

INSIGHT REPORT

Regional implications of Israel-Hamas conflict

NOVEMBER 2023

KEY JUDGEMENTS



- Regional tensions have significantly heightened since the Israel-Hamas conflict broke out on 7 October. The persisting exchanges of hostilities between Israel and the Lebanon-based Shia Muslim movement Hizbullah along the Israel-Lebanon border have raised credible concerns of a renewed full-scale Israel-Hizbullah conflict.
- Although both sides have continued to exercise restraint to prevent a broader escalation, the credible risk of a direct conflict remains. The potential escalation of hostilities between Israel and Hizbullah will not only take a heavy toll on Israel and Lebanon, but it will also undermine the regional stability. An escalation resulting from a miscalculation cannot be ruled out.
- Both the US and Iran have vested interests in avoiding an escalation that could lead to a direct military confrontation between the two. Nevertheless, if a full-scale Israel-Hizbullah conflict were to break out, it would further heighten regional tensions and create the conditions for various groups to be more actively involved.



- The least likely but worst-case scenario is direct confrontation between Iran and the US. The outcome of such confrontation is difficult to predict, as it has the potential to cause unprecedented regional escalation. Although US military capabilities are superior to that of Iran, the latter has the capabilities, including its considerable missile arsenal, to significantly disrupt regional stability.

CONTEXT

The ongoing Israel-Hamas conflict, which began after Hamas' attack on Israel on 7 October, has had a regional impact. The conflict prompted armed groups allied with Hamas to step up their attacks against Israel. This resulted in violent flare-ups in the West Bank (Palestinian Territories), cross-border exchanges between the Israel Defense Forces (IDF) and Hizbullah, and low-level attacks by the Yemen-based Houthi rebel group on Israel's southern border. To support Israel and deter the escalation of violence between the IDF and Hizbullah, the US government provided Israel with weapons and relocated US warships closer to the Israeli coast. Support for Israel, however, has exposed US-linked interests to attacks. These attacks have happened thus far in Iraq and Syria, where pro-Iranian armed groups maintain a presence.

As Israeli operations in the Gaza Strip (Palestinian Territories) are expected to protract, this report explores potential scenarios of how related regional tensions could evolve, including the risk of a renewed full-scale Israel-Hizbullah conflict, the risk of further regional expansion of the current conflict, as well as the extent of involvement by the US and Iran in regional dynamics.

First scenario: Status quo persists as sides continue to exercise restraint

The Israel-Hamas conflict will continue to exacerbate the existing regional tensions and will be the source of credible concerns over a new full-scale Israel-Hizbullah conflict. Nevertheless, we assess that both sides will continue to exercise restraint to prevent further escalation. This is given the limited benefits an escalation would provide, as well as the high costs associated with it.

Israel's position

In the context of the ongoing Israel-Hamas conflict, Israel will remain focused on its operations in the Gaza Strip. Israel will also seek to avoid a deliberate resumption of a full-scale conflict with Hizbullah on its northern front. Cross-border exchanges on the Israel-Lebanon border will remain largely proportional to attacks by Hizbullah. Israel is likely to conduct periodic cross-border attacks into Syria to deter armed groups based there from joining the conflict.

The US' position

The US will continue to support Israel by providing weapons, intelligence, and diplomatic backing. Simultaneously, the US will seek to prevent an expansion of the conflict by applying diplomatic pressure on regional actors and strengthening its deterrent posture in the region.



Iran's position

Iran will seek to undermine Israeli security through its proxies and leverage the ongoing Israel-Hamas hostilities to discredit Israel and the US regionally. Increased co-ordination between pro-Iranian armed groups to target Israel – as well as US interests in Iraq and Syria – suggests their operations are aligned with a broader regional strategy spearheaded by Iran. Thus far this strategy has been characterised by a relative restraint, likely aimed at reducing the possibility of a direct military involvement by Iran and avoiding a significant retaliation by Israel and the US.

Pro-Iranian groups' position

Armed groups aligned with Iran have their own considerations. Launching a full-scale offensive against Israel risks undermining their strategic goals domestically and regionally. Hizbullah, in particular, has to consider the risks that a new full-scale conflict with Israel would pose to the organisation and to Lebanon in general, given the country's already dire economic and political situation.

The table below outlines the regional impact if the status quo prevails.

Affected area	Impact
Israel	Amid ongoing operations in the Gaza Strip, Israel will continue to face the risk of rocket, missile and drone strikes launched by Hamas, Hizbullah, Palestinian Islamic Jihad and Houthis from Gaza, Lebanon, and Yemen respectively. Israel will also face an increased risk of militant attacks. However, Israel's robust air defence system and the heavy security forces deployed across the country will mitigate these risks to a large extent.
Palestinian Territories	A quick resolution of the Israel-Hamas conflict remains unlikely. Israel seeks to uproot Hamas, and this will require a prolonged air and ground campaign inside the Gaza Strip. Operations in the Gaza Strip will drive the risk of unrest and militant attacks in the West Bank.
Lebanon	Provided that Hizbullah continues to exercise restraint in its exchanges with Israel, the impact from the conflict's violence will remain concentrated in Lebanon's immediate border areas. Sporadic attacks outside these areas are possible, though they will remain limited to South and Nabatieh governorates.
Region	Public sentiment: Israeli operations in the Gaza Strip and the US' support of Israel will continue to drive anti-Israel and anti-US sentiments across the region, sporadic pro-Palestinian demonstrations, and a risk of harassment of Israeli and US nationals. Related rallies will remain predominantly peaceful, though the risk of demonstrations turning disruptive – particularly near Israeli and US embassies – will persist. Attacks: The risk of attacks on Israeli and US nationals or interests will be heightened during the Israeli operations in the Gaza Strip, though these will vary across the region. Aerial attacks on US bases or interests attributed to pro-Iranian groups will manifest primarily in Iraq and Syria.



	Airspace: While the conflict remains contained, no significant disruption to airspace is anticipated. However, individual airlines may decide to proactively reduce flights or temporarily avoid flying over certain countries as a precaution. International relations: The ongoing Israeli operations in Gaza will strain Israel's diplomatic relations with several countries across the world, though particularly in the Middle East and North Africa. In the region, Bahrain, Jordan and Turkey have already recalled their ambassadors to the country.
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Second scenario: Full-scale conflict breaks out between Israel, Hizbullah

We assess that Israel's and Hizbullah's (along with Iran's) considerations of the risks and benefits from a renewed full-scale conflict are unlikely to change. Thus, this scenario is most likely to materialise as a result of a miscalculation, miscommunication or misinterpretation of intent by either side.

This risk will remain credible for the duration of the active phase of the Israeli operations against Hamas and the related regular cross-border exchanges between the IDF and Hizbullah. The ongoing heightened tensions and rhetoric, uncertainty, and mobilisation of rival forces along the border make this a credible alternative scenario. However, it is difficult to predict what specific development or incident in the Gaza Strip could prompt Hizbullah, in alignment with Iran, to launch a significant air campaign against Israel. This is especially due to the ongoing Israeli operations in the Gaza Strip and the daily cross-border exchanges between the IDF and Hizbullah.

Incidents that previously would have likely prompted a notable response did not result in a major escalation in the cross-border exchanges between both sides. This implies both sides are reticent to start a major escalation. Further evidence of this is that there was no significant expansion of cross-border hostilities when Israeli aerial attacks in Gaza resulted in significant Palestinian casualties, nor when Israel decided to launch ground operations into Gaza on 27 October.

The US' position

If a full-scale conflict between Israel and Hizbullah breaks out, the US will increase its support of Israel by providing financial aid, intelligence and weapons throughout the duration of the conflict. The US will maintain efforts to avoid a direct military intervention. This is due to the US' domestic considerations, including the lack of public support for a new US military involvement in a conflict, an upcoming US presidential election, and more broadly regional implications of such an intervention.

Iran's position

Iran will support Hizbullah logistically throughout the duration of the conflict, though it will refrain from engaging directly to avoid drawing retaliation from the US or Israel. The breakout of a full-scale Israel-Hizbullah conflict, on the one hand, presents Iran with an opportunity to destabilise Israel.



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On the other, Iran risks losing a well-positioned key ally that throughout the years has presented a direct threat to Israel. Furthermore, Hizbullah has also potentially deterred Israel from launching significant military operations directly against Iran. Given Israel's superior military capabilities and support from the US, it will likely be able to significantly degrade Hizbullah's capabilities if the conflict breaks out. Moreover, Hizbullah is likely to be blamed by various segments of the Lebanese population for provoking the conflict and the possible damage to the country, which may lead to Hizbullah losing its footing in Lebanon. These calculations increase the likelihood that Iran will seek to prevent the breakout of an Israel-Hizbullah conflict.

The table below shows the regional impact should Israel and Hizbullah decide to engage in conflict.

Affected area	Impact
Israel	Hizbullah's rocket arsenal will pose the greatest threat inside Israel. By attempting to overwhelm Israel's air defence systems, Hizbullah will seek to cause damage and civilian casualties inside Israel. In addition to several short-range and unguided rockets similar to those used by Palestinian groups, Hizbullah could also deploy longer-range missiles capable of higher velocities to target specific interests in Israel. The precise impact inside Israel of such a scenario is hard to predict due to the lack of precedent. Although several projectiles fired into Israel would likely be intercepted, it is not possible to avoid civilian casualties. If Hizbullah were able to target critical infrastructure inside Israel, including airports, then the impact on everyday life inside Israel could be severe. In any scenario, flight disruption is certain. Limited flights will, in turn, complicate evacuations.
Lebanon	In the event of an escalation, Israel will seek to degrade Hizbullah's capabilities by targeting the group's strategic assets and critical infrastructure supporting the group's activities across the country. This is likely to include Hizbullah assets in Beirut and the Beirut-Rafic Hariri International Airport (BEY). Attacks on the airport will likely leave it inoperable, lead to the closure of airspace, and thus significantly restrict evacuation options from the country. The fallout from the hostilities will be exacerbated by the country's dire economic situation, liquidity crisis and persisting disruption of provisions of essential services. The longer the conflict protracts, the more acute the shortages of essential supplies – including food, fuel, and medicine – will be. Dual-use structures, including power stations and communication facilities, are likely to be targeted as well, causing associated disruption. Israel may also engage in targeted assassinations against Hizbullah's leaders and potentially allies, including those associated with Lebanon's political leadership.
Jordan	Jordan will seek to secure its border with Israel to prevent conflict spillover and limit an influx of refugees. The situation along the borders with Israel will be volatile, as these areas are likely to be exposed to stray artillery fire and projectiles. The US will seek to limit potential impact of the conflict on Jordan, as it is a key regional ally by deploying Patriot Air Defense Systems. Nevertheless, partnering with the US and hosting US troops will expose Jordan to risk of attacks on US-linked interests in the country. These attacks may be carried out by lone assailants, or by Iran or pro-Palestinian sympathisers. Additionally, demonstrations in Jordan will continue to garner significant attendance. They are likely to take place outside or near Israeli and US embassies.



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Egypt	Heightened security presence deployed along the border with Israel will help limit the impact of the Israel-Hizbullah conflict on Egypt. Nevertheless, stray fire or projectiles could affect North and South Sinai governorates, particularly near the Israeli border. Egypt is likely to maintain its strict stance on refugees and allow only a limited number into North Sinai. The situation in the rest of the country, including major urban centres and the capital Cairo, is unlikely to be affected as the government will seek to minimize the impact from the Israel-Hizbullah conflict.
Syria	Syria will continue to serve as a key transport hub of weapons and other supplies to Hizbullah. Israel will attempt to disrupt these smuggling networks, exposing related facilities and domestic airports across the country to the risk of attacks. Palestinian armed groups based in the south of the country are likely to join Hizbullah in conducting cross-border attacks into Israel. The capabilities and arsenal of these groups remain limited compared with Hizbullah's. Nevertheless, their engagement would prompt a flare-up of hostilities in the Israeli-occupied Golan Heights as well as retaliatory fire into southern Syria. Separately, pro-Iranian groups will continue to target the US' military presence in Syria.
Iraq	Pro-Iranian armed groups, as well as the ruling pro-Iranian coalition in the government, will continue to align with Iran and its regional strategy if a full-scale Israel-Hizbullah conflict breaks out. Attacks on US military and diplomatic interests will continue in the country. Further well-attended, anti-US and anti-Israel demonstrations are expected in urban centres, including in the capital Baghdad. Various domestic actors are likely to call for a full exit of US troops from Iraq.
Iran	Direct impact on Iran from the Israel-Hizbullah conflict will remain limited, especially if the country refrains from engaging in the conflict directly, for instance by not launching strikes from its soil. Israel will redirect its resources on fighting Hizbullah and is unlikely to engage in operations targeting Iran directly.
Region	There will be significant international and regional pressure to contain the Israel-Hizbullah conflict and limit the impact on the region. Mediation efforts will persist, though they are unlikely to yield tangible results, particularly in the early stages of the conflict. Countries across the region will remain susceptible to related demonstrations and a heightened risk of attacks on Israel and US interests. Airspace: If a full-scale Israel-Hizbullah conflict breaks out, it would either prompt significant flight disruption or airspace closure in Israel and Lebanon. Flights to and over Syria are already restricted due to prolonged domestic instability. However, if Syria becomes heavily involved in the Israel-Hizbullah conflict, and few of its operational airports are taken out of order, this will disrupt already limited flight options to and from the country. The airspace across the rest of the region is unlikely to be affected by the Israel-Hizbullah conflict provided hostilities remain contained and do not trigger the involvement of a major regional or international actor.



Third scenario – Full-scale Israel-Hizbullah conflict prompts significant escalation of regional tensions, violence

While the second scenario outlines the potential impact of the conflict on Israel, Lebanon and other countries in the region, the third one builds upon that exploring the potential for regional tensions to escalate even further and create the conditions for various state and non-state actors to be more actively involved in exchanges of hostilities across the region.

In that environment, the series of attacks and retaliations between different sides will have a credible risk of expanding in geography, intensity, and scale. The resulting cycle of violence will become increasingly difficult to control and de-escalate. Despite the US and Iran – key actors in this scenario – maintaining their desire to avoid a direct confrontation and expansion of the conflict into a broader regional one, both countries will face situations that will increasingly require a more forcible response.

In this scenario, Iran is likely to expand its tactics to significantly step-up pressure against both Israel and the US across the region. Potential attacks against US bases or diplomatic interests in the region will have to be carefully calibrated, due to potential US retaliation. The options that Iran will likely consider include:

- cyberattacks on the Israeli government, infrastructure and private businesses,
- targeting Israeli-linked vessels and diplomatic interests,
- assassination and kidnapping attempts.

The situation will escalate even further if:

- attacks on US interests in Iraq and Syria result in multiple casualties among US national,
- pro-Iranian groups engage in attacks on US bases in other countries across the region, including Bahrain, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, Turkey or United Arab Emirates (UAE),
- Iran and Houthis significantly increase their attacks on vessels in Middle East waters, particularly in the Strait of Hormuz and Bab al-Mandab Strait,
- Iran accelerates uranium enrichment, expelling inspectors and preventing international monitoring of the status of its nuclear programme.

In response to any of these escalatory developments, the US will come under significant domestic pressure to respond. Direct retaliation against Iran will have serious regional implications. Therefore, the US is likely to explore other options, short of direct strikes on Iranian soil, to retaliate. These could include:

- stepping up retaliation against pro-Iranian groups in Iraq, Lebanon, Syria, and Yemen, including attacks on these groups' infrastructure and leadership,



- the sanctioning and targeting of Iran's illegal oil exports, which is the country's main source of revenue and
- launching cyberattacks in Iran.

Such operations would be aimed at degrading the capabilities of pro-Iranian groups and deterring Iran without provoking the latter to engage its military arsenal to retaliate directly against both the US and Israel. However, the US' current regional policy characterised by deterrence and restraint may be modified with a change of US administration following the 2024 presidential election.

Beyond US-Iran tensions

The Israel-Hizbullah conflict and the broader US-Iran tensions are likely to prompt geopolitical shifts, as regional states will seek to calibrate their position towards Iran, Israel and the US. Israeli operations in Lebanon and Palestinian Territories could prompt countries that have previously normalised relations with Israel to sever their ties with the country.

Similarly, heightened regional tensions may have a knock-on effect on Iran's relations with the Arab States. This would result in a setback, as Iran normalised ties with Saudi Arabia in March 2023. The relations could break down due to a miscalculation or misinterpretation of intent that could prompt some countries to align themselves with the US and adopt an anti-Iranian position. These countries would then be exposed to a risk of attacks by pro-Iranian groups targeting their strategic interests, such as energy infrastructure or any US bases they may host.

Peace negotiations between Saudi Arabia and Houthis will be impacted by these regional shifts. Saudi Arabia will seek to prevent renewed cross-border hostilities to ensure its national security and stability. Nevertheless, a combination of factors ranging from escalating regional tensions, a breakdown of Iran-Saudi relations or a miscalculated attack by Houthis could lead to a breakdown of peace talks and resumption of cross-border hostilities with Saudi Arabia and potentially UAE.

Fourth scenario – Risk of direct confrontation arises following US, Iran military involvement

This is the worst and least-likely scenario since both Iran and the US will seek to avoid direct confrontation. Despite the heightened regional tensions and the ongoing Israel-Hamas conflict, there are multiple steps in the escalation ladder before this scenario becomes likely.

This scenario assumes the current Israel-Hamas conflict leads to a full-scale Israel-Hizbullah conflict. This situation will only become credible if the US and Iran's indirect confrontations continue to escalate in their intensity, scale and geography against the backdrop of the Israel-Hizbullah conflict as outlined in the third scenario. Additionally, either side would have to refuse to de-escalate.

If the US sees that its countermeasures fail to deter the threat Iran poses to its interests and the



general regional stability, it may resort to pre-emptive strikes on direct Iranian interests in Iraq, Lebanon, Syria or even on Iranian soil. The US will also likely consider an attack on key Iranian military figures, similar to the 2020 assassination of the commander of Iran's Islamic Revolutionary Guard Corps-Quds Force Qasem Soleimani. The US' readiness to resort to such measures would depend on its domestic political situation, on the outcome of the upcoming US presidential election and its administration.

Iran's response to such attacks is difficult to predict given that it would struggle to confront the US militarily, even with its missile arsenal being the largest in the region. Nevertheless, Iran possesses missiles with a range of up to 1,243 miles (2,000km), capable of covering the entire region, including Israel. Additionally, Iran could disrupt maritime traffic in the Strait of Hormuz and the Bab al-Mandab Strait. Therefore, if Iranian leadership perceives such aggressive methods to be the only viable option, the country has the capabilities to significantly disrupt regional stability.

RECOMMENDATIONS

As the situation around Israel-Hamas conflict evolves, continue to monitor related developments. International SOS closely follows and reports on the conflict and its regional impact, including through our alerts where we provide up-to-date advice and outlook.

The indicators set out below would signal a worsening of the regional security environment.

- Hizbullah and allied groups significantly scale up their cross-border operations, launching hundreds of projectiles, including long-range and precision-guided missiles, into Israel.
- Several high-impact simultaneous or co-ordinated militant attacks in Israeli population centres.
- Ground-level incursions by fighters across Lebanese, Syrian or West Bank demarcation lines.
- US or other Western intelligence agencies warn of a forthcoming high-impact Iranian attack on Israel.
- An increase in cyberattacks on the Israeli government, infrastructure and private businesses.
- An increase in attacks on Israeli-linked targets, including nationals, diplomatic interests and vessels across the region and more broadly the world accompanied by casualties.
- Attacks on US interests outside of Iraq and Syria; such attacks resulting in multiple casualties among US nationals.
- Disruption of maritime traffic, particularly in the Strait of Hormuz and Bab al-Mandab Strait, resulting from increased targeting of vessels by Iran and Houthis.
- The US and Iran increase their rhetoric against the other.
- The US and/or Iran indicates an increased willingness to engage in direct conflict.



Advice for managers

- Ensure you are aware of our Evacuation Monitor level for your workforce's location. If you have workforce in a location from which evacuation may be necessary, make the necessary preparations. Check that all potential evacuees have up-to-date passports and visas and that manifests are up to date and on hand.
 - Notify in-country workforce of the level of evacuation preparedness and conduct a relevant briefing for key management at the country, regional and global level, where applicable.
 - Assess all international assignees regarding the requirement to remain in-country.
 - Workforce remaining in locations where our Evacuation Monitor level is either EVACUATE: NON-ESSENTIAL STAFF or EVACUATE: FULL EVACUATION should have confirmed access to:
 - o Assessed secure accommodation, ideally near an air-raid shelter if not on-site.
 - o An ample supply of essential goods in the event of short-notice movement restrictions, closure of retail stores or supply chain issues emanating from the conflict.
 - o Resilient primary and secondary means of communication.
 - Ensure that business-continuity or site shut-down and crisis-management plans are adjusted to current and potential scenarios. Evacuation plans need to consider the current operational challenges and the likelihood that those challenges will become more pronounced amid further escalation. An example of this includes the impact that Israel's calling in reservist members of the military could have on the availability of private security in the country. There is a possibility that external support will be limited.
 - Ensure that workforce understand how and whom to contact in the event of a security or medical emergency. Reconfirm that emergency communications protocols remain activated.
- Managers with workforce in the Gaza Strip.
- Direct foreign national workforce toward areas close to the Rafah border crossing with Egypt.
 - Workforce should be ready to depart to Egypt at short notice in the event of a crossing being possible.



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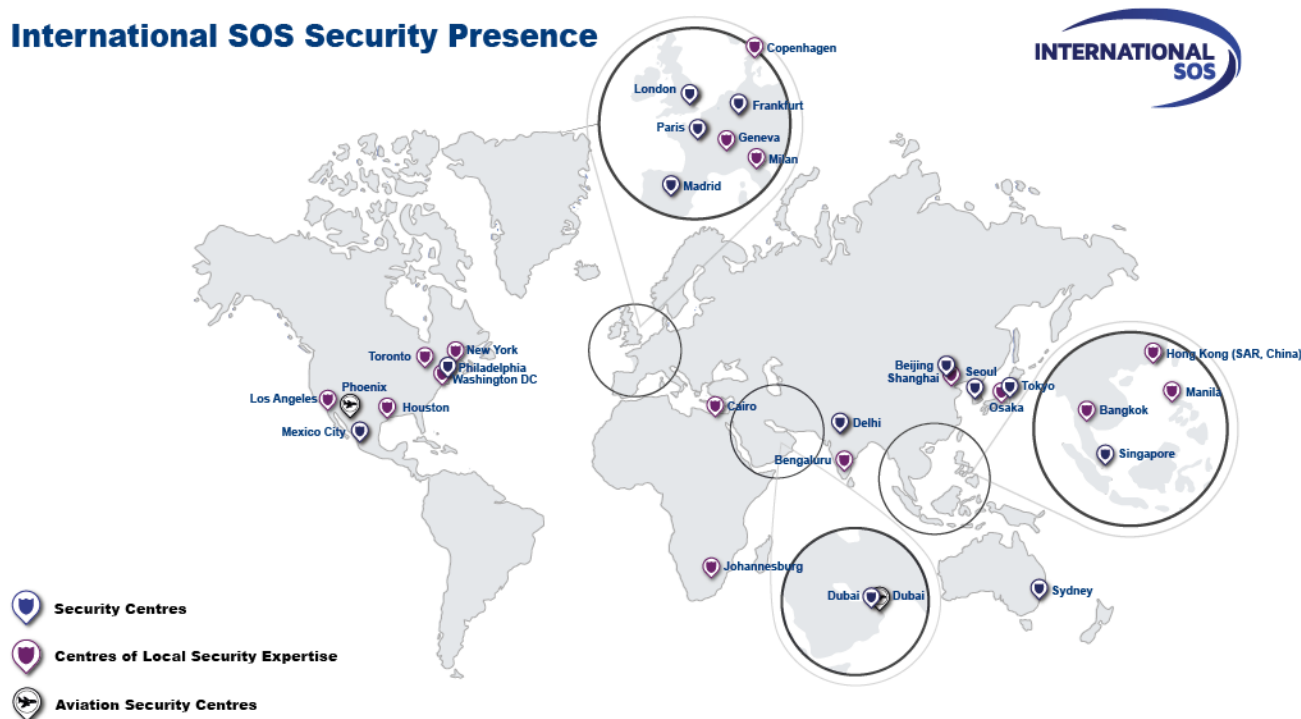
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