

Original Paper

The Israel-Palestine Conflict from the Perspective of Prospect Theory: “Hedging” or “Speculating”

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Abstract

Prospect theory, which emphasizes the non-linear relationship between risk and reward, is an important concept in the fields of psychology and behavioral economics, and focuses on the decision-making process of individuals in the face of risk and uncertainty. In the field of international relations, Prospect Theory is of great significance to the study of decision-making of international actors. This paper combines the overall framework of Prospect Theory, based on the relevant theoretical doctrines of geopolitics, and sets the risk perception and potential benefit seeking of the two parties as independent variables, and the decision-making behavior and strategic choices of the two parties as dependent variables. By analyzing the behavioral patterns of the participants in the conflict and exploring their “hedging” and “speculative” behavioral choices, we can better understand their decision-making process and perhaps provide valuable insights into their search for a peaceful solution.

Keywords

“prospect theory”, Israeli-Palestinian conflict, “hedging”, “speculation”

1. Introduction

The Israeli-Palestinian conflict has long been a global focal point of attention. The roots of this geopolitical conflict are complex, involving historical, religious, national identity, territorial rights, and security issues. Following the establishment of the State of Israel in 1948, territorial and religious disputes have increasingly sharpened contradictions with neighboring Arab countries, especially Palestine. Despite numerous efforts for peace and diplomatic attempts, the contradictions between Palestine and Israel continue. On October 7, 2023, the Palestinian Islamic Resistance Movement

(Hamas) announced a military operation against Israel named “Al-Aqsa Flood”. As of March 2024, the ongoing conflict has resulted in 30,900 deaths in the Gaza Strip, with the escalating Israeli-Palestinian conflict drawing wide international concern. This conflict affects not only the direct participants but also impacts the security and stability of the entire Middle East and the global community.

To deeply understand the Israeli-Palestinian conflict, many theories and analytical frameworks in international relations have been applied to its study. Prospect Theory, a behavioral economics theory, offers us a unique perspective to examine such complex conflicts. Proposed in 1979 by Nobel laureate Daniel Kahneman and Amos Tversky, it was initially aimed at explaining the behavioral patterns of individuals facing risky decisions. Unlike traditional expected utility theory, Prospect Theory suggests that decision-makers exhibit a stronger aversion to losses than to equivalent gains, leading to risk-seeking behavior when facing potential losses and risk-averse behavior when potential gains are on the line.

Within the context of the Israeli-Palestinian conflict, this theory can be used to interpret the behaviors of both sides when facing security and political risks, especially in analyzing the application of “hedging” and “speculative” strategies. This paper employs a literature review method, integrating the overall framework of Prospect Theory through historical review and process tracing methods to apply it to the Israeli-Palestinian conflict, thereby more comprehensively understanding the motives and decision-making processes of both parties in the conflict. Furthermore, this paper attempts to offer possible new solutions for mediating this enduring conflict.

2. Literature Review

2.1 Theoretical Elucidation

2.1.1 Prospect Theory

Prospect Theory, introduced by psychologists Daniel Kahneman and Amos Tversky in 1979, is a behavioral economics theory that describes how people make decisions when faced with risk. It significantly revises the traditional Expected Utility Theory, which assumes that individuals are always rational in their decision-making, meaning they always choose the option with the greatest expected utility. However, Kahneman and Tversky demonstrated through experiments that individuals often make irrational decisions, especially when facing potential losses.

This paper argues that Prospect Theory’s research elements mainly consist of three aspects: (1) Reference Points, which are crucial for presenting information, forming gain or loss frames, and making decisions. Reference points occupy a central position in Prospect Theory. They refer to a benchmark or standard that an individual bases their decisions on, where outcomes above this point are considered gains and those below are considered losses. Typically, the current status quo serves as the reference point for decision-makers, though subjective expectation levels can also serve as a standard. (2) Hedging, refers to behaviors in gain scenarios, i.e., in the “winning zone,” where decision-makers choose to hedge by diversifying risks to protect themselves from potential losses. Hedging usually

represents risk aversion, not aimed at gaining additional profit but ensuring the stability and predictability of returns. (3) Speculation, involves behaviors in loss scenarios, i.e., in the “losing zone,” where decision preferences shift towards risk-seeking. Faced with high risk, as risk preferrers, individuals are willing to take on certain risks in the hope of achieving higher returns.

2.1.2 Applicability of Prospect Theory in International Relations and Foreign Policy Analysis

The applicability of Prospect Theory in the fields of international relations and foreign policy analysis is manifested in its provision of a unique perspective for understanding state behavior, especially in revealing how states make decisions when faced with potential international risks and rewards. It allows for an in-depth analysis of the loss aversion tendency exhibited by state actors in the formulation of foreign policies, where there is a more active and sensitive approach towards protecting national interests and avoiding potential losses than pursuing potential gains of the same magnitude. This is particularly evident in areas such as arms races, territorial disputes, and economic sanctions; moreover, Prospect Theory also elucidates the nonlinear probability weighting phenomenon demonstrated by state actors when assessing the likelihood of international cooperation or conflict, where an excessive focus on low-probability but high-impact events can lead to the formulation of overly defensive or adventurous policies. (Kahneman & Tversky, 1979)

Therefore, a deep understanding and application of Prospect Theory not only aids in predicting and analyzing decision-making behavior in international politics but also provides theoretical guidance and strategic insights for concluding more stable and mutually beneficial international agreements, formulating more effective crisis management strategies, and building long-term frameworks for peace and cooperation.

2.2 Overview of Existing Research

Existing research on international relations offers a diverse range of perspectives and analytical frameworks on the Israeli-Palestinian conflict. Given the complexity of the issue, scholars and social commentators both domestically and internationally have provided various viewpoints. Analyses cover multiple areas within the field of international relations, including international law, peace and conflict resolution studies, as well as international political economy.

In terms of theoretical analysis, Mark A. Tessler, a renowned American Middle East studies expert, explored various dynamics and influencing factors within the Israeli-Palestinian conflict, including international intervention, regional politics, economic conditions, and the construction of national identity in his work “A History of the Israeli-Palestinian Conflict” (1994). This exploration demonstrates the multi-layered and complex nature of the conflict. (Mark,1994) From the perspective of international law and human rights, John Dugard, a South African international law scholar, analyzed the legal issues within the Israeli-Palestinian conflict in “International Law and the Israeli-Palestinian Conflict: A Rights-Based Approach to Middle East Peace” (2013). This analysis includes the provisions of international law regarding occupation, settlement construction, and human rights violations, and explores the role and responsibility of the international community in resolving

the conflict and promoting peace. (John, 2013) In terms of conflict resolution strategies and prospects, Johan Galtung, known as the “Father of Peace Studies”, proposed a theoretical framework for peacebuilding in “Peace by Peaceful Means: Peace and Conflict, Development and Civilization” (1996). He explored possible pathways to achieving peace in the Israeli-Palestinian conflict. The analysis includes the concepts of structural and cultural violence, mentioning methods to resolve underlying conflicts by establishing more equitable and inclusive social structures. (Johan, 1996)

These documents represent just a fraction of the extensive research on the Israeli-Palestinian conflict, providing deep insights into this complex conflict from historical, legal, and peace theory perspectives among others. While existing research offers illuminating explanations for the strategic choices of both parties in the conflict, there are still areas that require further refinement: First, existing literature does not seem to explore the decision-making behavior of the parties involved in the conflict within a theoretical framework of “foreign policy analysis” of states; second, the representativeness of existing literature on the conflict analysis may be insufficient, with most studies perhaps overly focusing on one party’s perspective, lacking a comprehensive consideration of the diverse viewpoints of both parties involved in the conflict as well as the international community, which may lead to biases and incomplete understanding; third, existing literature has not provided sufficient explanations for the timing and context of specific policy changes. Why the decision-makers adopted specific policies at certain times remains under-explained. A thorough analysis of the historical, economic, and political factors behind these policy changes is crucial for a comprehensive understanding of the conflict’s dynamics and potential solutions. This paper introduces Prospect Theory from foreign policy analysis into the decision-making perspective of the Israeli-Palestinian conflict, using it as a framework for an exhaustive interpretation of the motivations behind the decisions of both parties in the conflict, and offers what the author considers to be practical measures and solutions.

3. The History and Current State of the Israeli-Palestinian Conflict

3.1 Historical Background and Roots

3.1.1 The Rise of Zionism and Competition for Land

The tensions in the Palestinian region have deep historical roots, traceable to the late 19th century with the rise of Zionism, marking the beginning of this longstanding conflict. Zionism is a nationalist movement aimed at re-establishing a sovereign state for Jewish people on their historical homeland, in response to anti-Semitic persecution. This movement attracted Jews from around the globe. From the late 19th to the early 20th century, thousands of Jewish immigrants flowed into the Palestinian region, which was then predominantly inhabited by Arabs.

During this period, the Jewish community gradually strengthened their presence in the Palestinian area by purchasing land, establishing farms, and settlements. However, these activities heightened tensions with the local Arab community. Arab residents, observing the influx of foreigners and their land acquisition, felt their way of life and land ownership were threatened. Over time, relations between the

two groups grew increasingly tense, laying the groundwork for later conflicts.

3.1.2 The United Nations Partition Plan and the Establishment of Israel

As the conflict escalated, the international community sought to resolve the issue through the United Nations Partition Plan of 1947, which proposed dividing the Palestinian territory into two independent states: one Jewish and one Arab, along with a special international zone controlled by the international community, including Jerusalem and Bethlehem, areas of profound religious significance to Jews, Christians, and Muslims. However, this plan was not accepted by the Arab world, which rejected the proposal to divide Palestinian land.

On May 14, 1948, Israel declared independence, prompting military intervention from several Arab states including Egypt, Jordan, Syria, Lebanon, and Iraq. This led to the outbreak of the first Arab-Israeli war, resulting in a large number of Palestinian refugees who were forced to leave their homes and become displaced. After the war, Israel controlled a significant amount of territory beyond that allocated to the Jewish state by the partition plan, and many Arab residents fled these areas.

The war caused widespread shock in the Arab world and is referred to as the “Nakba” (meaning “catastrophe”), marking the beginning of the Palestinian refugee issue and a key moment in the history of the Israeli-Palestinian conflict. The Nakba represents not only the displacement of thousands but also symbolizes a nation’s profound loss of land, home, and identity. This trauma still occupies a significant place in the collective memory of Palestinians and continues to influence the course of the Israeli-Palestinian conflict. (Yao, 2017)

3.2 Conflict Development and Current Situation

Over the subsequent decades, tensions in the region escalated through more wars and conflicts. In the Six-Day War of 1967, Israel occupied the Gaza Strip, the West Bank, East Jerusalem, and the Golan Heights, the control of which remains one of the core issues of the conflict to this day. The Yom Kippur War of 1973 further demonstrated the region’s instability.

In 1993, after prolonged violence and instability, the Palestine Liberation Organization (PLO) and the Israeli government signed the Oslo Accords, marking the first mutual recognition between the two sides and establishing temporary governmental institutions for Palestinians in autonomous areas. However, the peace process did not advance smoothly, with the Second Intifada (Al-Aqsa Intifada) in the late 1990s to early 2000s resulting in significant casualties and further deterioration of relations between the two nations.

In the early 21st century, despite numerous mediation attempts by the international community, the Israeli-Palestinian conflict remains an unresolved issue. Israeli settlement activities in the West Bank, the blockade of the Gaza Strip, and ongoing military conflicts have kept the region’s situation tense. Internal divisions within Palestine, mainly represented by the political split between Hamas (controlling Gaza) and Fatah (dominating the West Bank), have added complexity to the conflict.

On October 7, 2023, Hamas launched “Operation Al-Aqsa Flood,” also known as the Hamas raid on Israel, a large-scale attack by the Palestinian Islamic armed organization Hamas from the Gaza Strip on

adjacent areas in Israel, leading to the outbreak of the Israel-Hamas war. (Hobart William Smith Colleges, 2023)

Before launching the attack, Hamas conducted reconnaissance on kibbutzes near the Israeli border and devised a detailed plan aimed at killing as many Israeli civilians as possible, taking hostages, especially targeting youth centers and elementary schools, and quickly transporting hostages to the Gaza Strip. The attack began in the early morning, with at least 3,000 rockets intensively bombarding Israel, while militants were transported into Israeli territory using vehicles. Palestinian militants breached the Gaza-Israel barrier, attacking military bases and massacring civilians in nearby Israeli communities. At a music festival, at least 260 Israelis were slaughtered. Israeli soldiers and civilians, including women and children, were taken hostage to the Gaza Strip. Figures such as U.S. President Joe Biden described this day as “the worst massacre of Jews since the Holocaust.” (Kekauoha, 2023)

The current state of the Israeli-Palestinian conflict is multifaceted, encompassing ongoing security issues, humanitarian crises, disputes under international law, and challenges to regional stability. A peaceful resolution requires addressing all these issues, including the determination of final borders, refugee rights, the status of Jerusalem, and ensuring the security and prosperity of the peoples of both states. (Zhang, 2023) Despite numerous attempts at peace in the past, a lasting and comprehensive solution remains elusive to date.

4. Hedging and Speculative Behaviors in the Israeli-Palestinian Conflict

4.1 Israel: “Hedging Behavior” Decision-Making

4.1.1 Decision Choices

In the Israeli-Palestinian conflict, Israel, being in a position of absolute advantage in armed conflicts, or in the “winning zone,” opts for “hedging behavior,” a strategy to protect itself from potential losses by diversifying risks. “Hedging behavior” holds a significant place in its policy towards Palestine and its overall international strategy. These actions aim to reduce security risks, maintain national stability, avoid unnecessary conflicts, ensure the country’s sustainable development and international status, and secure long-term survival.

Firstly, in terms of security, Israel’s choice of hedging behavior is reflected in its strong national defense force and advanced military technology. Israel invests in sophisticated defense systems and intelligence networks, such as the “Iron Dome” missile defense system, to mitigate threats from rockets and short-range ballistic missiles. Israel’s robust intelligence capability, capable of providing timely warnings of potential terrorist attacks and security threats, is a key component of its hedging strategy.

Secondly, in diplomacy, hedging is evident in Israel’s maintenance of relations with global and regional powers. Israel strives to keep a close strategic partnership with the United States while also seeking stable relations with other major countries like Russia and China. In recent years, Israel has reduced regional isolation and sought new strategic partners by normalizing relations with some Arab countries, such as the UAE and Bahrain.

Furthermore, regarding the Palestinian issue, Israel's hedging behavior is manifested in its participation in peace negotiations, although these efforts are often frustrated due to differences in positions between the parties. Through negotiations, Israel seeks to establish its security needs while attempting to avoid negative international public opinion and potential sanctions. Additionally, some of Israel's policies in the West Bank, such as the construction of the security barrier and restrictions on access to certain areas, are part of its hedging strategy, aimed at reducing terrorist attacks and protecting border security. However, Israel's hedging actions are not without controversy. The international community often criticizes some of Israel's measures in dealing with the Palestinian issue, such as settlement construction and the blockade of the Gaza Strip. While these actions are intended to protect national security, they also exacerbate tensions with the Palestinians and affect Israel's international image.

Overall, Israel's hedging behavior is part of its comprehensive national security strategy, designed to maintain stability, reduce risks, and ensure the country's long-term interests. The formulation and execution of these strategies are a continual process of adjustment, taking into account internal security, regional dynamics, and the reactions of the international community.

4.1.2 Decision Motives—An Analysis Based on Prospect Theory

Prospect Theory posits that decision-makers are more sensitive to losses than to an equivalent amount of gains, a phenomenon known as loss aversion. This aversion to loss prompts Israel to adopt hedging behaviors in decision-making to avoid potential losses. For Israel, when in the "winning zone", the losses it most seeks to avoid are security threats, international isolation, and economic damage. Therefore, by strengthening defense systems, building international alliances, and remaining active in peace negotiations, Israel attempts to minimize these risks.

In terms of probability weighting, Prospect Theory suggests that people tend to treat probabilities nonlinearly, being overly sensitive to small probabilities of significant losses. Positioned in a region filled with uncertainties, Israel faces the potential for catastrophic outcomes from even low-probability security threats. Therefore, it engages in hedging behaviors to prepare for and guard against these potential low-probability events, such as constructing the Iron Dome missile defense system to protect against rocket attacks from hostile forces.

Additionally, changes in reference points constitute a significant factor. Israel's decision-making reference points are influenced not just by the current state but also by its historical experiences, security needs, and national identity. Wars, terrorist attacks, and diplomatic isolation throughout history have shaped the backdrop of Israeli decision-making, leading to a more cautious and defensive stance towards future security and political issues. This has resulted in the adoption of hedging behaviors, such as utilizing diversified diplomatic measures and military preparedness to ensure the nation's survival and prosperity.

In summary, according to Prospect Theory, the motivation behind Israel's choice of hedging behavior is a complex decision-making process where loss aversion, probability weighting, and changes in reference points interact. These elements collectively drive Israel to adopt comprehensive measures in

maintaining security, avoiding losses, and preparing for an uncertain future. These hedging behaviors represent Israel's strategic choices in responding to a complex security environment and unstable regional politics, reflecting its efforts to maximize national interests and ensure the safety of its citizens amid changing circumstances.

4.2 Palestinian Islamic Resistance Movement (Hamas): "Speculative Behavior" Decision-Making

4.2.1 Decision Choices

In the Israeli-Palestinian conflict, the Palestinian Islamic Resistance Movement (Hamas) is in a disadvantaged position in the armed conflict, or in the "losing zone," and thus opts for "speculative behavior." This decision-making preference shifts towards risk-seeking, meaning that as risk preferrers, they are willing to undertake certain risks in the hope of achieving higher returns. Their "speculative behavior" decision-making is a response to the complex political, military, and social environment, aimed at gaining strategic advantages or altering an unfavorable status quo through proactive measures. (Lin, 2006) Hamas's actions reflect its multidimensional strategy as both a political and military organization, including the pursuit of power, status, and influence, as well as a commitment to long-term goals.

As a political and military organization, Hamas's decision-making often revolves around how to effectively resist Israeli occupation, enhance its status among the Palestinian populace, and play a significant role in Palestinian and broader regional politics. Launching sudden military attacks or adopting radical political stances are often seen as ways through which Hamas seeks to shake the status quo, attract international attention, or reinforce its image as a resistance force. The "Operation Al-Aqsa Flood" initiated by Hamas on October 7, 2023, a large-scale attack from the Gaza Strip on neighboring Israeli areas, is a clear example of "speculative behavior" decision-making.

In the military domain, Hamas's speculative behavior includes, but is not limited to, launching rocket attacks, creating explosive incidents, or digging tunnels for attacks. These actions aim to exert pressure on Israel while showcasing Hamas's military capability as part of the Palestinian national resistance movement. However, this strategy often provokes a strong response from Israel, leading to casualties among Palestinian civilians and condemnation of Hamas by the international community.

In the political domain, Hamas furthers its political objectives by participating in elections, forming governments, or negotiating with other Palestinian and international organizations. Through these speculative actions, Hamas aims to enhance its legitimacy and influence as a political entity, while also seeking opportunities for support and cooperation within the complex regional politics.

However, Hamas's speculative actions are not without risks and costs. Its radical military and political strategies often provoke strong domestic and international reactions, potentially leading to economic hardship, humanitarian crises, and political isolation. These actions also contribute to increasingly tense relations with other Palestinian factions, especially Fatah, which dominates the West Bank.

Overall, speculative behavior in conflict is manifested as a risky strategic choice, often adopted as a radical strategy when faced with significant pressure from potential losses. For Palestinians, when their

territorial integrity and national existence are threatened, they may choose to resist through violent means, even if such actions could provoke more severe responses and greater losses. Hamas's "speculative behavior" decision-making is a strategy in its pursuit of political objectives, enhancement of military capabilities, and response to a complex environment. It reflects Hamas's pursuit of changing the status quo and elevating its position, as well as the challenges of seeking survival and influence amid conflict, competition, and uncertainty.

4.2.2 Decision Motives—An Analysis Based on Prospect Theory

Prospect Theory suggests that decision-makers may exhibit risk-seeking behavior when already in a state of loss. This motivation for risk-seeking drives Hamas to adopt more aggressive actions in certain decision-making scenarios, aiming to reverse unfavorable situations or achieve potential high gains, despite accompanying higher risks.

Firstly, Prospect Theory indicates individuals are more sensitive to potential losses than to equivalent gains, known as loss aversion. For Hamas, the ongoing occupation, political marginalization, and the suffering of its people are seen as unacceptable states of loss. Facing the Israeli occupation and issues of Palestinian national self-determination, the current situation may be deemed intolerable by Hamas, making any action that could break the status quo, draw international attention, or enhance its status among Palestinians appealing. This desire for change may drive Hamas towards risky speculative actions, such as launching rocket attacks, conducting suicide bombings, or initiating border conflicts, even though these actions could provoke severe responses. Thus, even if speculative actions, like launching attacks or refusing compromises, carry high risks, Hamas might see them as necessary to change the status quo and reduce long-term losses. In other words, rather than accepting a continuous unfavorable situation, Hamas prefers to take risks in hopes of changing the status quo through actions.

Secondly, the setting of reference points is crucial for their decision choices. Hamas's reference points include not only its current survival situation but also visions for the future of Palestine, historical sentiments, and religious beliefs. When reality falls significantly below these reference points, Hamas might resort to extreme actions to attempt resetting the status quo, even if the chances of success are slim.

Furthermore, Prospect Theory posits that decision-makers perceive probabilities nonlinearly, especially when assessing low-probability events. For Hamas, even if the chances of success for certain speculative actions are low, as long as success could bring significant political or strategic gains, they might still be overly weighted. Hamas might also weight the probabilities of potential gains based on its interpretation of various situations. If Hamas believes that international or regional powers might pressure concessions due to its actions, it might assign a higher probability weighting to military or political provocations, deciding on more aggressive actions. This nonlinear perception of probabilities could lead to an unusually high tolerance for risk by Hamas, willing to engage in a series of high-risk, high-reward speculative actions.

In summary, Hamas's decision-making for "speculative behavior" reflects its strategic considerations as

a national liberation movement seeking to achieve its objectives in an extremely complex and dynamic environment. Loss aversion makes it unwilling to accept a continuous unfavorable state; strong reference points drive it to act in hopes of changing the status quo, and nonlinear perception of probabilities makes it more inclined to pursue high-risk strategies that could lead to significant changes. These factors together shape Hamas's decision-making behavior, leading it to undertake a series of "speculative actions" in a complex and dynamic political environment. However, these "speculative actions" are not without costs. Hamas's military actions often lead to strong responses from Israel, causing casualties and economic losses among Palestinians and potentially provoking international condemnation. Therefore, when deciding to take speculative actions, Hamas must weigh the complex relationship between the expected benefits of enhancing its strategic position and achieving its goals against the potential negative consequences.

5. Bilateral Peace-Building Strategy Recommendations

5.1 Reshaping Reference Points to Mitigate the Impact of Loss Aversion

Prospect Theory highlights that people's choices depend on their relative perception of gains and losses, rather than their absolute values. Efforts towards peace-building should aim to alter the perceptions of both parties regarding the current state, viewing peace as a means to improve the status quo.

Through education, media, and direct dialogue, it's possible to deepen the understanding of the potential benefits of peace, making it a new reference point for both sides. Due to loss aversion, both parties may prefer to maintain the status quo rather than risk seeking peace, especially when the path to peace is fraught with uncertainty. To overcome this obstacle, security measures and incentives such as economic aid, security guarantees, and international support can be offered to reduce the uncertainty and perceived risk during the transition to peace. These measures can help both sides more easily accept the initial "losses" brought by peace and focus on the long-term "gains."

5.2 Utilizing Probability Weighting to Develop a Gradual Peace Roadmap

Prospect Theory suggests that when faced with complex decisions, decision-makers tend to assign disproportionate importance to low-probability events. Peace-building strategies can leverage this psychological bias by emphasizing that even a low-probability peace success can have significant positive impacts. By highlighting the potential gains of peace success (such as international recognition, economic development, social stability), it encourages both parties to take more proactive peace actions. Additionally, decision-makers prefer to break down problems into a series of smaller choices. Therefore, creating a phased peace roadmap, with clear objectives and gains at each stage, can help both sides gradually adapt to the peace process and feel progress and benefits at each step. This gradual approach can lower the overall perception of risk, making each step towards peace seem more manageable and acceptable.

5.3 Establishing Reciprocal Mechanisms for Shared Loss Distribution

Reciprocal mechanisms aim to ensure that both parties in a conflict can see clear benefits from the

peace process. Prospect Theory points out that decision-makers are more sensitive to losses than to equivalent gains. Therefore, it's crucial for each side to see direct and substantial benefits in the peace agreement to facilitate their acceptance and implementation of the agreement. If the decision-makers perceive that losses are fairly distributed, they might be more willing to take some risks and engage in the peace process. At the same time, peace-building can be achieved through economic aid, trade incentives, security guarantees, technical support, or cultural exchanges. The international community can promise economic assistance and development projects after the successful signing of a peace agreement, helping both sides to rebuild and develop. This creates a positive feedback loop, encouraging both parties to continue adhering to the agreement.

6. Conclusion

Prospect Theory, established on an experimental basis, is a probabilistic theory that does not assume a priori nor employs deductive reasoning to draw conclusions, instead using an inductive method. Although it differs from the theoretical models advocated by scientific methodology, Prospect Theory still offers many noteworthy theoretical insights. In the field of international relations, especially in the study of decision-making theories using Expected Utility Theory for analysis, Prospect Theory provides a theoretical foundation for diplomatic decision preference research that differs from Rational Choice Theory and other theories. To some extent, it explains the dynamic changes in diplomatic decision-making.

This paper aims to analyze the complexity of the Israeli-Palestinian conflict and its multidimensional strategies for peace-building from the perspective of Prospect Theory. It elucidates the history and current state of the Israeli-Palestinian conflict, Hamas's speculative behavior, and Israel's hedging strategy. By examining the deep motives and psychological mechanisms behind these behaviors, we gain insight into the decision-making process of the conflicting parties. Although the path to peace between Israel and Palestine is full of challenges, a deeper understanding of the decision-making motives and preferences of both sides can enable the international community to promote peace negotiations and construction more effectively. Continuous international support, courage, and wisdom from leaders of both sides, and adaptability to changing circumstances are key factors in achieving lasting peace. Additionally, the participation and support of civil society are crucial to the peace process, providing a comprehensive driving force from grassroots to high-level efforts.

In conclusion, building peace between Israel and Palestine is a long-term, complex, and dynamic process that requires relentless efforts and a shared commitment from both sides. The international community should condemn all acts of violence against civilians and call for all parties to exercise maximum restraint, firmly maintain a stance for peace and stability, and advocate for resolving disputes through dialogue and negotiations. By adopting flexible strategies, deepening mutual understanding, and continually adapting to new challenges and opportunities, achieving lasting peace in the Israeli-Palestinian region is both possible and a worthy goal to pursue collectively.

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