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Executive Summary Report



Bancroft Capital's GEOIntel Group has published several quick "Flash ExSums" on the Israel-Hamas war. This ExSum is a more comprehensive report as the conflict is entering another phase, with many complex and competing factors.

The horrific attacks by Hamas, a Palestinian terrorist organization, beginning on Oct. 7, 2023, killed about 1,200 Israelis with another 250 hostages taken. In response, Israel declared two strategic objectives for the military campaign, to eliminate Hamas terrorists and their governing authority within the Gaza Strip, as well as to rescue the hostages.

Numerous Israeli government decisions have resulted in an unprecedented humanitarian crisis, with international support for Israel's approach in achieving its strategic objectives under extreme condemnation, including by the United States. After more than six months of intense urban combat between the Hamas and Palestinian Islamic Jihad terrorist fighters and the Israeli Defense Force (IDF), an estimated 33,000 Palestinians, including terrorists, have been killed with an estimated 70,000 wounded.

The Israeli Ministry of Defense reports a total of 604 soldiers, reservists, and local security officers have been killed and 3,193 have been wounded since Oct. 7 – of the total numbers, 260 were killed and 1,552 were wounded during the ground offensive in Gaza.

Way Ahead:

- Big picture, Iran remains undeterred in their support of proxies countering Israel and/or the United States; Iran will likely retaliate following recent IDF strikes in Syria.
- As for the Gaza Strip, the IDF will eventually have to continue its offensive into Rafah governate and Rafah city to have a major impact on Hamas. How the IDF conduct this operation and attempt to mitigate Palestinian civilian casualties remains uncertain.
- Despite its reluctance to do so, Israel will slowly acquiesce to U.S. and international pressure to increase humanitarian relief to Palestinians in Gaza. There are also growing discussions regarding the future of Gaza once Hamas' military capability is destroyed.
- In Israel, the call-up of military reserves has led to a severe labor shortage; in the West Bank, curtailed economic activity with Israel has taken a toll and Israel's economy shrank almost 20 percent in annualized terms in the final quarter of 2023. But the rebuilding of Gaza and the resulting spike in economic activity that usually occurs after a conflict/negotiated settlement presents opportunity.
- From an economic perspective, the near-term supply chain concerns remain and may escalate given the Iranian proxies' support in the region. The impact would be higher costs as firms diversify suppliers and shipping routes to mitigate business risk.
- The longer-term implications for corporates will be the delicate balance of governance in the region. Israel is a developing innovation hub for technology and healthcare and Saudi Arabia continues to be a leading provider and influencer of energy. Strong relations with both Israel and the Kingdom of Saudi Arabia are important to the U.S. economically and its global strategic positioning.



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Discussion:

The horrific attacks beginning on Oct. 7, 2023, killed about 1,200 Israelis with another 250 hostages taken (of many nationalities, but mostly Israeli). In response, Israel declared two strategic objectives for the military campaign, to eliminate Hamas terrorists and their governing authority within the Gaza Strip, as well as to rescue the hostages. Recall that Hamas is the Palestinian terrorist organization that has controlled the Gaza Strip since 2007, following elections and the ousting of the Palestinian Authority. The U.S. declared Hamas a foreign terrorist organization in 1997. Hamas has been in constant friction (and war) with Israel ever since.

Following a 20-day air campaign, Israel initiated a ground offensive of Gaza on Oct. 27, 2023. The Israeli Defense Forces, or IDF, executed a systematic offensive from the air, sea, and overland into northern Gaza, moving South through the Governates of Gaza, Gaza City, Deir El Balah, and Khan Younis. After more than six months of intense urban combat between the Hamas and Palestinian Islamic Jihad (PIJ) terrorist fighters and the IDF, casualties mounted on both sides. An estimated 33,000 Palestinians, including terrorists, have been killed and an estimated 70,000 wounded. Given the lack of functioning hospitals and morgues, the estimates may be inflated, but the loss of innocent life is at the forefront of international condemnation.

The Israeli Ministry of Defense reports a total of 604 soldiers, reservists, and local security officers have been killed and 3,193 have been wounded since Oct. 7. Of them, 260 were killed and 1,552 were wounded during the ground offensive in Gaza. The IDF also listed 41 soldiers killed due to friendly fire in Gaza and other military-related accidents.

As for the hostages held by Hamas, 105 were released in an exchange/temporary cease-fire in late 2023, with small numbers voluntarily released by Hamas and/or rescued by the IDF. Israel estimates that several of the remaining hostages are dead, with 99 of the 130 hostages remaining alive. Hamas uses the hostages as human shields, and the hostages are their only negotiating lever. The released hostages were severely malnourished and most, if not all, are suffering from deep emotional trauma – their plight is very dire. Hanniyah, the Hamas political leader has recently stated that the Hamas military leadership in Gaza cannot provide even 40 hostages for a future exchange. This statement is extremely concerning, particularly for the families of the hostages.

International Community:

Immediately following the atrocities committed by Hamas on Oct. 7, 2023, there was resounding international support for Israel to defend itself. This support, led by the U.S. and Europe, was also reinforced by many Arab States in the region. This phenomenon was unique, because in previous conflicts between Israel and Hamas many nations would condemn Israel's military approach as being disproportionate given the fact that Palestinians in Gaza and the West Bank have been living under occupation for decades. Case-in-point, the Arab States (see [Bancroft GEOIntel ExSum on Arab Reactions](#)) largely did not condemn Israel's immediate response, almost certainly due to the extreme nature of the Hamas attack on Oct. 7, 2023. More broadly, the previous success of the 2020 Abraham Accords softened Israel-Arab relations (see [Bancroft GEOIntel ExSum on the Abraham Accords](#)), with the increasing normalization of Israeli-Arab relations and the isolation of Iran (more on this in the below).

However, beginning with the Israeli government's decision to lay siege to Gaza on Oct. 9, 2023, cutting off all basic services and the lifeline logistics supply to the Gaza Strip, to the present day where numerous subsequent Israeli government decisions have resulted in an unprecedented humanitarian crisis, international support for Israel's approach in achieving its strategic objectives is now under extreme condemnation, including by the United States.

Last month, during one of several United Nations Security Council (UNSC) meetings on the Israel-Hamas war, a resolution was passed demanding an immediate ceasefire for the month of Ramadan, demanding the immediate and unconditional release of all hostages, and emphasizing the urgent need to expand the flow of humanitarian assistance to and reinforce the protection of civilians in the entire Gaza Strip.

Further enraging the international community was the April 1, 2024 IDF air strike that killed seven World Central Kitchen aid workers that were part of the food relief effort in Gaza. The IDF accepted responsibility and accountability, stating that a series of gross mistakes by the IDF led to the tragedy, and subsequently relieved and disciplined those directly involved in the incident.

The United States:

Debate also continues to increase domestically regarding Israel's actions in the Gaza Strip.

Since the 1940s, the United States has underpinned Israel's security. Israel is the United States' closest ally in the region. Israel has benefited from their unique status by receiving large quantities of high-end U.S. Foreign Military Support, with a substantial portion of aid appropriated to them through bipartisan legislation in Congress each year; this aid has been game changing and essential to Israel's defense, and arguably, its survivability.

Via its "permanent veto" the United States has historically protected Israel from international sanctions proposed by the UNSC. That said, last month, with the UNSC Resolution mentioned above, the U.S. abstained from the vote, allowing it to pass. This was unusual, if not rare, as the United States normally conducts behind-the-scenes diplomacy to off-ramp or prevent a formal vote when resolutions seek to counter Israeli actions or undermine its policies. In cases where the U.S. could not stop a vote, the U.S. would almost always exercise its "permanent veto" to prevent adoption of the measures.

From the outset of its military campaign, the U.S. has advised and eventually insisted that Israel assess and alter its military approach in Gaza and more broadly in the West Bank. The U.S. has tried diplomacy through several trips by the U.S. Secretary of State and through strategic military advice conducted by Secretary of Defense, Austin, the Joint Staff, and the U.S. Central Command. Israel has been dismissive if not obstinate toward the U.S., including a visibly strained relationship between President Biden and Prime Minister Netanyahu.

But the U.S. will continue its support to Israel despite its political and cultural dismissive behavior because of the longstanding relationship between the two nations, shared democratic values, and shared security concerns for the State of Israel vis a vi Iran and its proxies, the Jewish diaspora, and U.S. domestic constituencies. Further, the U.S. will continue to attempt to prevent escalation of the on-going conflict in the broader region (see [Bancroft GEOIntel Flash ExSum on US Actions in Middle East](#)).

Israel:

Despite the growing U.S. and international censure regarding Israel's operational approach in the Gaza War, it has proven effective in targeting and eliminating a substantial number of Hamas and PIJ leaders and likely more than 15,000 Hamas militants and other affiliated terrorists. Yahya Sinwar, the senior Hamas commander in Gaza and several thousand Hamas and PIJ militants still remain to be captured or killed.

Israel effectively mobilized more than 300,000 of its security forces and emergency services immediately following the attacks of Oct. 7. While the country was still in shock, the extensive mobilization and deployment of forces to attack positions in southern Israel and to pre-planned defensive positions in northern Israel to thwart offensive actions by Lebanese Hezbollah were impressive.

Israel initially did a particularly good job of keeping the Israeli public and international community informed of its intent and ongoing military activities without compromising security and risk to the hostages. Israel was able to effectively execute these extremely difficult tasks while the nation was in shock, accountability of who was killed and taken hostage was ongoing, and while Hamas, Lebanese Hezbollah, and other Iranian proxies continued to attack Israeli security forces and indiscriminately attack a stunned Israeli population.

In northern Israel, Lebanese Hezbollah resumed attacks against Israel concurrent with Hamas reinitiating rocket attacks on Dec. 1 following the agreed pause and hostage for Palestinian prisoner exchange. The level of fighting remains consistent, with large numbers of Israelis internally displaced for their safety. The Israeli Security Forces (ISF) have conducted hundreds of strikes into southern Lebanon since the Gaza war began. The agility of the Iron Dome to orient against attacks from the north, the northeast from Syria, and southern attacks from Yemen is impressive. From the perspective of the Israeli government and its people, the State continues to face a multi-directional, multi-domain attack, and it is defending itself at all costs.

While Israel's tactical and operational deployment after Oct. 7 across the West Bank (WB) was certainly viewed by the Palestinian Authority President Mahmoud Abbas and Palestinians as extremely violent, the IDF initially did not know if the Hamas' attacks in Southern Israel were part of a larger offensive. However, following the immediate aftermath of Oct. 7, the IDF and other Israeli Security Forces ramped up raids across the WB concurrently with allowing WB Israeli settlers to carry arms and commit violence, and arguably terrorist acts against unarmed Palestinian civilians. These illegal activities by Israeli settlers and specifically the "settler youth" could have inflamed the West Bank. Fortunately, the Palestinian Security Forces have demonstrated great restraint and mitigated the potential for violent protests.

Since Oct. 7, the ISF and WB Jewish settlers have killed hundreds of Palestinians and detained thousands. Israel had been very dismissive of WB violence and IDF high operational tempo continues. Settler violence has decreased in the past two months and nascent accountability for settler illegal activity is improving.

Other Islamic militants – such as Hezbollah (Lebanon) and Islamic Jihad (primarily in Gaza), various Palestinian groups in the West Bank, and the Houthis in Yemen have joined in attacks on Israel, most notably with the Houthis attacking commercial shipping in the Bab al-Mandeb Straight and the Red Sea (see [Bancroft GEOIntel ExSum on Houthi attacks](#)).

Israeli Domestic Politics Weighing in on Security Decisions:

Immediately following the atrocities of Oct. 7, the extent of Hamas' planning, intelligence preparation, and operational precision in conducting its highly coordinated attack, suggested an Israeli strategic intelligence failure on par with Yom Kippur of 1973. Elements within the Israeli government and the Israeli Security Services admitted to an intelligence failure, but Prime Minister (PM) Netanyahu refused to take responsibility.

Prior to Oct. 7, Netanyahu and his right-wing government were extremely unpopular by a large segment of the population due to his attempts of passing legislation to take authority and responsibility from the Israeli Judiciary.

Since the attacks of Oct. 7, civil protests calling for Netanyahu's removal as PM for the intelligence failure and the inability to secure the release of all remaining hostages continues to increase. There have been multiple protests of tens of thousands of Israelis in Jerusalem and Tel Aviv, calling for Netanyahu to resign and for early elections.

Netanyahu is also receiving significant pressure from his own constituency led by his National Security Minister Itamar Ben-Gvir, Otzma Yehudit (Jewish Power) party, and his Minister of Finance Bezalel Yoel Smotrich, leader of the National Religious Party–Religious Zionism for continuing the Gaza war without regard for the ongoing humanitarian crisis, loss of Palestinian life, and destruction of infrastructure.

Analysts suggest that the only viable way forward for Netanyahu is to ignore both external and internal influences and focus on achieving the strategic objectives he has set out to accomplish.

Beyond his February 2024 release of post Gaza war Principles to his war cabinet, Netanyahu has not produced a comprehensive plan to ensuring the security of Israelis or the security and livelihood of surviving Palestinians after Israel has achieved its stated objectives of eliminating Hamas and gaining the release or rescuing the remaining hostages.

Iran:

Strategically, Iran remains the most significant and existential threat to the state of Israel since the Iranian Revolution in 1979. Iran has been a source of conflict within the region with Arab Sunni and Western governments, particularly the United States and Israel (see [Bancroft GEOIntel White Paper on Iran](#)).

The Islamic Revolution and the supreme leader Ali Khamenei still drive Iran's interests and actions throughout the region and world today. Iran's stated objective is to be the regional Islamic Hegemon throughout the Middle East and the Levant. Interestingly, it will enable both Sunni and Shia proxies in pursuit of this objective. As a state sponsor of terrorism, Iran's approaches to foreign policy and operations are often indirect, plausibly deniable, pernicious, and deadly. The nation's goals are directed at tipping the balance of power and influence in its favor and wresting control away from Western alignments and values toward the elimination of Israel and totalitarian rule in the region.

The strategic enabler of attacks on Israel, is Iran – and Iran is insufficiently deterred. The actions by Iranian proxies in the region, even prior to Oct. 7, has highlighted the inability of Israel to check Iran's malicious behavior and its support to its proxies that threaten Israeli national security. This is combined with the lack of a comprehensive U.S. strategy for Iran, the regional threat.

Since Oct. 7, the U.S. has worked diplomatically through interlocutors and by directly messaging Iran, to not broaden Hamas' war against Israel. Through the deployment of two carrier strike groups to the region, additional deployments of fifth-generation strike aircraft and strategic bombers, the U.S. and the deployment of other European Allies' military capabilities have successfully deterred Iran from attacking Israel directly.

Some have criticized the U.S. Administration as being slow to react to Iranian proxy aggression against U.S. forces in the region. At present, while slow to respond, the reactive actions by the U.S. and its direct and indirect messaging to Iran have mitigated, but not stopped, Iranian indirect attacks by proxy against the U.S. forces.

Israel, however, continues to strike at senior Iranian and Iranian proxy terrorist leadership when it achieves relative certainty of success. Iranian proxies have been successfully eliminated in Lebanon and Syria with precision. There is concern that Israel's last Iran-confirmed strike that killed seven Islamic Revolutionary Guards Corp senior leaders including Quds Force commander Gen Mohammad Reza Zahedi and his deputy Gen Mohammad Hadi Hajriahim will result in Iran directly striking Israel.

Way Ahead:

- Big picture, Iran remains undeterred in their support of proxies countering Israel and/or the United States; Iran will likely retaliate following recent IDF strikes in Syria.
- As for the Gaza Strip, the IDF will eventually have to continue its offensive into Rafah governate and Rafah city to have a major impact on Hamas. How the IDF conduct this operation and attempt to mitigate Palestinian civilian casualties remains uncertain.
- Lebanese Hezbollah, the Houthi terrorists, and other Iranian proxies will continue to seek opportunities to kill Israelis and attack the U.S. military personnel, infrastructure, and naval vessels in the region. We can expect that the Iranian response to the loss of IRGC Quds Force Commanders in Syria will involve a significant escalation by LH.
- Despite its reluctance to do so, Israel will slowly acquiesce to U.S. and international pressure to increase humanitarian relief to Palestinians in Gaza. Israel will be happy to allow the U.S. and the international community relief organizations to foot the bill.

- There are growing discussions among the international community and within the media regarding the future of Gaza once Hamas' military capability is destroyed.
- We can expect the U.S. Department of State, in direct coordination with Israel and the Palestinian Authority, to increase dialogue regarding the future security and governance planning for Gaza and more broadly the West Bank post-war with Hamas.
- The framework for future governance and security in Gaza and the West Bank should include the Kingdom of Jordan, Egypt, and the Kingdom of Saudi Arabia. These countries and other Arab States in the region are insistent that Israel cannot displace Palestinians from Gaza. Jordan and Egypt share borders with Israel and the Palestinian Territories. There are three million Palestinians in Jordan and approximately 100,000 Palestinians in Egypt. Jordan and Egypt have a vital interest in the establishment of legitimate security and governance in Gaza and stability across the Palestinian territories.
- If, or when, the situation stabilizes in the Gaza Strip, Israel will still have major security challenges in the North and in the West Bank. Israel will have to remain in Gaza to provide security and a semblance of rule of law until a security plan is developed and fully implemented.
- Saudi Arabia's strategic influence with the Palestinian Authority, advocacy for past Israel and Arab State Normalization Agreements, as well as its leadership role on behalf of Sunni Arab states in the region, should put the Kingdom at the center of planning for the future security and governance of Gaza and the West Bank.
- Investors and interested parties will need to examine the undoubted economic impacts caused by the war; in Israel, the call-up of military reserves has led to a severe labor shortage; in the West Bank, curtailed economic activity with Israel has taken a toll and Israel's economy shrank almost 20 percent in annualized terms in the final quarter of 2023. But, with conflict and crisis comes opportunity – the rebuilding of Gaza and the resulting spike in economic activity and output that usually occurs after a conflict/negotiated settlement presents opportunity.
- From an economic perspective, the near-term supply chain concerns remain and may escalate given the Iranian proxies' support in the region. The impact would be higher costs as firms diversify suppliers and shipping routes to mitigate business risk.
- The longer-term implications for corporates will be the delicate balance of governance in the region. Israel is developing an innovation hub for technology and healthcare, which are critical sectors for global economies. Saudi Arabia continues to be a leading provider of energy and a strong influencer in the oil market. Strong relations with both Israel and the Kingdom of Saudi Arabia are important to the U.S. economically and its global strategic positioning.

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