



iJRASET

International Journal For Research in
Applied Science and Engineering Technology



INTERNATIONAL JOURNAL FOR RESEARCH

IN APPLIED SCIENCE & ENGINEERING TECHNOLOGY

Volume: 8 Issue: II Month of publication: February 2020

DOI: <http://doi.org/10.22214/ijraset.2020.2055>

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A Qualitative Exploration of Sources of Funding of the Islamic States

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Abstract: *The Islamic State (IS), formerly known as the Islamic State of Iraq and Syria (ISIS), is (as it claims) a religious extremist group, which has been expanding greatly in the middle east, especially in Syria and Iraq. The origin of the group can be rooted back to 1999, when the father of the organization (Abu Musab al-Zarqawi) began a training camp for establishing his own Jihadi group with only a loan of US\$200,000¹. The group grew, both in its territorial control and population under it, and was finally named 'The Islamic State' in 2014. The group now has control over a population of over 10 million people, including: Raqqa, Deir al-Zour, Damascus and Aleppo in Syria; Mosul, Baghdad in Iraq.*

"Lasting and Expanding" has been the slogan of the IS and its predecessor organizations. To live up to this slogan, the IS has continually tried to gain more territory in the Middle East itself, so as to make its foundation stronger. Also, at the moment, starting a war against the west is not its objective. To do so, it takes two major steps: Recruit more people from around the world who believe in the same ideologies as the group and increase its revenues by diverse sources. The IS has been extremely successful in doing the latter.

Keywords: *The Islamic State (IS), Funds, Revenue, Organizations, Islamic State of Iraq and Syria (ISIS).*

I. INTRODUCTION

The Islamic State is a fairly 'new-born' organization. Formerly known as 'Al-Qaeda in Iraq' (when Zarqawi pledged allegiance to al-Qaeda and Osama Ben Laden), this terrorist organization had widely established itself by 2004-06, having caused mass casualties attacks using multiple suicide bombers¹. The group, by 2006, was already earning about USD 70 million-200 million (or more) from oil smuggling and ransoms paid for hundreds of kidnaps². Its earnings have now reached to about USD 3 billion (as of 2015).

Even though the tensions between the al-Qaeda's then deputy leader, Ayman al-Zawahiri, and Zarqawi were extremely significant, the financial base of the IS had become so strong that in 2005, the leader of the supposedly 'mother-organization' (Zawahiri) ended up asking Zarqawi if the AQI could lend, rather spare, "a payment of approximately one hundred thousand" because many of their 'lines' had been cut off.

The IS, even though open about its actions, has been extremely secretive in its revenue sources. Even so, analyzing the areas under their control, along with the group's relations, the following were found to be the main sources of IS's income consists of oil production and smuggling, extortion, robbery, agriculture, human trafficking, and foreign donations.

II. SOURCES OF REVENUE

A. Agriculture

In 2013-14, the IS took over the grain producing areas of Syria and Iraq. Just like oil refineries, it decided to take over the agricultural lands intact. Agriculture not only provides food security to the areas under the control of the terrorist organization, but also acts as an important source of tax income. It has banned the export of food supplies from many of its territories just to ensure its self-sufficiency.

Iraqi provinces under IS control are the most fertile in the country, accounting for 30% of national wheat production and 40% of national barley production. Including the Syrian provinces, the IS territory has control over area producing 40% of wheat produce and 53.3% barley produce.

The IS regards its food related infrastructures as 'strategic assets'. In 2014, it confiscated 1 million tons of grain from government storage facilities in North Iraq and transferred them for milling to Syria, which largely accounts for estimates of \$200million of revenues from agriculture (as in 2014).

B. Ransom Payments

The IS operates by inducing terror. Since its formation, ransom payments against kidnapping are the most consistent method of funding. The IS relies on targeting businessmen, local politicians, and foreign nationals to gain their ransom payments.

IS has confirmed that upto 2015, it made approximately \$10 million per month through ransom payments received from foreign countries and insurance companies for the release of kidnapped people.⁸

This is a low-risk but highly rewarding way of increasing funds for the terrorist organization, and hence continues to contribute greatly to its funds. For example, recently in April 2014, the IS was paid \$18 million in exchange for four French hostages.

C. Extortion

The IS has imposed shadow extortion (and taxation) within the areas under their control since its inception. But many more official taxation systems have begun to be introduced since the proclamation of the caliphate.

The IS is believed to have generating \$12 million per month only through taxation and extortion by charging tax on various activities:

- 1) On all goods
- 2) Telecommunication companies
- 3) Tax on cash withdrawals from bank accounts
- 4) 5% for 'social welfare'
- 5) Road tax of \$200 in Iraq
- 6) \$300 per truck of food and \$400 per truck carrying electronics (with a flat rate of \$800 per truck)
- 7) Jizya- a protection tax for non-Muslim population

The IS also charges a "right to live" tax to the Christian population living in their territories. If any Christian is unable or refuses to pay this tax, they are killed. They are not allowed to have jobs. A tax of 5% is charged on salaries of the civilians, but the salaries of the Christians are confiscated if they hold any job at all.

To sum up, the IS can earn up to \$360 million per year only through imposing tax and extortion in its territories in Iraq and Syria.

D. Robbery

The IS not only robs banks and other financial institutions, but it also generates funds by selling goods, antiques and other stolen or smuggles properties. It also robs civilian homes, stores, priceless artifacts. This is common in almost all terrorist organizations, but the IS beats all others by its magnitude of robbery.

When the group attacked and captured Mosul, Iraq's second largest city, it seized as much as \$429 million from Mosul's central bank after capturing the city.

Iraq and Syria are both rich with ancient, priceless artifacts. The IS has taken complete advantage of this open opportunity of stealing all these artifacts and selling them in the black markets.

E. Human Trafficking and Slavery

The female British recruits have started an all-women militia named 'al-Khanssaa', which acts as an ultra religious force. It punishes any un-Islamic behavior displayed by the women in IS-controlled territory.

To punish the women, they have begun sexual slavery. Women and girls of all ages are sold or given as 'gifts' to the IS militants. The men gain their ownership, nationally or internationally. Some girls are even sold at slavery auctions bidding them at various prices. They even have websites where they list the name of the people, mostly girls, available for sale.

F. Donations

When ISIS started off in early 2000, it relied greatly on cash donations from outside sources, most of which were from Arabs in Persian Gulf who shared the same ideology.

They began to meet wealthy sympathizers and tried to advocate their cause so as to gain their financial support. They also took help of various social media to propagate their cause. But as it expanded, within a few years the Islamic State was self-sufficient.

Data of the US seized militants, including their financial reports indicates that that outside donations accounts for a very small fraction of their revenue, about only 5% between 2005 and 2010.



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