrapper

Public opinion surveys consistently highlight growing demands for political realignment. In January 2024, polling by the [Israel Democracy Institute](#) revealed that a majority of Israelis favored early elections, either immediately or after the conflict. Subsequent media surveys in April and [October](#) reinforced this sentiment. Despite this, Netanyahu and his coalition partners have resisted calls for holding early elections. However, Netanyahu's coalition partners have leveraged the threat of government collapse to advance their own agendas, intensifying internal divisions.

When the war ends large protests calling for either Netanyahu's resignation or the dissolution of the Knesset is very likely. Given Israel's history of unstable coalitions, the likelihood of elections occurring before the currently scheduled date of 2026—potentially as early as 2025—is high.

State of democratic governance in the foreseeable future in Israel (%)

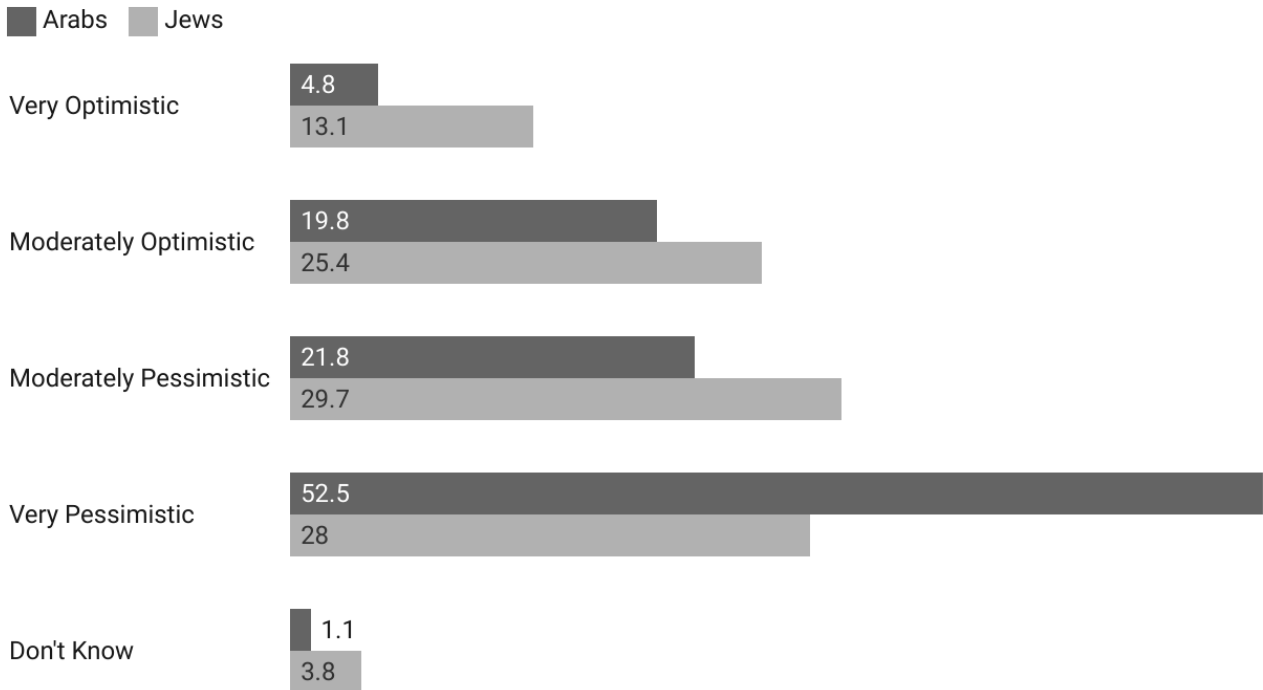


Chart: Insight Forward • Source: The Israel Democracy Institute - Israel Voice Index • Created with Datawrapper

Post-conflict inquiries and commissions have historically played a pivotal role in shaping Israel’s political outcomes. Following the 2006 Lebanon War, for example, the Winograd Commission scrutinized government decisions, leading to leadership changes and policy adjustments.

A similar scenario may unfold after the current conflict. A July 2024 [survey](#) indicated that 67% of respondents support a state commission inquiry into the events of October 7. Should such an investigation substantiate claims of mishandling, the likelihood of leadership changes will increase, adding to the political volatility.

The war’s aftermath will intensify Israel’s political instability, with heightened public scrutiny, internal divisions, and historical patterns pointing toward early elections and leadership changes. The political instability likely to follow the war carries significant implications for businesses and investors. Prolonged uncertainty may disrupt policymaking, leading to delays in regulatory reforms and administrative turnover.

BRAND AND REPUTATION RISKS

Operating in Israel post-war will carry heightened risks for brand and reputation. Companies must consider whether the situation will revert to pre-war norms or if the conflict has fundamentally altered the risk landscape.

Percentage Favourable to Israel: US by Age Group



Chart: Insight Forward • Source: Gallup • Created with Datawrapper

Public Perception

Israel's public perception has suffered dramatically since the war in Gaza began. Initially, there was widespread support for it to respond to the horrendous attack by Hamas on 7 October. However, the length of the conflict and resulting humanitarian disaster in Gaza have significantly altered global consumer perception. The widespread devastation and high number of civilian casualties have increased calls for businesses to reconsider their operations in Israel. High-profile instances, such as Google employees refusing to work on projects associated with the Israeli government, highlight the growing internal pressures within multinational companies.

Protests at Google offices in the US were organized by "No Tech for Apartheid", an alliance of Google and Amazon workers, protesting a \$1.2bn contract with the Israeli government called Project Nimbus, providing cloud computing services, including artificial intelligence and machine learning capabilities. The protesters claim the project could exacerbate abuses in the occupied territories. Google [fired 50 workers](#) for participating in the protests.

Similar sentiments have been echoed in various sectors, with employees and stakeholders increasingly vocal about their opposition to ongoing business operations in Israel. The decision of the ICC to pursue arrest warrants against Prime Minister Netanyahu and Defense Minister Gallant will likely increase the perception amongst some activists and stakeholders that any company doing business in Israel is working with or supporting "war criminals".

However, the issue is divisive and there has also been significant criticism directed at companies and individuals that have spoken out against Israel's military action. For instance, Web Summit Chief Executive and founder Paddy Cosgrave was forced to resign after several large companies withdrew from the 2024 event because of comments he made about Israel. Other high-profile individuals have also been accused of antisemitism for their negative comments about Israel.

Corporate Divestment and Investment Sentiment

Negativity towards Israel is already having a direct impact to investor sentiment with several notable corporate divestments.

Divestments: Norway and Ireland's sovereign wealth funds announced plans to divest from Israeli firms. AXA, the French insurance giant rapidly [divested](#) over \$20 million from three Israeli banks, Samsung Next has shut down its operations and McDonald's plans to buy out its 225 franchise restaurants in Israel because of the fallout from boycotts of the company in the region.

Foreign Direct Investment (FDI): By the end of 2023, Foreign Direct Investment (FDI) inflows into Israel had declined by 29% compared to 2022, as investors reassessed the risks of operating in the country. The downturn was particularly evident in Israel's high-tech sector where total investment in the sector fell to \$7 billion in 2023, marking the lowest level since 2018 and a sharp 73% decline from its peak of \$26 billion in 2021. Global factors, such as the slowdown in venture capital funding, contributed to this trend, while domestic challenges, including political instability and the outbreak of conflict, further weighed on investor confidence.

Annual total values of investments in technology companies in Israel from 2010 to 2023(in billion U.S. dollars)

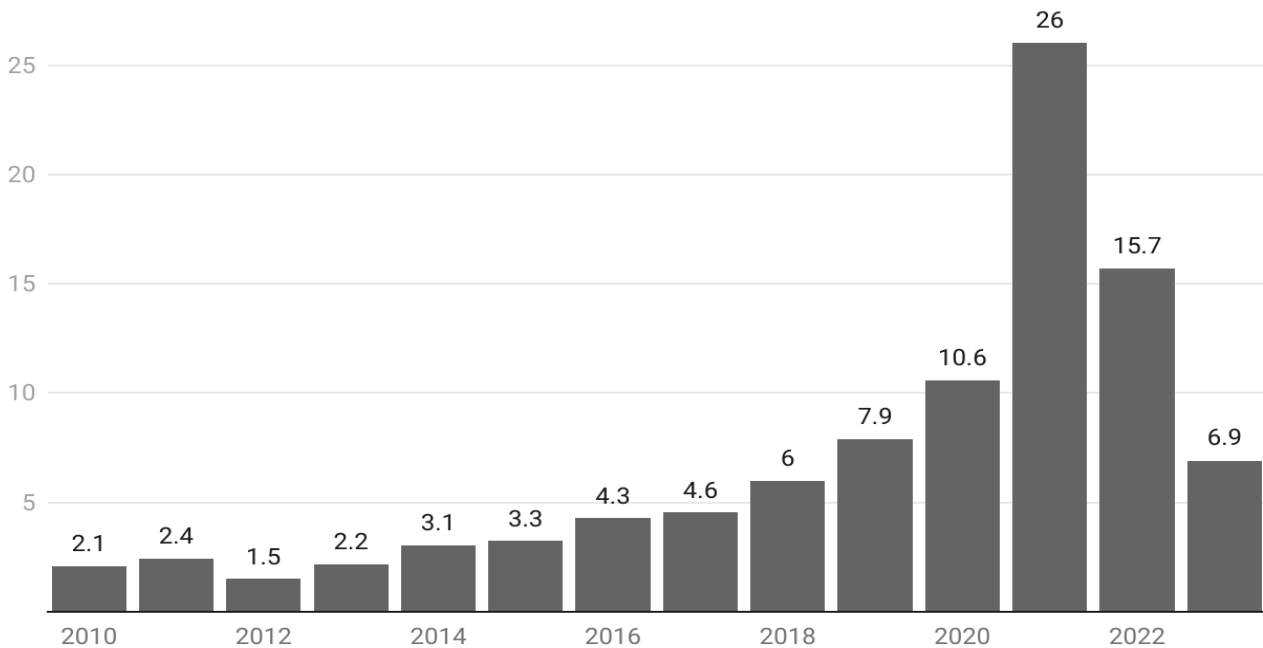


Chart: Insight Forward • Source: STATISTA • Created with Datawrapper

Despite these challenges, Israel's tech sector has shown notable resilience in 2024. Tech mergers and acquisitions (M&A) are [projected](#) to reach \$10 billion, surpassing the previous record of \$8.6 billion set in 2021. A significant portion of this activity, around one-third, is concentrated in the cybersecurity sector. Major deals include Salesforce's acquisition of an Israeli data management firm and Nvidia's purchase of a local AI startup. This highlights sustained global interest in Israel's innovation ecosystem, particularly in high-value tech industries, even as the country faces increasing political isolation and ongoing regional conflicts.

Social License to Operate

It is not only business in Israel that is impacted by the war and the negative sentiment towards Israel. There are broader regional implications, particularly concerning companies maintaining their “social license to operate” in the Middle East and Muslim countries. The backlash against McDonald's illustrates the challenges faced by multinational corporations.



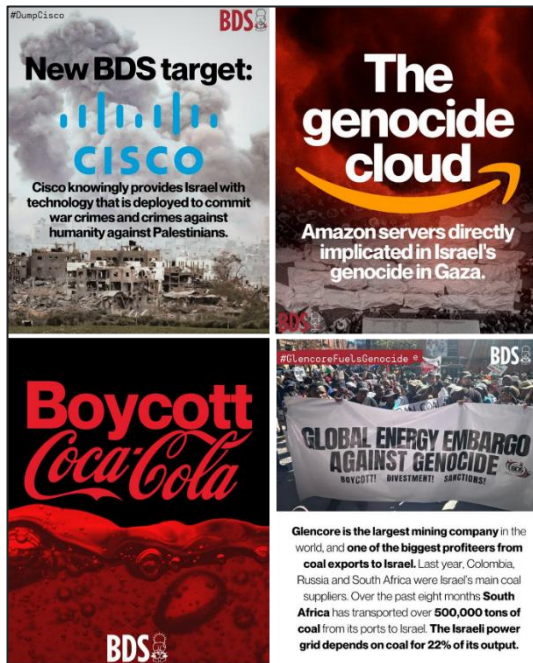
Meme circulated on social media after McDonald's offered free meals to Israeli soldiers

When McDonald's Israel offered free meals to Israeli soldiers, it sparked widespread negative response in Arab and Muslim countries. Franchises in Saudi Arabia, Oman, Kuwait, the UAE, Jordan, and Turkey quickly distanced themselves from their Israeli counterpart, pledging millions in aid to Gaza and issuing statements disassociating from the decision to support Israeli soldiers.

Similar instances include Starbucks, which faced protests and vandalism over perceived support for Israel, and Zara, which had to pull an advertising campaign following complaints that it resembled imagery from the Israel-Hamas conflict. Businesses need to understand the potential reputational harm to operating in Israel.

Anti-Israeli Protests and Global Sentiment

Anti-Israeli sentiment in response to conflict is not new. The 2006 Lebanon War saw several multinational companies criticized for their operations in Israel. For instance, Caterpillar was



Source: BDS X Account

targeted because of its equipment being used in military operations. Israel is also frequently compared to apartheid era South Africa where international boycotts and divestment campaigns played a critical role in pressuring companies and governments to distance themselves from South Africa's apartheid regime. Companies like Barclays and General Motors faced significant pressure to divest from South Africa, highlighting the long-term impact such movements can have on corporate reputation.

One of the most prominent anti-Israel groups is the BDS (Boycott, Divestment and Sanctions) movement. Launched in 2005, BDS calls for various forms of boycott against Israel and has targeted numerous companies worldwide. In November 2024, Carrefour, the French retail company, closed all of its stores in Jordan after a sustained boycott campaign. Additionally, companies like Veolia and Orange have faced significant

pressure and eventually withdrew from certain Israeli projects due to sustained BDS campaigns.

BDS activity has [increased](#) since the start of the war as have the frequency of pro-Palestinian/anti-Israel protests. This is creating both internal and external pressures for companies that invest or operate in Israel.

External Pressures

Externally, the ongoing conflict and its portrayal in international media have led to a reputational risk that can affect consumer behaviour and investor confidence. Campaigns from groups like BDS will create pressure for brands operating in Israel, which in turn will create pressure from stakeholders such as investors and consumers. This dual internal and external pressure creates a challenging environment for businesses with significant ties to Israel.

Internal Pressures

Internally, companies are likely to increasingly face pressures from employees who are unwilling to support projects tied to Israel. This can manifest in various forms, such as protests, walkouts, strikes, or organized internal campaigns against corporate policies. It also increases the risk of leaks of sensitive data and sabotage by employees.

Anti-Israel protests have taken place globally with significant participation from student groups. These protests reflect widespread discontent and are an indicator of future challenges. As these students enter the workforce, their strong sentiments against the conflict are likely to influence workplace dynamics.

Employee Recruitment and Retention

Emigration pressures have intensified in Israel since the 2023 conflict, amplifying political and economic challenges and further straining the talent pool. Although concerns about judicial reforms and their perceived impact on democratic institutions had already prompted some professionals—particularly in the technology sector—to consider leaving, the latest conflict and subsequent instability have accelerated these decisions. The result is a pronounced “brain drain” that may undermine innovation and long-term growth.

Recent [data](#) show a significant upswing in the number of Israelis departing the country. In 2023, approximately 55,300 Israelis were classified as long-term emigrants, a 46.4% increase from 2022. This shift raised the emigration rate to 5.7 per 1,000 residents, with many leaving from central regions like Tel Aviv. Most emigrants were younger, highly educated professionals; over half had more than 13 years of education, compared to less than half in the general population. The return flow was modest by comparison, with only 27,800 returning residents that year, leading to a negative migration balance of -27,500. Early data from 2024 point to an even sharper uptick, with emigration increasing by more than 40% in the first half of the year. While some individuals return for family or professional reasons, these numbers fall far short of offsetting ongoing departures.

Survey [data](#) collected in July 2024 provide additional context, revealing that a stable quarter of Jewish Israelis and around 40% of Arab Israelis would emigrate if practical opportunities arose. Secular and centrist or left-leaning Jewish Israelis, along with Arab Israelis facing persistent economic inequalities, are particularly inclined to seek better prospects abroad. Although the overall willingness to emigrate among Jewish Israelis has not dramatically increased since March, the steady proportions and slightly higher rates among Arab Israelis suggest deepening divisions. These sentiments matter because they translate into reduced availability of skilled workers, diminished consumer confidence, and potential constraints on investment.

Government efforts to reverse these trends have included incentives for returning citizens, improved immigrant absorption programs, and initiatives aimed at making Israel more business friendly. However, the impact of these has so far been limited. As the talent pool erodes, sectors like technology, finance, and pharmaceuticals face mounting difficulties in maintaining

productivity and competitiveness. In response, some firms may automate certain functions or rely more on outsourcing, but such strategies only partially mitigate the impact of losing skilled labor.

Historically, Israel’s emigration patterns remained relatively stable, even during periods of conflict, as wartime solidarity and swift recovery efforts helped maintain a strong national workforce. For instance, neither the Six-Day War nor the Yom Kippur War triggered large-scale departures, and while the Intifadas and conflicts in Lebanon and Gaza influenced emigration sentiment, most saw only temporary increases that soon stabilized. The 2023 conflict, however, has produced a more sustained shift that reflects deeper political divisions and persistent economic and security concerns that differ from the resilience observed in the past.

Israel's security situation in the foreseeable future (%)

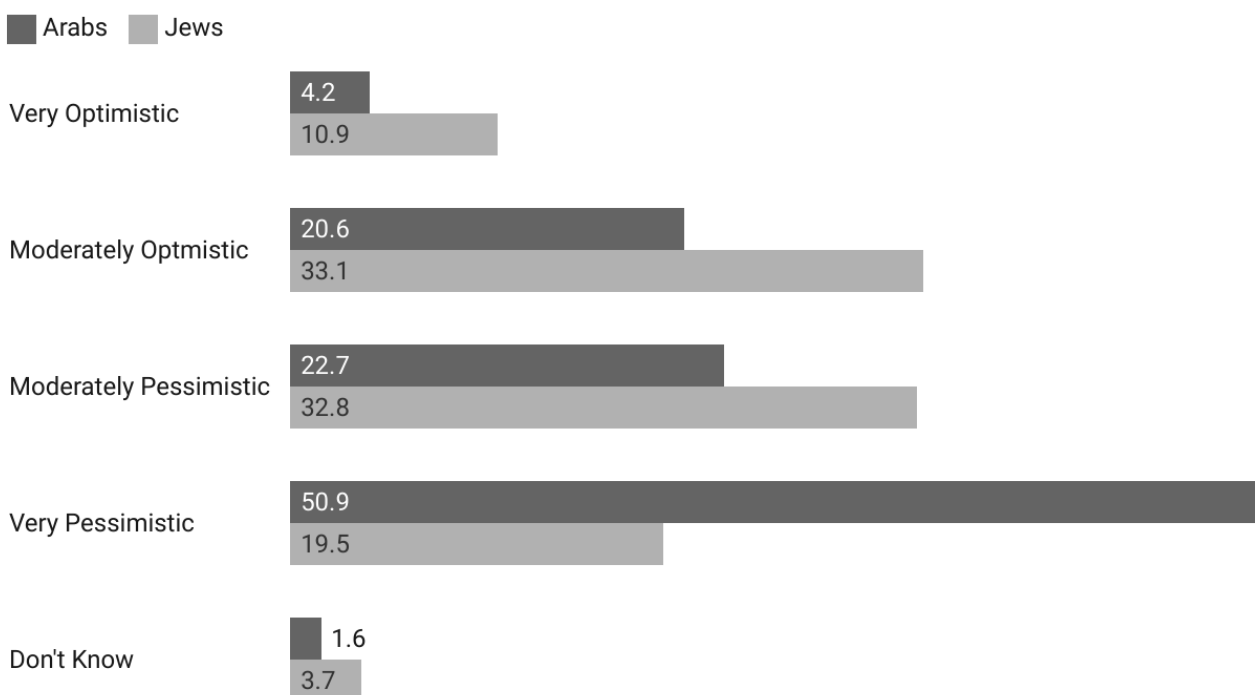


Chart: Insight Forward • Source: The Israel Democracy Institute - Israeli Voice Index • Created with Datawrapper

Looking ahead, if confidence in the country’s political stability, security, and economic prospects improves, outflows could slow, and some who left may return with valuable skills and international experience. If not, the continuing exodus of human capital poses a serious risk to Israel’s global competitiveness, its capacity for innovation, and its ability to attract investment and sustain growth.

DIPLOMATIC TENSIONS AND ISOLATION

Israel's refusal to pursue a ceasefire has exacerbated diplomatic tensions. The US, European, and other countries have expressed concerns over Israel's military operations, which are seen by many as inconsistent with international law prompting several countries to take diplomatic action.

- **Bolivia and Colombia:** Severed diplomatic ties with Israel.
- **Chile and Honduras:** Recalled their ambassadors.
- **South Africa:** Filed a genocide case against Israel at the International Court of Justice (ICJ) and has been vocally critical of Israel, drawing parallels to apartheid.
- **Turkey:** Suspended all trade with Israel because of the humanitarian crisis. Israel responded by cancelling their free trade agreement.

Several countries and international organizations have increased their support for a two-state solution or are moving towards recognizing a Palestinian state:

- **Australia:** Foreign Minister Penny Wong has shifted Australian policy to support the recognition of a Palestinian state ahead of a two-state solution, aiming to build momentum towards peace.
- **Spain, Ireland, Malta, and Slovenia:** These countries have formally recognized a Palestinian state as a step towards achieving a two-state solution.

These actions reflect a broader trend of increasing diplomatic isolation and criticism, particularly from Latin American and African nations. Additionally, diplomatic tensions with the United States have risen, with American officials expressing disappointment over Israel's actions in Gaza. The US stopped supplying some offensive weapons and said that some had been used in breach of international law - these are some of the most critical statements from Israel's greatest supporter.

Implications

Diplomatic difficulties further increase reputational risks as business stakeholders and activists increasingly put pressure on companies to stop doing business in Israel because of human rights concerns. There will be future legislative difficulties because of this in the EU especially. The European Parliament recently approved a new directive requiring companies operating in the EU and their "upstream and downstream partners, including supply, production and distribution to prevent, end or mitigate their adverse impact on human rights and the environment." The legislation which comes into force in 2027 impacts companies operating in the EU no matter where they are headquartered. It is likely that some activists will attempt to use this legislation to target companies that have operations in Israel.

Normalization of Relations with Arab Countries

The normalization of relations between Israel and various Arab countries, initiated by the Abraham Accords, has reshaped regional dynamics. However, the ongoing conflict and Israel's actions during the war have the potential to reverse or hinder further progress in these efforts. Nevertheless, none of the current signatories have broken their normalization agreements and diplomacy and trade has largely continued.

MENA Region: Formalized Diplomatic Relations With Israel

■ In progress ■ No ■ Yes



Sudan and Saudi Arabia were pursuing normalization before the war started.

Map: Insight Forward • Created with Datawrapper

The incoming Trump administration will very likely continue to pursue the Abraham Accords as a proposed solution for greater stability in the Middle East. Much of the progress is reliant on Saudi Arabia joining, which would give the Accords even greater legitimacy and broader regional acceptance of Israel. Saudi Arabia was involved in discussions about normalizing relations with Israel before the war. These discussions have been influenced by agreements involving the United States, including potential security guarantees and economic incentives. However, the conflict has made Saudi Arabia's position more precarious, and it now wants progress towards a two-state solution for the Palestinians as a condition in the normalization of relations, meaning this will be much more difficult to achieve.

Incoming U.S. Administration

The United States is Israel's main backer providing significant amounts of aid. Historically (since 1946) it has received more US aid than any other country globally and since 2001 only Afghanistan has received more.

Total Aid Since 2001 USD Billions

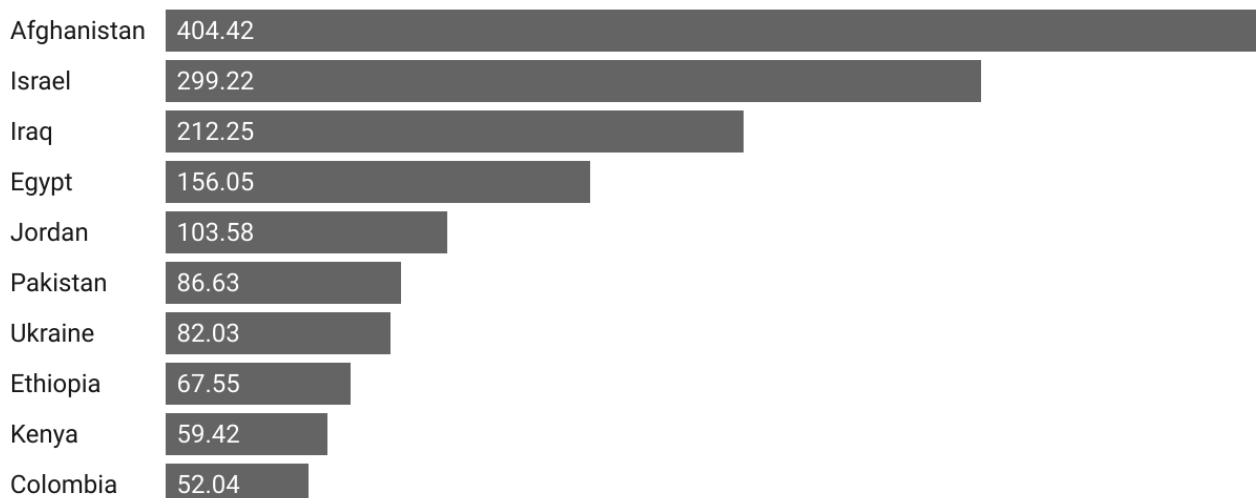


Chart: Insight Forward • Source: US AID • Created with Datawrapper

A second Trump presidency will likely echo the policies of his first term, which were notably favorable to Israel. Key actions during Trump’s initial tenure included recognizing Jerusalem as Israel’s capital, reducing criticism of Israeli settlement expansion, and brokering the Abraham Accords, which normalized relations between Israel and several Arab states.

Trump will likely deepen these policies, strengthening bilateral ties and aligning closely with Israel’s right-wing political factions. This approach will minimize pressure on Israel to make concessions, reinforcing the status quo in the region.

However, Trump’s first administration also developed the [Peace to Prosperity plan](#), which advocated for a two-state solution. The plan envisioned a State of Palestine coexisting alongside Israel under specific conditions:

- Israel would retain overarching security responsibilities.
- Palestinian territories would remain demilitarized.
- Territorial adjustments would involve land swaps to preserve population continuity and safeguard Israel’s strategic interests, particularly in the Jordan Valley.

The plan also proposed establishing international funds to support governance and infrastructure reforms. These initiatives included transportation links, healthcare improvements, and education reforms designed to foster economic stability in Palestinian territories.

The significant changes to Israel and Gaza caused by the ongoing conflict present substantial barriers to implementing the Peace to Prosperity plan. The conflict has intensified distrust between Israelis and Palestinians, further reducing the likelihood of a two-state solution gaining traction.

The plan’s heavy bias toward Israel’s interests undermines its credibility among Palestinians and limits its viability as a framework for lasting peace. However, its emphasis on economic development and infrastructure investments could inform future approaches to rebuilding Gaza and addressing broader regional challenges.

Trump's administration might seek to revise or adapt the Peace to Prosperity plan to account for the new realities on the ground. While maintaining its pro-Israel tilt, future iterations could focus more narrowly on economic recovery and governance reforms in Palestinian territories rather than pursuing the broader—and currently unattainable—goal of a two-state solution.

Trump's return to power will also likely attempt to bolster Israel's standing in the region. The Abraham Accords could be expanded to include additional Arab states, further isolating Iran and solidifying Israel's position as a regional power. However, these efforts might exacerbate tensions with Palestinian factions and other actors opposed to normalization without progress on the Palestinian issue.

CONFLICT: IRAN AND ITS PROXIES

Even after the current war ends, the risk of conflict with Iran and its proxies will remain a significant concern. The longstanding shadow war between Israel and Iran has escalated into open kinetic activities, destabilizing the region further and posing significant risks to security, geopolitics, and business operations.

Israel-Iran Conflict Comes out of the Shadows

The covert conflict between Israel and Iran has transitioned into more overt hostilities. Historically, Israel has been linked to high-profile operations such as assassinations of Iranian nuclear scientists, sabotage of nuclear facilities, and cyberattacks targeting Iran's critical infrastructure. These efforts aim to delay Iran's nuclear program and undermine its military capabilities.

Iran has countered through its regional proxies, including Hamas, Hezbollah, and militias in Syria and Iraq. However, the conflict intensified in April 2024, when Iran launched a large-scale attack on Israel involving over 300 drones, cruise missiles, and ballistic missiles. This was in retaliation for an Israeli airstrike on an Iranian consulate in Damascus that killed senior Iranian officials.

The escalation continued into October 2024, with Iran striking Israel after the Israel Defense Forces (IDF) targeted high-profile leaders, including former Hamas Political Bureau Chairman Ismail Haniyeh, former Hezbollah Secretary General Hassan Nasrallah, and IRGC Operations Deputy Brigadier General Abbas Nilforoushan.

Iran's attacks were largely ineffective due to Israel's advanced air-defense systems, including Arrow 3 and David's Sling, which intercepted the majority of missiles and drones. Assistance from allies such as the United States, United Kingdom, and France further bolstered Israel's defenses. Notably, Iran deliberately targeted military rather than civilian assets to avoid escalating the conflict into a full-scale war.

Despite these limitations, the overt nature of recent confrontations represents a significant escalation. This shift raises the potential for more direct hostilities, especially given the prospect of a second Trump administration, which is likely to adopt a far harder stance on Iran and support more aggressive Israeli military actions.

The critical factor driving potential escalation is Iran's nuclear program. With its regional proxies significantly weakened—particularly Hezbollah—Iran's reliance on nuclear capabilities as a deterrent against Israel is likely to grow.

Since the start of the Israel-Hamas War, Iran has expanded its nuclear capabilities, enriching uranium to 60% purity, close to the 90% required for weapons-grade material. Iran is now assessed to have sufficient enriched uranium for two nuclear weapons.

Given this development, Iran may attempt to negotiate with Western powers to protect its nuclear infrastructure while covertly advancing towards nuclear weapons capability. However, if Israel perceives credible evidence of Iran nearing nuclear weapon development, it will likely respond with cyberattacks, sabotage, or military strikes. With the precedent for overt strikes already established, the likelihood of direct Israeli attacks on Iran has increased, potentially provoking a direct Iranian response and proxy retaliation.

Uranium Enriched to 60 Percent

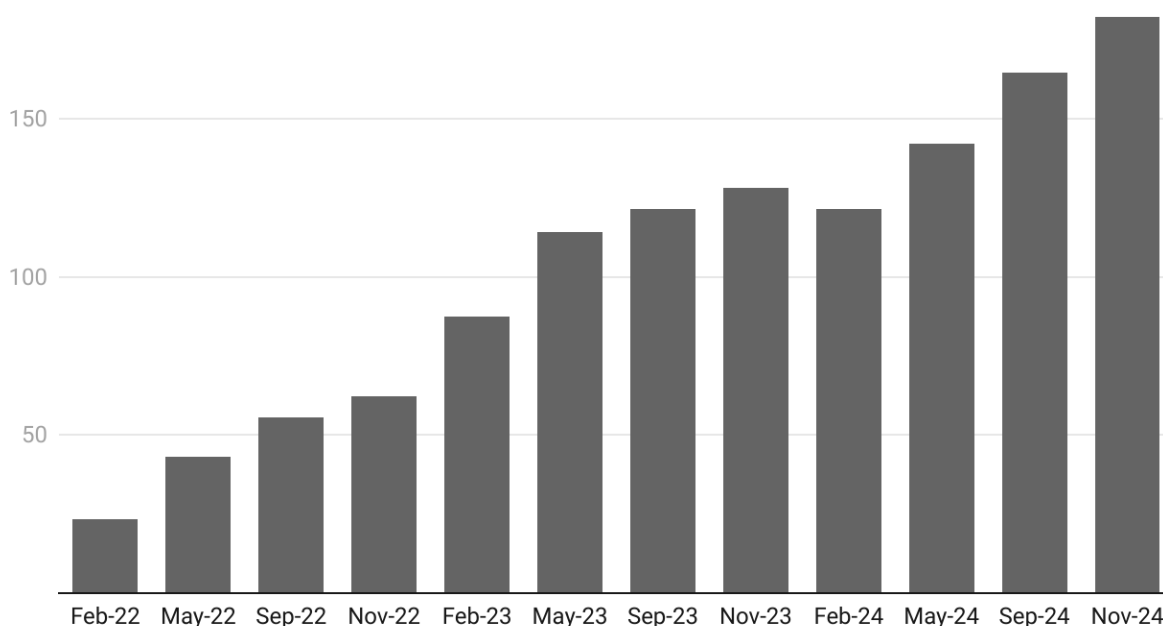


Chart: Insight Forward • Source: Compiled from IAEA monitoring reports • Created with Datawrapper

Implications of a Nuclear-Armed Iran

- Iran acquiring a nuclear weapon would profoundly impact regional and global security:
- Regional Arms Race: Other Middle Eastern states, such as Saudi Arabia, may pursue nuclear capabilities in response.
- Heightened Instability: A nuclear Iran would embolden its proxies and escalate tensions with Israel.
- Threats to Israel: Israel’s strategic position would face increased existential threats.
- Undermining of Non-Proliferation: The global nuclear non-proliferation regime would be significantly weakened.
- Economic and Geopolitical Consequences: Increased volatility could disrupt global energy markets and trade.

Continued Shadow War

In the absence of a direct war, the shadow conflict is likely to persist:

- **Israel’s Focus:** Targeting Iranian military assets, nuclear facilities, and key individuals associated with Iran’s nuclear program.
- **Iran’s Strategy:** Leveraging regional proxies to strike Israeli targets, targeting Israeli and Jewish interests abroad, while attempting to avoid full-scale confrontation.

Proxy Attacks

Throughout the ongoing conflict, Iran’s proxies have consistently engaged in attacks against Israeli targets. These groups have utilized rockets, missiles, and drones to strike Israel, underscoring their strategic role in Iran’s broader regional agenda. This pattern of aggression is unlikely to cease entirely after the conclusion of the Israel-Hamas war, as Iran remains committed to funding and arming its proxy networks.

The fall of Bashar Al-Assad’s regime in Syria to rebel groups significantly disrupts Iran’s logistical and strategic capabilities in the region. For years, Syria has served as a critical transit point for supplying arms to Hezbollah and coordinating proxy activities. Assad’s loss of power restricts Iran’s influence within Syria and diminishes its ability to launch proxy attacks from Syrian territory.

Additionally, without reliable access to Syrian infrastructure, resupplying Hezbollah becomes increasingly difficult. This limits Hezbollah’s operational effectiveness, potentially reducing the frequency and scale of its attacks on Israel. However, Iran is likely to adapt by seeking alternative routes and methods to sustain its proxy networks, leveraging other regional partners and illicit channels.

Iranian Proxy Groups:

Located	Militia	Iranian Influence	Estimated Size
Bahrain	Al Ashtar Brigades	Strong	Unknown
Iraq	Kata’ib Hezbollah	Strong	20,000-30,000
	Badr Organization		
	Asa’ib Ahl al-Haq	Strong	30,000-60,000
	Hezbollah Harakat al-Nujaba	Strong	20,000-30,000
	Kata’ib Sayyed al-Shuhada	Strong	10,000-20,000
Lebanon	Hezbollah	Strong	30,000-40,000
Palestinian Territories	Hamas	Moderate	30,000-40,000
	Palestinian Islamic Jihad	Moderate	1,000-15,000
Syria	Fatemiyoun Brigade	Strong	10,000-15,000
	Zainabiyoun Brigade	Strong	2,000-5,000
	Quwat al-Ridha	Strong	3,000-3,500
	Baqir Brigade	Strong	3,000
Yemen	Houthis	Moderate	10,000-30,000

Source: Council on Foreign Relations – estimates from before the outbreak of the most recent conflict

Houthis

One of the most significant impacts of the ongoing conflict has been the disruption to supply chains caused by Houthi attacks on commercial shipping in the Red Sea. Since mid-November 2023, Yemen-based, Iran-backed Houthi rebels have escalated their aggression, initially targeting vessels linked to Israel. However, these attacks have expanded to include all ships heading to or from Israeli ports, signaling a broader strategy of maritime disruption.

The Red Sea is a vital corridor for goods traveling between Asia and Europe. Prolonged disruptions in this region pose significant risks to global supply chains, raising shipping costs, delaying goods, and potentially destabilizing economies dependent on these routes.

Suez Canal - Transit Trade Volume

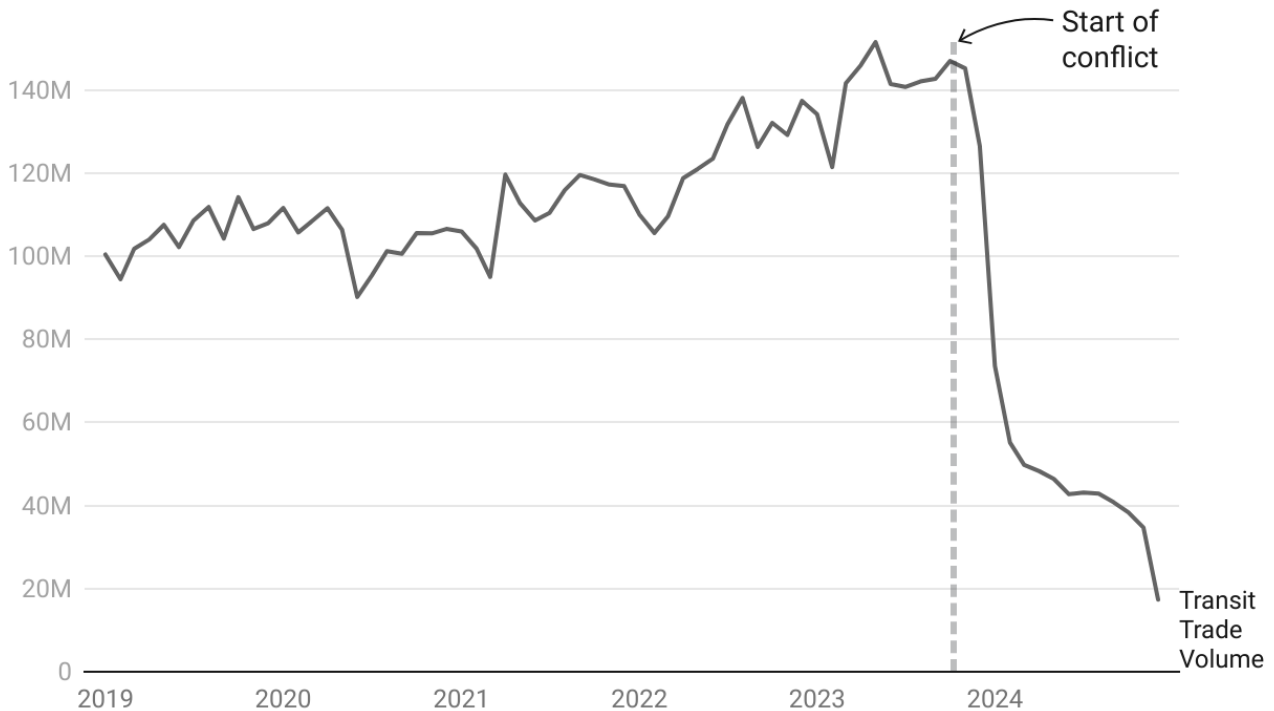


Chart: Insight Forward • Source: IMF Port Watch • Created with Datawrapper

As the capabilities of Hezbollah and Hamas have been significantly degraded during the conflict, the Houthis are likely to assume an increasingly prominent role in Iran’s axis of resistance. This strategic realignment underscores the likelihood of prolonged disruptions to Red Sea shipping. The Houthis’ actions serve both as a demonstration of their operational reach and as a means to advance Iran’s broader geopolitical objectives by exerting pressure on global trade and Israel’s economy.

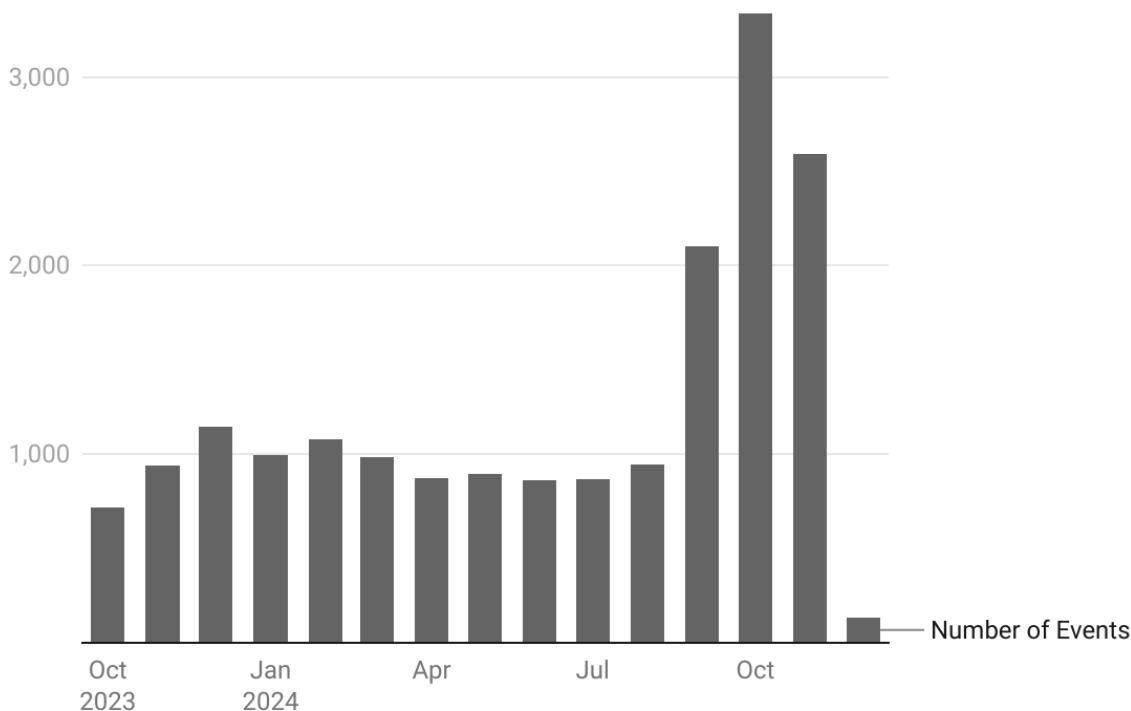
There are no indications that Houthi attacks on Red Sea shipping will cease when the Israel-Hamas war concludes. Instead, the Red Sea and Suez Canal are likely to remain focal points of Iran’s regional strategy, leveraging the Houthis to sustain pressure on maritime trade.

Israel depends heavily on maritime transport for its imports and exports, making the Red Sea and the Suez Canal essential to its supply chains. These disruptions will continue to delay the supply of goods to and from Israel, affecting everything from consumer products to industrial supplies.

War with Hezbollah

Israel has reached an uneasy ceasefire agreement with Hezbollah in Lebanon, marked by mutual accusations of breaches. While sporadic clashes continue, the frequency of incidents has significantly decreased compared to the September–November 2024 peak.

Violent Incidents Involving Israel and Hezbollah



Incidents recorded as Organized Violence (Battles, Explosions/Remote violence, Violence against Civilians) by ACLED for the period 7 October 2023 - 13 December 2024

Chart: Insight Forward • Source: ACLED • Created with Datawrapper

Israel’s military operations during the conflict successfully degraded Hezbollah’s military capabilities. These operations targeted weapons transfers, intercepting and destroying arms shipments intended to strengthen Hezbollah’s arsenal. They also focused on eliminating key figures in Hezbollah’s hierarchy to weaken its operational capacity and striking critical infrastructure such as tunnel networks near Israel’s northern border. These actions have significantly reduced Hezbollah’s ability to regroup and rearm, particularly following the loss of its most critical supply route from Iran through Syria.

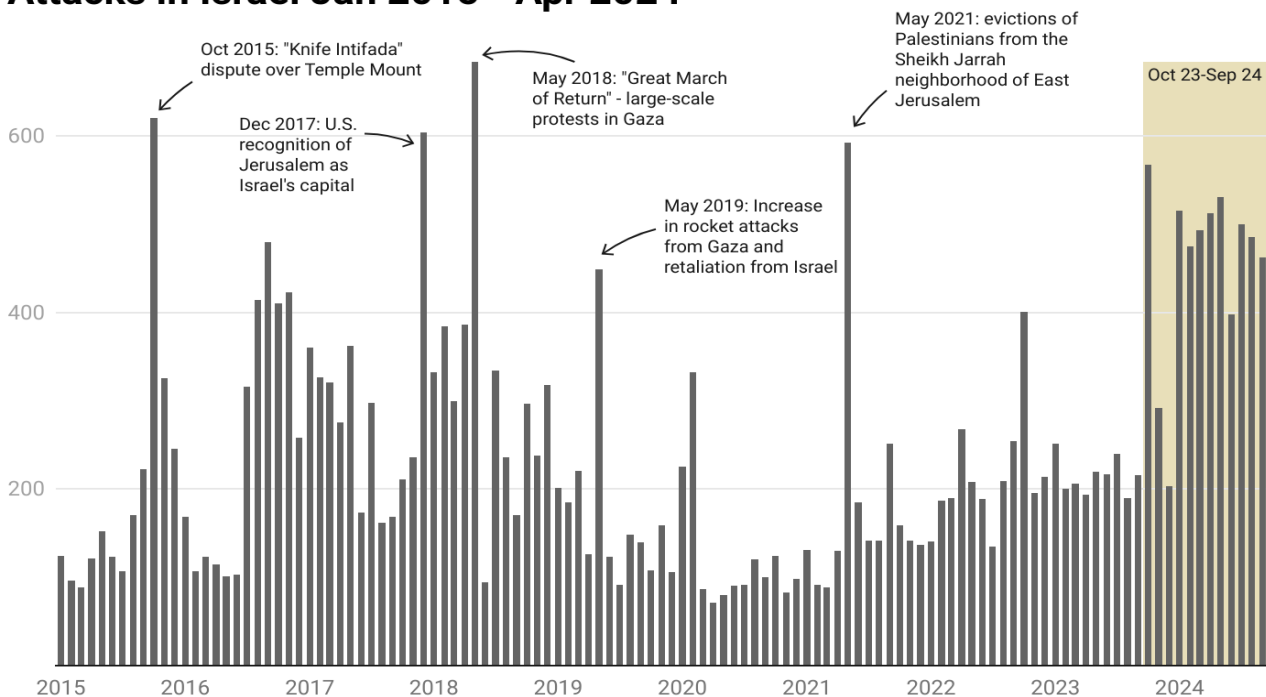
Israel’s primary objectives in the aftermath of the ceasefire are to enable the 60,000 Israelis displaced by the conflict to return safely to their homes in the north and to prevent Hezbollah from carrying out any cross-border attacks similar to the October 7 Hamas attack.

While the ceasefire has brought relative calm, the potential for escalation remains high. Any significant Hezbollah attack will likely prompt a decisive Israeli response, including continued strikes on supply routes, leadership, and infrastructure. Israel’s strategic focus on neutralizing Hezbollah’s operational capacity and securing its northern border suggests that this fragile détente could be short-lived if provocations resume.

Terrorism

Attacks in Israel occur frequently, often peaking around disputes over Temple Mount/al-Aqsa, Israeli settlement activity, and periods of conflict between Israel and militant groups in the region. Incidents during the latest conflicts have also increased and are likely to remain high because of the intensity of the conflict and its humanitarian impact in Gaza. The most common incidents involve throwing stones (considered terrorist attacks by the Israeli security services), and attacks using Molotov cocktails, and other projectiles. More targeted, but less frequent, attacks include shootings, attacks with bladed weapons, vehicle ramming, and IEDs.

Attacks in Israel Jan 2015 - Apr 2024



As defined by the Israeli Security Agency (ISA) and includes stabbing, IEDs, shooting, vehicle ramming, stone throwing, arson/molotov cocktail attacks

Chart: Insight Forward • Source: ISA • Created with Datawrapper

Israel's pressure on Hamas is likely to see it change tactics to more terrorist or insurgent style attacks that involve coordinated complex attacks using firearms and suicide attacks or IEDs. Hamas is not the only threat. Militant groups including Palestinian Islamic Jihad (PIJ), Hezbollah, and others have a history of conducting attacks inside Israel. Hamas and PIJ attempted their first suicide bombing inside Israel in nearly eight years in August 2024, and in September Hamas operatives carried out two car bombings in the southern West Bank.

The conflict will very likely increase the radicalization of young Palestinians who will carry out lower capability attacks including stabbings, shootings, and vehicle ramming. The primary targets would be crowded locations such as entertainment venues or public transport hubs as well as military and police personnel and installations.

OUTLOOK

The immediate period following a “declaration of victory” over Hamas by Israel will be critical in determining the future governance of Gaza. Israel has not outlined a plan for any governance or transition for Gaza. It will take time for Israel to fully withdraw, and its immediate focus will be on preventing Hamas from regrouping and rearming. Even if a formal agreement is reached in the near future to secure the return of the remaining hostages, Israel will likely aim to retain security control over certain zones in Gaza to conduct future operations. This might involve maintaining a buffer zone and controlling border crossings. With an Israeli military presence expected to persist in Gaza in some form and Hamas far from fully defeated, armed violence is expected to continue in Gaza for the foreseeable future. However, there are signs that Hamas is willing to lower its demands for a ceasefire. It no longer expects an immediate Israeli withdrawal from Gaza, for example. But Binyamin Netanyahu is reluctant to accept a resolution that might imperil his political future.

Hamas after the war

Historically, periods following conflicts have seen Hamas rebuilding and rearming, and despite strict monitoring, Hamas has consistently managed to enhance its tactics and arsenal. This time is unlikely to be different, but the level of destruction in Gaza and the likely long-term presence of Israeli troops will make this more difficult for Hamas to rebuild.

Nevertheless, the group is already attracting new recruits from many young, radicalized Palestinians and it will continue to receive support from Iran and other sources. Its political wing will also continue to operate. Hamas will not only aim to be part of the post-war environment in Gaza but will also seek to reestablish its influence. It remains the most popular faction in the West Bank and Gaza and will retain political support and the ability to shape, or at least obstruct, Palestinian politics.

After previous conflicts, Israel has implemented measures to restrict Hamas’s access to materials like raw cement, wood, gravel, rebar, and fertilizers to impede tunnel building and rearmament. However, Israel will need to balance its own security needs with the humanitarian aid and materials required for the reconstruction effort in Gaza.

Gaza Scenarios

Although Israel aims to counter Hamas’s influence in Gaza following the war, the absence of a credible alternative for governance paints a bleak outlook for the territory. Gaza’s economy has contracted by over 90%, and [estimates](#) suggest it could take until at least 2050 for GDP per capita to recover to its pre-war levels. This economic devastation further complicates efforts to establish stability and functional governance.

Intra-Palestinian politics have seen little meaningful progress over the past year. In July 2024, key Palestinian factions convened in Beijing to discuss national unity and post-war governance in Gaza. Their declaration signaled a notable shift, with Hamas, under the leadership of Ismail Haniyeh, showing a willingness to compromise with the Palestine Liberation Organization (PLO). Haniyeh reportedly accepted the two-state solution and supported forming a unity government with 13 Palestinian factions to resume peace negotiations with Israel.

However, the death of Haniyeh in an Israeli strike, along with the subsequent death of his successor Yahya Sinwar, has left the status of this agreement uncertain. Additionally, the continued Israeli occupation of both Gaza and the West Bank precludes the possibility of holding

elections without Israeli approval, which remains unlikely. Compounding the issue is Palestinian Authority (PA) leader Mahmoud Abbas's apparent reluctance to cede authority, further stalling prospects for unified governance.

Public sentiment regarding Gaza's future governance remains deeply divided. A recent [survey](#) revealed that 57% of respondents believe Gaza will remain under Hamas's control after the war. However, the perspectives of West Bankers and Gazans differ significantly. While 70% of West Bankers expect Hamas to control Gaza, only 37% of Gazans share this view—a notable drop from 46% three months ago.

Other potential governance scenarios attract limited support. Only 9% of respondents believe the Israeli army will control Gaza, 17% foresee a return of the PA, and 13% envision international control. Preferences are similarly fragmented: 58% of respondents (73% in the West Bank and 36% in Gaza) prefer Hamas to retain control, compared to 20% favoring the PA, 4% choosing Israeli control, and 12% supporting international governance.

The Palestinian Authority's potential return to Gaza faces overwhelming opposition. 70% of respondents oppose the return of President Abbas and the PA, including control of the Rafah crossing. Support for the PA rises slightly among Gazans (42%) compared to West Bankers (17%). These findings highlight widespread dissatisfaction with the PA's leadership, particularly in the West Bank, where disillusionment with Abbas runs deep. There are several scenarios for the governance of Gaza when the war ends.

Scenario 1: Palestinian Authority (PA) Takeover

In this scenario the Palestinian Authority takes control of Gaza, supported by international efforts and there is likely to be pressure on Israel to withdraw to pre-war borders—although Israel will be resistant to this and is likely to retain a security presence in Gaza for the foreseeable future. This scenario has received international support from the US, EU, Jordan, Egypt, and Gulf states. However, the PA's credibility in Gaza is very weak and this scenario is also not widely supported by Palestinians in Gaza, which would further reduce its legitimacy and cause wider instability.

Scenario 2: Continued Israeli Control with Buffer Zone

Israel maintains security control over strategic areas of Gaza, creating a buffer zone to prevent future attacks while overseeing limited self-governance for the Palestinian population. This would require Israel to establish a security buffer zone within Gaza, restricting movement and controlling key border crossings. Local governance would be allowed in non-strategic areas, possibly under the PA or local leaders/committees. This would likely experience significant resistance in Gaza and increase the risk of different armed militia taking control of different areas.

Scenario 3: Hamas Remains/Returns to Power

While Israel may be somewhat successful in severely damaging Hamas' military capabilities, it will still exist as a political organization and retains a relatively high level of support in Gaza and the West Bank. According to survey data from April 2024, most Palestinians in the West Bank and Gaza think Hamas was correct in launching the October attack. More than half would also prefer Hamas to be in power when the war ends. Israel is very likely to reject this – even if there are strict international conditions aimed at demilitarization and transparency.

Scenario 4: International Trusteeship

An international body, such as the United Nations, assumes temporary administrative control over Gaza to stabilize the region and prepare for Palestinian self-governance. This would require support from Jordan, Egypt, and maybe Saudi Arabia and the Gulf States. This would likely receive significant resistance from local factions, including Hamas, and would require substantial international commitment and resources. There is little support for this in Gaza and it is also unlikely to gain significant Israeli or international support.

Scenario 5: Joint Egyptian Jordanian-Palestinian Administration

Egypt and Jordan take a leading role in security and border management, working alongside the PA. Additional initiatives to integrate Gaza's economy with Egypt's, particularly through the Rafah border crossing and backed by international support. The success depends on Egypt and Jordan's willingness to commit long-term resources and the PA's governance capabilities. Proposals for this have seen an increase in support in Gaza. Opposition to such a force has dropped from 75% three months ago to 66% today, while support has risen from 23% to 32%. Despite this improvement, the idea still lacks broad public backing, reflecting skepticism about external intervention in Gaza's security affairs.

Currently, scenarios 1 or 2 appear most likely (scenario 2 in the shorter term) but the overall outlook for Gaza is poor. Any scenario is likely to be unstable and largely ineffective and this will hamper the provision of basic services, reconstruction efforts, and security. Ongoing instability in Gaza means less stability in Israel and higher risk of violence.

Israel Scenarios

As Israel emerges from the conflict two main scenarios arise: one where a ceasefire leads to a more moderate government and economic recovery, and another marked by further conflict, political instability, and regional tensions.

Most Likely Scenario

In this scenario, a ceasefire is agreed upon by the end of January after most of the remaining hostages held by Hamas are returned or recovered and Israel declares its military operation has successfully "defeated" Hamas. However, dissatisfaction with the government's conduct over the conflict leads to large protests in Tel Aviv and other major metropolitan areas. Subsequently, elections are held, leading to the formation of a more moderate government focused on economic development and attracting both domestic and foreign investment. The economy begins to recover, with notable improvements in construction, and the tech sector gradually returning to pre-war levels. The United States continues its support through military aid, and multinational corporations (MNCs) maintain their presence in the country.

Despite ongoing support from the US, Israel faces international pressure to revert to the 7 October borders and facilitate the delivery of humanitarian aid and materials for Gaza's reconstruction. Israel's international standing is damaged, complicating diplomatic relations and potentially reducing trade with some countries. To mitigate these challenges, Israel subtly seeks increased investment from China, leveraging China's need for access to advanced technology.

Security risks remain significant, with terrorist attacks continuing to pose a threat and frequent protests in the West Bank. Rocket attacks from Gaza and Iranian proxies in the region occur sporadically, leading to Israeli retaliations. Additionally, the shadow war with Iran persists, but there aren't any further open kinetic attacks from either side. However, Iran's nuclear program continues to develop, which will increase the risk of Israeli strikes on Iran's nuclear

infrastructure. This scenario indicates a gradual recovery, but with ongoing security and diplomatic challenges.

Worst Case Scenario

Israel enters into conflict with Iran following the end of the war with Hamas. This escalation would likely occur under two conditions: if Israel perceives that Iran's regional deterrent has been weakened or if Iran accelerates its nuclear program, approaching a critical threshold that provokes Israel to target its nuclear facilities openly.

Israeli Prime Minister Benjamin Netanyahu might calculate that the United States could be drawn into supporting an expanding military campaign against Iran. Domestic political pressures in Washington to maintain close alignment with Israel, particularly if framed as self-defense against Iranian aggression or a preemptive effort to prevent Iran from acquiring nuclear weapons, could compel U.S. involvement.

Iran's retaliation to an Israeli attack would likely be severe, involving missile and drone strikes targeting Israeli population centers and resulting in civilian casualties. The conflict could rapidly escalate across the region, with additional security threats emerging:

- **Proxy Attacks:** Rocket and missile attacks from Hezbollah in Lebanon, militant groups in Iraq, and the Houthis in Yemen would intensify, drawing Israeli retaliatory strikes against senior leaders and infrastructure.
- **Strategic Disruption:** Iran could target shipping in the Strait of Hormuz, critical energy infrastructure, and major Gulf cities, significantly disrupting global energy supplies and increasing the likelihood of direct U.S. intervention.
- **Domestic Unrest:** In Israel, terrorist attacks and frequent protests in the West Bank would amplify domestic security concerns.

A prolonged conflict with Iran would severely impact Israel's economy. The tech sector and other critical industries would likely experience a significant brain drain, as more Israelis leave the country due to heightened insecurity. Other sectors such as, tourism and construction already under severe strain, would remain depressed, compounding economic challenges. The necessity for another large-scale military mobilization would divert resources from critical sectors, further straining the economy.

IMPLICATIONS FOR CORPORATIONS

Security Risks and Operational Challenges

- **Heightened Security Threats:** Corporations face ongoing risks from terrorism, civil unrest, and sporadic rocket attacks from Gaza and Iranian proxies, alongside potential escalation with Iran. This volatile environment increases operational unpredictability.
- **Persistent Geopolitical Tensions:** Israel's involvement in conflicts with sub-state actors (e.g., Hamas, Hezbollah) and state-level tensions (e.g., with Iran) will prolong security risks, complicating supply chains, and threatening employee safety.
- **Targeted Strikes and Insurgency:** Continued Israeli military operations against insurgent-style attacks from Hamas and other groups will create an unpredictable environment for businesses reliant on regional stability.

Economic Outlook and Sectoral Impacts

- **Economic Recovery Uncertainty:** While the tech sector demonstrates resilience, other sectors such as tourism, construction, and retail face slow recoveries due to weakened consumer confidence and disrupted supply chains.
- **Strained Fiscal Conditions:** Israel's sharply increased defense spending and growing fiscal deficit could lead to austerity measures that may affect businesses through higher taxes or reduced government spending on infrastructure and public services.
- **Labor Market Constraints:** A significant "brain drain" of highly skilled professionals and disruptions to labor-intensive industries, such as construction and agriculture, have created long-term challenges for workforce availability and operational stability.

Brand and Reputational Risks

- **Polarized Global Perceptions:** The prolonged conflict and humanitarian crisis in Gaza have severely impacted Israel's global image, increasing reputational risks for corporations operating in or collaborating with Israeli entities.
- **Internal and External Pressures:** Multinational corporations face growing activism, with internal employee protests and external campaigns (e.g., BDS movement) pressuring companies to reconsider their involvement in Israel. High-profile divestments from sovereign wealth funds and corporations reflect this trend.
- **Social License to Operate:** Companies with operations in Israel must navigate challenges to their "social license," particularly in Arab and Muslim-majority countries, where negative perceptions of Israel have intensified.

Diplomatic and Trade Challenges

- **Strained International Relations:** Israel's declining diplomatic standing, particularly in Europe and Latin America, could complicate trade and regulatory environments. European legislative changes related to human rights compliance may specifically target businesses with ties to Israel.
- **Shifting Trade Partnerships:** Israel's likely pivot toward seeking investments from China highlights potential opportunities for tech-driven corporations but also increases the complexity of navigating U.S.-China-Israel dynamics.
- **Economic Isolation Risks:** Reduced foreign direct investment (FDI) inflows and corporate divestments signal broader challenges for Israel's economic integration into global markets.

Sector-Specific Opportunities and Risks

- **Technology:** Despite declining FDI, Israel's tech sector remains a global leader, with strong M&A activity, particularly in cybersecurity and AI. However, a potential talent shortage and political instability pose significant risks.
- **Tourism and Hospitality:** This sector faces prolonged recovery due to international travel advisories, reduced demand, and reliance on government subsidies. Businesses may need to focus on domestic travelers in the near term.
- **Energy and Maritime:** Disruptions in the Red Sea due to Houthi attacks present challenges for supply chains dependent on maritime trade.

Governance and Policy Uncertainty

- **Political Instability:** Israel's history of fragile coalitions and potential for early elections adds unpredictability to the regulatory and policy environment, increasing challenges for long-term corporate planning.
- **Future of Gaza Governance:** The absence of a clear governance plan for Gaza post-conflict introduces operational risks, especially for companies involved in reconstruction or humanitarian logistics.



If your organization would like to understand any of these issues more deeply, you can find us at insightforward.co.uk or contact us [directly](#).

Insight forward provides a range of geopolitical risk intelligence and consulting services to help businesses stay secure and thrive in an increasingly complex global marketplace.

Intelligence Analysis

We specialize in corporate intelligence. With a deep understanding of geopolitical trends, regional dynamics, and security issues, our services provide comprehensive intelligence reports and insights to support informed decision-making for businesses.

Consulting

Whether you are building a team or evaluating your team's capabilities, our tailored intelligence solutions offer valuable assistance. We understand the unique requirements of corporate intelligence programs and provide comprehensive support to help you achieve your objectives.

Red Team Analysis

Red team analysis uses applied critical thinking and structured analytic techniques to challenge assumptions and find gaps in knowledge. Services include alternative analysis, alternative futures analysis, and scenario development.

Training

We offer a range of training services suitable for individuals aspiring to launch their career in corporate security intelligence, as well as experienced analysts seeking to refine their skills.