



The Islamic State and Statehood: Expanding the Crime-Terror Continuum

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HON 485

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Introduction

Thesis: The Islamic State's control and governance of territory expands the dynamic of the crime-terror convergence by improving its criminal fundraising ability, changing its relationship with the local populace, and adopting some of the characteristics of statehood.

- In essence, the sheer act of holding territory, changes the dynamic of the crime-terror continuum
- Terrorist organizations that have adapted to hold territory are prototypical cases for a different breed of international terror-crime organizations
- They are not states, but their state-like characteristics differentiate them from other organizations



Crime-Terror Continuum

Terrorist Organization

Alliance

Operational Purposes

Convergence

temporary or long-term cooperative relationships between organized criminal groups and terrorist organizations, based on exchanges of knowledge or services

organizations change their own structure to develop and expand their own capabilities to minimize their reliance on outsourcing, cut costs, and minimize the risk of security leaks

terrorist organizations that have gone beyond merely using criminal activity to fund their ideological terrorism, and instead maintain their beliefs as a facade to attract recruits, all the while directing their terror tactics against governments and rival groups for economic purposes



How Terrorist Organizations Make Money

- either private or state sponsorship, or criminal activity
- extortion, kidnapping and ransom, environmental crimes
- fraud, including insurance fraud, tax fraud, and identity theft
- smuggling of goods like cigarettes, antiques, cultural artefacts, guns, and people
- bank robberies
- drug trafficking, whether through organizational involvement and control or taxation
- counterfeit currency
- ties and funding in legitimate businesses to launder money and gain funds



Islamic State Historical Background

| 2003 | 2004 | 2007 | 2013 | 2014 |
|---|--|---|--|--|
| <p>Jama'at al-Tawhid wa al-Jihad (JTJ)</p> <p>emerged after Coalition Forces successfully deposed Sadaam Hussein</p> | <p>Al-Qaeda in Iraq (AQI)</p> <p>merged JTJ with al-Qaeda</p> | <p>Islamic State of Iraq (ISI)</p> <p>AQI, with the death of its leader, al-Zarqawi, rebranded</p> | <p>Islamic State of Iraq and the Levant (ISIL)</p> <p>announced a merger with the al-Nusrah Front, against their wishes</p> | <p>Islamic State (IS)</p> <p>ISIL announced itself as the Caliphate</p> |

Bahney, Benjamin, et al. (2010). An Economic Analysis of the Financial Records of Al-Qa'ida in Iraq. RAND Corporation. *JSTOR*, www.jstor.org/stable/10.7249/mg1026osd.

United States, Congress, Humud, Carla E., et al (2015). Islamic State Financing and U.S. Policy Approaches. *Islamic State Financing and U.S. Policy Approaches, Congressional Research Service*. 1–29.



The Islamic State's Funding

- 30 million USD in revenue per month in 2014 (Humud et al., 2015, p. 4)
- at its height, able to make from \$730 million to \$1,460 million from black market oil sales (Martin & Solomon, 2017, p. 36)
 - airstrikes significantly set back oil production, from \$1 to \$2 million a day to \$300,000 (Martin & Solomon, 2017, p. 36-37)
- June of 2014, the IS made \$36 million from selling the looted antiquities of just a single region, al-Nubak (Blannin, 2017, p. 16-17)
- “\$360 million per year through taxation and extortion” (Humud et al., 2015, p. 9)

Blannin, P. (May 2017). Islamic State's Financing: Sources, Methods and Utilisation. *Counter Terrorist Trends and Analyses*, vol. 9, no. 5, pp. 13–22.

United States, Congress, Humud, Carla E., et al (2015). Islamic State Financing and U.S. Policy Approaches. *Islamic State Financing and U.S. Policy Approaches*, Congressional Research Service, 1–29.



Islamic State Public Administration

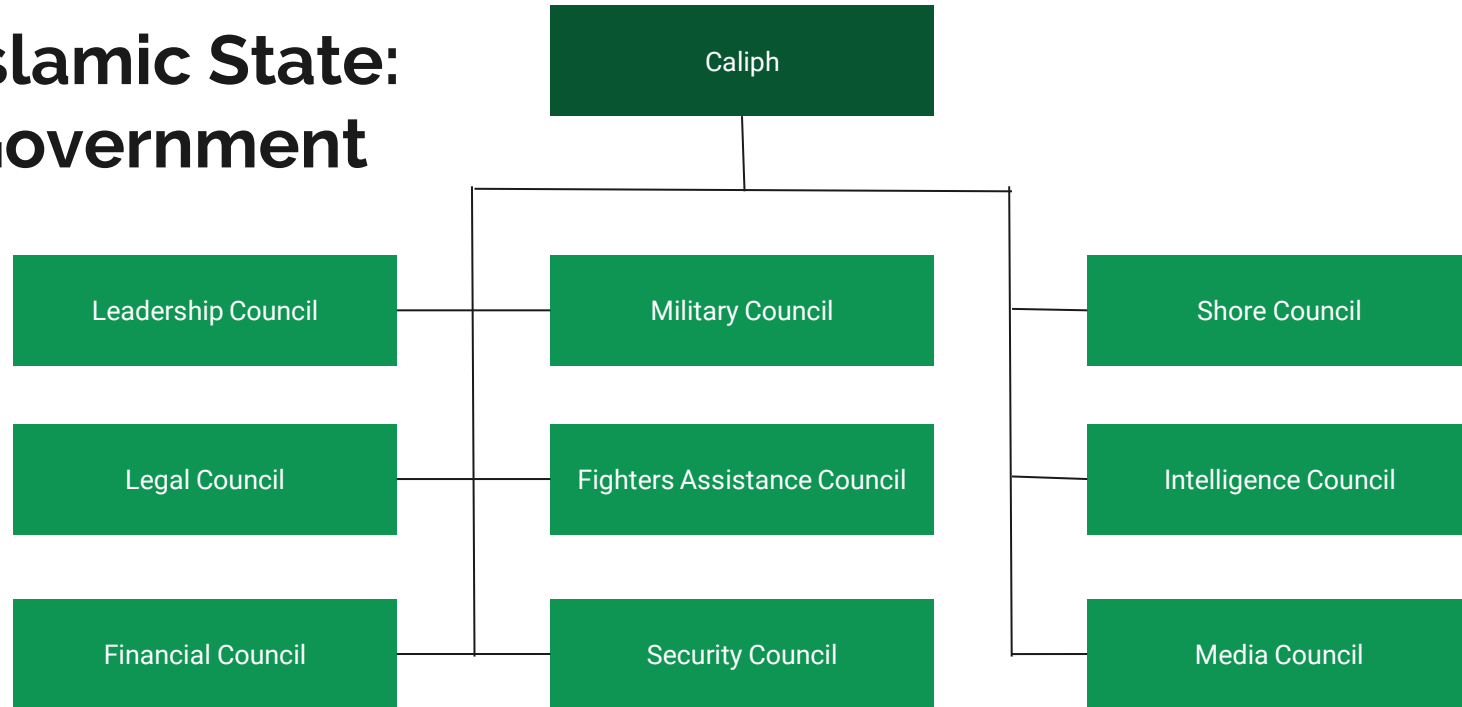
- public services
 - “subsidized” wheat for its populations, selling stolen wheat to people at low prices (Stergiou, 2016, p. 195)
 - control over as many as three Syrian dams and two gas plants that provided electricity (Stergiou, 2016, p. 195)
- traditional and religious “*khums*” and “*zakat*” taxes on both businesses and individuals (Blannin, 2017, p. 18)
 - enforced by religious police, the *Diwan al-Hisbah* (Blannin, 2017, p. 18)

Blannin, P. (May 2017). Islamic State’s Financing: Sources, Methods and Utilisation. *Counter Terrorist Trends and Analyses*, vol. 9, no. 5, pp. 13–22.

Stergiou, D. (2016). ISIS political economy: financing a terror state. *Journal of Money Laundering Control*, 19(2), 189–207. doi: 10.1108/jmlc-06-2015-0021



Islamic State: Government





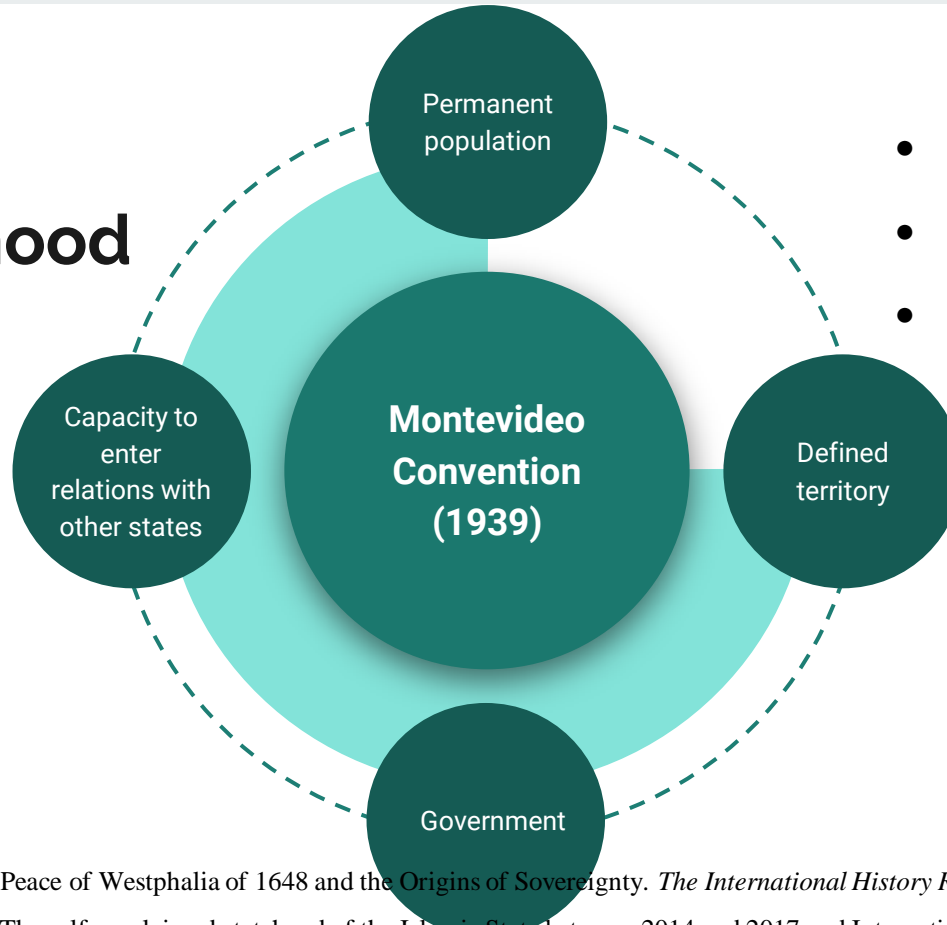
Islamic State Financial System

- *hawala*, a network of money lenders and exchanges houses predicated on trust (Coker, 2016)
 - take money out at one exchange house, and deposit it at another (Coker, 2016)
 - exchange houses themselves physical transport the money from one place to another (Coker, 2016)
- exchange houses also distribute physical bills to the populace in monthly auctions (Coker, 2016)
- IS also attempted to launch its own currency, hoping to subvert and replace Iraqi, Syrian, and Western currency (Stergiou, 2016, p. 199)

Coker, M. (2016, February 24). How Islamic State's Secret Banking Network Prospers. *The Wall Street Journal*. Retrieved from <https://www.wsj.com/articles/how-islamic-states-secret-banking-network-prospers-1456332138>

Stergiou, D. (2016). ISIS political economy: financing a terror state. *Journal of Money Laundering Control*, 19(2), 189–207. doi: 10.1108/jmlc-06-2015-0021

Statehood



- regional American treaty (Longobardo, 2017, p. 212)
- part of international customary law (Longobardo, 2017, p. 212)
- stems from Treaty of Westphalia (1648) (Croxtton, 1999)
 - 1) kingdom's ruler has sole power in their territory
 - 2) able to rule on internal religious matters without external influence
 - 3) mutual recognition of power between states

Croxtton, D. (1999). The Peace of Westphalia of 1648 and the Origins of Sovereignty. *The International History Review*, 21(3), pp. 569-591.

Longobardo, M. (2017). The self-proclaimed statehood of the Islamic State between 2014 and 2017 and International Law. *Anuario Español De Derecho*

Internacional, 33, 205-228. doi: 10.15581/010.33.205-228



Statehood: Modern Theories

Constitutive

statehood is that other states recognize the object as a state
(Longobardo, 2017, p. 212)

Factual

statehood is by an objective measure of success and existence, by guidelines of Montevideo Convention; international recognition is merely a byproduct (d'Aspremont, 2014, p. 205)

Legalist

does not refute the factist theory, but requires international recognition and adherence to international laws and standards
(Longobardo, 2017, p. 212; d'Aspremont, 2014, p. 205-206)

D'Aspremont, J. (2014). The International Law of Statehood: Craftsmanship for the Elucidation and Regulation of Births and Death in the International Society. *Connecticut Journal of International Law*, 29, 201–224.

Longobardo, M. (2017). The self-proclaimed statehood of the Islamic State between 2014 and 2017 and International Law. *Anuario Español De Derecho Internacional*, 33, 205–228. doi: 10.15581/010.33.205-



Is the Islamic State a State?

- by theory:
 - **Constitutive Theory:** the IS is not recognized by any other state (Longobardo, 2017, p. 227)
 - **Legalistic Theory:** does not follow any sort of international laws (Longobardo, 2017, p. 218-220)
 - **Factist Theory:** DOES have some characteristics (Longobardo, 2017)
 - Government, clear leader, and hierarchy
 - Enacted policy and legislation, and enforced laws
 - Provided some social services, though in a limited capacity
 - But limited by ineffectiveness: lack of stability in territory and populace under their control made their governance ineffective



The Islamic State: Source of Authority

Qutbist State Theory:

- divides the world between those that are one with God (believers of Islam) and those that are ignorant (*jahiliyya*) (Angiò, 2017, 190)
- modern *jahiliyya*, with all the information and tools available to people, is an active rejection of Islam and God's will (Angiò, 2017, 191)
- world split in three: *dar al-Islam*, *dar al-Kufr*, *dar al-Gharb* (Angiò, 2017, 188)

Western concept of a state itself is illegitimate and heretical because the authority comes from human criteria or recognition, and not God (Angiò, 2017, 191)



Analysis and Conclusion

- the Islamic State is not a state
- but in approaching and attaining some of the characteristics of statehood, the Islamic State transcended the final stage of the crime-terror continuum
 - convergence is the stage in which terrorist organizations use their original ideology as a facade to enable their revenue-generating criminality and recruitment, all the while using their original terrorist methods against rival groups and the government (Makarenko, 2004, p. 136-137)
- IS made a significant amount of its funding each year from taxing the populace and businesses and access to raw, natural resources
- profit went to the maintenance of the bureaucracy
- developed its own public administration system
- kept its original ideology - true belief uncertain, but turned to the purposes of their own power
- new stage is not just terrorist organization taking on characteristics of criminal ones, but of states