

March 26, 2025



# Executive Summary Report

## **Background:**

Israel's military offensive in the Gaza Strip was triggered by Hamas' unprecedented attack on Oct. 7, 2023 in which gunmen killed about 1,200 people, mainly civilians, also taking 253 hostages back to Gaza.

After a year and a half, the Israeli-Hamas War is at a stalemate with no clear strategy within the Government of Israel on how to conclude the war. An estimated 846 Israeli security forces have been killed and 5,700 wounded in the conflict. According to the Israeli government, Hamas still holds 59 hostages – 24 are believed to be alive. The Palestinian casualties are somewhere between 45,000 – 65,000 killed and more than 110,000 wounded. These figures are informed by independent reporting from the London School of Hygiene & Tropical Medicine, also stating that the Palestinian Ministry of Health may have underestimated Palestinian casualties by as much as 40%. Thousands of Palestinian casualties remain buried under the rubble of structures destroyed during the conflict.

An estimated 15-18,000 of the Palestinians killed were Hamas and Palestinian Islamic Jihad leaders and fighters. But the war has created another generation of fighters willing to align with Hamas or other factions within Gaza to resist Israeli operations because of the loss of fellow Palestinians in the conflict. This is always a conundrum when conducting counter-insurgency warfare.

The Jan. 2025 cease fire agreement saw the exchange of 25 living Israeli hostages and the remains of eight others for more than 1,900 Palestinian prisoners released by Israel. But there has been little to no movement toward negotiating an agreement to transition to the next phase of the cease fire. Recently, Hamas offered to release one additional hostage, an American Israeli, and the remains of four other Israelis in exchange for the resumption of humanitarian relief into Gaza. The Hamas offer was not accepted, with Prime Minister Netanyahu saying the offer was simply “psychological warfare.” Last week, with Israel’s patience at its end, large scale offensive operations have resumed in Gaza Strip against Hamas, with Hamas also attempting to strike back with ineffective and declining rocket attacks into Israel. The cease fire is over.

U.S. Special Envoy Steve Witkoff is working with Qatar and other Arab interlocutors to find a bridging solution to sustain the cease fire until Israel and Hamas agree on terms for implementing next steps, but right now the two sides remain far apart.

This report outlines the current Israeli, Hamas, U.S., and Arab positions regarding the future of Gaza post conflict offer what we assess as element of an eventual settlement to end the war, along with economic implications.



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## The Three Stages of the Cease Fire:

Each of the stages was intended to last six weeks (42 days).

Stage One: after six weeks, this period ended in late Feb. 2025 with Hamas releasing 25 living Israeli hostages and the remains of eight dead hostages. As mentioned above, Israel released about 1,900 Palestinian prisoners and detainees from Gaza, along with Israeli Defense Forces retrograding from the populated areas within Gaza, but remained in Gaza writ large and along its borders, to include the key border with Egypt and the Philadelphi Corridor. Displaced Palestinians were allowed to return to their neighborhoods and humanitarian relief convoys were resumed, delivering relief into Gaza.

Stage Two: according to the ceasefire deal, under Stage Two a permanent ceasefire was to be established, remaining living hostages in Gaza would be exchanged for more Palestinian prisoners, and Israeli forces would make a complete withdrawal from Gaza. Joint negotiations for this stage were meant to begin 16 days after the start of Stage One, but this did not happen – Stage Two is effectively stalled. More on this shortly.

Stage Three: in this stage, the final cease fire agreement would include the return of all remaining Israeli bodies of the dead hostages, and a plan for the reconstruction of Gaza would commence – such a project would take several years to complete. With Stage Two in tatters, Stage Three is a faraway dream.

With renewed fighting, the question is, will negotiations somehow return to the Three Stage cease fire framework, or must a new process be developed in this long and devastating war?

## Israeli Position:

Israel has not given serious consideration to the implementation of the agreement beyond Stage One. Israel was simply not poised militarily to achieve either of its stated strategic objectives, that of eliminating Hamas and its affiliates in Gaza as a terrorist capability and ensuring Hamas will never govern Gaza in the future. Despite multiple independent reports by the U.S., Internationals, and Israeli Think Tanks providing options to achieve long term security and governance in Gaza, there is little indication that Israel has a concerted planning effort underway along these lines.

Notably, within Israel, there are opposite positions within the Israeli Knesset and the Israeli population on how to achieve its strategic objectives to end the war and guarantee Israel's long-term security against the Hamas terrorist organization and other terrorist threats. Israel will almost certainly demand the following conditions for resolution to the war. First, the return of all hostages alive and killed remaining in Gaza. Second, a prohibition against Hamas or any affiliated terrorist organization from participating in a future Gaza government. Third, an exclusion of Hamas within Gaza or its security forces. Fourth, exile, elimination (killing), and/or capturing of Hamas, PIJ, and other terrorist leadership within Gaza. Fifth, maintaining the ability to collect intelligence and conduct counterterrorism operations inside of Gaza in perpetuity. Sixth, Israel will control the land and maritime borders of Gaza, as well as its airspace. Finally, Israel will oversee the inspection regime of all aid coming into Gaza and ultimately the redevelopment of Gaza, regardless of who is funding and doing the actual reconstruction.

## **Hamas Position:**

Hamas has stated that it will not accept any enduring Israeli security presence in Gaza. Hamas supports the Egyptian position that Israel will not maintain security control of the Egypt/Gaza border, the Philadelphi Corridor. Hamas should be allowed to remain in Gaza, retain its right as a political party, but cede control of the government to a Palestinian led government. Hamas would be allowed to participate in security responsibilities for Gaza. Also, Hamas has been consistent regarding the necessity of resuming the flow of humanitarian relief to continue cease fire talks and ultimately an agreement on a reconstruction plan for Gaza to end the war.

## **The United States Position:**

The new Administration is grappling with the complexity of the conflict and has not yet articulated a plan on how to attain a long-term cease fire, and then how to end the Israel-Hamas War with an enduring peace.

As previously reported, it is no surprise that President Trump has an unconventional method of negotiating. Likewise, it is not a surprise that many of the more conventional-leaning thinkers and media outlets (international and domestic) are highly critical, voicing worry as they attempt to make sense of every move, meeting, or post. Such was the case following the Feb. 4 meeting where President Trump broadly outlined a concerning proposal for Stages Two and Three for Gaza, which included the idea that the U.S. would take sovereign control of Gaza, remove all Palestinians from Gaza, and the U.S. would pay for Gaza's redevelopment, creating a "Riviera of the Middle East," amongst other similar statements. President Trump has walked back much of what he said last February, to include stating that Palestinians will not be forced to leave Gaza.

Some believe that President Trump's unrealistic option for Gaza pressured Arabs to begin to develop plans of their own and focus on a long-term solution, whereas they previously were fence-sitters on the plight of the Palestinians in Gaza. Obviously, the President's February concept was immediately condemned by the Palestinian Authority, reinforced by the Kingdom of Saudi Arabia, the Arab world, and the international community. But, during a White House visit by King Abdullah of Jordan, King Abdullah softened his disapproval slightly by offering to accept up to 2,000 orphaned Palestinian children from Gaza. Perhaps the Arabs would not have convened their summit in early March if not for President Trump's unusual style of international relations.

## **Arab Leaders Position:**

On March 4, President Sisi hosted Arab leaders for an Emergency Summit Conference of the Extraordinary Arab Summit on Palestine, to formally agree on an adopted framework to ending the Israeli-Hamas War. Many aspects of the plan were consistent with the Israeli and U.S. views but rejected due to the acknowledgement of Hamas' continued presence in Gaza.

As with previous statements predating Oct. 7, 2023, the communique addressed the longstanding Arab Israeli conflict and an end to Israel's illegal occupation of the West Bank, Gaza, and East Jerusalem. Additionally, the communique denounced the displacement of Palestinians from the West Bank and Gaza, advocated for a comprehensive Arab led plan for reconstruction including Arab countries, and broader international community contributions up to \$53 billion. The communique also called for a peace summit to be held as early as July 2025

and emphasized the critical role of the U.S. and the importance of close coordination with the U.S. and the international community to resume negotiations for an enduring peace and long-term stability.

Unlike the Israeli government position, refusing to acknowledge the Palestinian Authorities' role in future Gaza governance, the Arab Summit fully endorsed a PA technocrat government for Gaza and to govern a future state of Palestine consistent with 1967 borders. Also, unlike any Israeli proposal, Egypt would play the lead role in developing the future security forces for Gaza, a role that Jordan has led among Arab countries for PA security forces within the West Bank.

The final point with the late but welcomed involvement of Arab states to find long-term solutions is notable. But it is one thing to discuss solutions, it is another to implement them – and to date, the Arab community has a poor track record in this regard.

## **Going Forward:**

Given the current stalemate and a lack of consensus within the Israeli government and Israeli civil society on the future governance and security of Gaza, it was all but certain that Israel would resume combat operations and continue to inflict Palestinian casualties (terrorists and civilian) to try and compel Hamas to release additional hostages. Last week, this is exactly what happened with Israel resuming large scale strikes into Gaza and capturing key terrain.

It is not in Israel's security or political interest to withdraw from Gaza until Hamas either capitulates or is eliminated. Hamas cannot continue to exist as a militant organization or governing body if Israel, the PA, or the international community expect long term stability in Gaza.

Israel needs to clearly communicate domestically, to the U.S. as well as the Arab and broader international community that it will not withdraw from Gaza until its strategic objectives are met.

Essential to achieving Israel's end state is developing a comprehensive plan that includes backing a legitimate Palestinian government in Gaza and a vetted security force that can incrementally assume security responsibility for Palestinians living in Gaza. The simplistic all or none approach to Israel's security responsibility in Gaza is not realistic.

Israel has failed to separate the Palestinian civilian population from the terrorists. This is true in Gaza and the West Bank. Israel cannot turn back the damage that has been done both in Palestinian human loss and the radicalization of another generation of Palestinians. Israel can, however, stop punishing the Palestinian population through its tactics of suspending humanitarian aid, medical services, water, and electricity. These tactics have proven ineffective, and they are inhumane.

Prime Minister Netanyahu could gain credibility with the Israeli populace, the families of the hostages, and the international community if Israel would be transparent and state that it intends to maintain the authority to pursue terrorists operating within Gaza through a security transition, potentially indefinitely, if threats emerge that endanger Israel's security.

In the context of achieving stability and ultimately peace throughout the Middle East, Israel should work with the U.S. to compel Arab States to contribute to reconstruction of Gaza, more broadly the West Bank, and take responsibility for building legitimate Palestinian security and governance for the Palestinian territories. Security and legitimate governance are essential to create conditions for reconstruction.

## **Economic Implications:**

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% in annualized terms in the final quarter of 2023. With growth in its defense budget necessary for the war (as well as military actions elsewhere against Hezbollah, Houthis, and Iran), the internal displacements, losses in tourism, etc., Israel's economic growth remains constrained. Reduced direct foreign investments in its technology and innovation sectors are factors as well.

Supply chain concerns remain given the Iranian proxies' support in the region, especially that of the Houthis. Since the Houthis initiated attacks on shipping after Oct. 7, 2023, around 70% of the normal traffic through the Red Sea have diverted to other routes, adding stress to supply chains and increased costs. In response to these attacks, the U.S. formed a maritime coalition named Operation Prosperity Guardian to protect commercial shipping and freedom of navigation in the Gulf of Aden and the Red Sea. Since Oct 2023, the Houthis have launched 145 attacks against commercial vessels and 174 attacks against U.S. warships. The Houthis recently announced new renewed threats on shipping while they continued to attack U.S. warships, resulting in renewed U.S. strikes. In an interview with ABC, the White House national security adviser Mike Waltz said "... these were not kind of pinprick, back and forth -- what ultimately proved to be feckless attacks ... this was an overwhelming response that actually targeted multiple Houthi leaders and took them out. And the difference here is, one, going after the Houthi leadership, and two, holding Iran responsible."

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 for its global strategic positioning.

Global markets may reflect the strategic uncertainty associated with prior conflicts in the region, until such time that Iran and its proxies self-assess that they have demonstrated sufficient strength towards Israel and the United States, irrespective of the cost.

There are also economic implications with a different, but related, area experiencing violence, that of the West Bank. According to the UN, Israeli forces have displaced approximately 40,000 Palestinians, and Israeli settlers continue to attack the former Palestinian residents. Another UN report cites that in East Jerusalem Old City about 80% of the businesses have shut down.

There are also lingering challenges in the northern portion of Israel, where 60,000 Israelis were displaced after Hezbollah operating out of Lebanon rained down attacks on them following Oct. 7, 2023. The ceasefire with Hezbollah holds, but it is very tentative. Few of the displaced have

returned, waiting for evidence of stability. Israel recently attacked several Hezbollah targets in Lebanon in retaliation from rocket attacks originating from Lebanon.

But, with conflict and crisis comes opportunity – the rebuilding of Gaza (and perhaps the West Bank and Northern Israel) and the resulting spike in economic activity and output that usually occurs after a conflict/negotiated settlement presents opportunity.

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