

An economic 'reset' for Israel, Lebanon, Egypt and Turkey

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Caption: Soldiers in the Israel Defense Forces working on the Israeli border with Lebanon on Dec. 1, 2024. Photo by Ayal Margolin/Flash90.

By Amy Neustein, JNS

U.S. President Donald Trump's brokering of a temporary ceasefire between Israel and Hamas already prompted a financial rally.

U.S. President Donald Trump's thinking "outside the box," as expressed last week after meetings at the White House with Israeli Prime Minister Benjamin Netanyahu, could transform the beleaguered Gaza Strip into the "Riviera of the Middle East." A bustling tourist hub inhabited by "people of the world" would be a much preferred replacement for the struggle and strife that have plagued Gaza for decades. A prosperous neighboring region, devoid of terrorists, would undoubtedly bring much-deserved security to the Jewish state.

Calling it "the first fresh idea in years ... a novel and correct approach" that should not be taken lightly, Netanyahu said that Gazans who are completely deradicalized and "disavow terrorism" would be welcomed back to the rebuilt enclave after their temporary relocation while the Strip is undergoing massive reconstruction. Trump, in fact, was less charitable. On Monday, he declared that Gazans would not have the right under any circumstances to return to Gaza under the implementation of his plan.

Contemplating Trump's plans for transforming Gaza brought enormous relief to the Jewish state and Jews around the world, but what may have been overlooked—and equally crucial to the stabilization of the Middle East—is how the admirable Trump-Israel partnership has resulted in a bright economic "reset" for Israel, Lebanon, Egypt and Turkey.

To begin with, Trump's brokering of a temporary ceasefire between Israel and Hamas prompted a financial rally. S&P, one of the three major bond credit-rating agencies, has recently indicated an imminent credit upgrade to the State of Israel bonds, removing the negative credit outlook they had assigned to them last fall. What this means is that investors will once again pour money into the Jewish state, knowing that their investment is safeguarded by the more sanguine forecast for Israel's economic growth and prosperity. On Monday, Trump showed his unflagging support for Israel once again. Upon learning of Hamas's machinations in suspending the release of the hostages, he declared a complete cancellation of the ceasefire if all remaining hostages were not released by this Saturday at noon.

Examining the economic reset resulting from the strong Trump-Israel alliance, Lebanon has become a beneficiary. In Trump's extending the ceasefire deal with Lebanon enabled Israel to stay in a little longer to suppress the militant groups that have resisted the Lebanese army, the country's economic forecast was given a boost. A country hitherto mired in default-stricken bonds has witnessed a remarkable surge in the price of their bonds, which continue to incrementally rise because Israel has disempowered and weakened Hezbollah, the militant group that had been strangulating and suffocating Lebanon for years.

Similarly, Egypt is a likely beneficiary of the Israel-Trump dyad. The U.S. president's understanding of how imperative it is for Israel to have sufficient arsenal at its disposal (and consequently, invoking his executive privileges to circumvent the lassitude of Congress in approving arms sales to Jerusalem) is crucial to its multifront war. In particular, Israel's efforts to counter the attacks of Yemen's Houthis fighters on ships in the Red Sea will enable Egypt to freely use the Suez Canal for cargo transport, which is crucial to the Egyptian economy. In fact, in the last year alone, shippers who diverted around Africa rather than risk ambush by Houthis in the Suez Canal cost Egypt \$7 billion—more than 60% of its Suez Canal revenues. Given that cargo transport is a mainstay for its economy, Egypt benefits from Israel's continued airstrikes on the insurgent Houthis.

Lastly, when Trump stressed at his joint press conference with Netanyahu last week that his plans to take over Gaza and make it into an idyllic spot along the Mediterranean will "create thousands of jobs," he may have had Turkey in mind. Turkey's heavyweight construction firms, presently losing money, will benefit greatly from the massive rebuilding of the Gaza Strip because it will create the need for construction jobs. Though its relationship with Israel has suffered from the stress of the war, an uptick in its construction industry and a healthy profit margin will understandably revive their previous friendlier relationship.

No doubt, a bright economic reset lies on the horizon. Trump and Israel have partnered successfully since his first term in office. With the president's ambitious plans for his second term, he's already set the wheels in motion even though he's only been in office for three weeks. This is a sign of a partnership between two parties that share the same vision for peace, prosperity and stability. Both allies are willing to think creatively and are not deterred by naysayers. Gaza could be made into a waterfront haven in the Mideast, plausibly akin to Singapore, and neighboring countries can be made vital and strong as well.

This is most certainly a tribute to a partnership between Israel and a U.S. president who is unafraid to speak up. It's not surprising that upon his return from his week-long summit, Netanyahu declared Trump the "greatest friend" Israel has ever had.