

The US Army War College Quarterly: Parameters

Volume 44
Number 4 *Parameters Winter 2014*

Article 9

Winter 12-1-2014

Defeating the Islamic State: A Financial-Military Strategy

Paul Rexton Kan

Follow this and additional works at: <https://press.armywarcollege.edu/parameters>

 Part of the [Defense and Security Studies Commons](#), [Military History Commons](#), [Military, War, and Peace Commons](#), and the [National Security Law Commons](#)

Recommended Citation

Paul R. Kan, "Defeating the Islamic State: A Financial-Military Strategy," *Parameters* 44, no. 4 (2014), doi:10.55540/0031-1723.2971.

This Article is brought to you for free and open access by USAWC Press. It has been accepted for inclusion in The US Army War College Quarterly: Parameters by an authorized editor of USAWC Press.

Defeating the Islamic State: A Financial-Military Strategy

Paul Rexton Kan

ABSTRACT: Through oil smuggling, kidnapping, human trafficking and extortion, ISIL is one the best funded militant groups the United States has confronted. Avoiding a protracted conflict with ISIS requires a more integrated financial and military strategy to undermine the group's territorial control and reach.

Overshadowed by the debate over whether the Islamic State of Iraq and the Levant (ISIL) constitutes a state, Islamic or otherwise, and the discussion of the strategy to “degrade and destroy” is the pivotal role criminality plays in its rise to power. ISIL includes criminals in its ranks and participates in a range of criminal activities to maintain and expand its territory. ISIL's ranks are swollen with criminals released by Syrian President Bashar Assad; its membership includes Sunni ex-convicts freed from prisons when ISIL captured Iraqi towns and cities.¹ In addition, ISIL participates in a number of criminal activities to generate illicit profit. Rather than relying solely on support from wealthy donors in Gulf countries, ISIL generates the bulk of its money from criminal activities such as extortion, robbery, kidnapping, trafficking and smuggling.² According to one report, it netted \$8 million in extortion rackets even prior to the group's capture of Mosul.³ Meanwhile, the group generated between \$1 million to \$2 million per day in profit from the oil fields it captured.⁴ With the massing of such wealth, the US Treasury Department believes, but for “the important exception of some state-sponsored terrorist organizations, ISIL is probably the best-funded terrorist organization we have confronted.”⁵

By relying on criminal enterprises, ISIL has made itself into a highly adaptable and resilient organization not easily swept from the battlefield. By perpetrating criminal acts, ISIL easily earns money for weapons, training, and recruitment and does not depend on significant sponsorship by an external state. It is not reliant on moving illicit money across international borders through established financial institutions, thus insulating itself from many traditional financial countermeasures such as economic sanctions, asset seizures, and clamping down on

Paul Kan is Professor of National Security Studies at the US Army War College. He is the author of the books, *Drugs and Contemporary Warfare* and *Cartels at War: Understanding Mexico's Drug-Fueled Violence and the Challenge to US National Security*. He is also the author of numerous articles on the intersection of drug trafficking, crime and modern forms of armed conflict including. His forthcoming book is *Drug Trafficking and International Security*.

1 David Blair, “How Assad Helped the Rise of his ‘Foe’ ISIL,” *The Telegraph*, August 22, 2014, and Luke Harding, “ISIS Accused of Ethnic Cleansing as Story of Shia Prison Massacre Emerges,” *The Guardian*, August 25, 2014.

2 Yochi Dreazen, “ISIS Uses Mafia Tactics to Fund its Own Operations without Help from Persian Gulf Donors,” *Foreign Policy*, June 16, 2014.

3 Ibid.

4 David Sanger and Julie Hirschfeld Davis, “Struggling to Starve ISIS of Oil Revenue, US Seeks Assistance from Turkey,” *New York Times*, September 13, 2014.

5 David Cohen, “Attacking ISIL's Financial Foundation: Remarks of Under Secretary for Terrorism and Financial Intelligence David S. Cohen at The Carnegie Endowment For International Peace,” October 23, 2014, <http://www.treasury.gov/press-center/press-releases/Pages/jl2672.aspx>

sympathetic charities. Such insulation means ISIL can use illicit schemes to fund its current operations and potentially extend its fight into other regions.⁶ Due to the significant role that crime plays in ISIL's power, the United States requires a more integrated financial and military strategy to undermine the group's territorial control and reach.

ISIL and Crime Management

Like other insurgent and terrorist organizations, ISIL has had to determine its relationship to crime in the territory it controls. Crime management is essential to remain both a viable fighting force and a plausible alternative authority structure. Other insurgent groups such as the FARC, Sendero Luminoso, the Taliban and the United Wa State Army that have gained territory have managed their relationship with crime through a mixture of confrontation, cooptation and cooperation. ISIL is proving no different.

In its expansion, ISIL has followed a number of steps to confront criminality in the territory it has acquired. First, it removed the local police force and judiciary by killing some of them while forcing any remaining Sunni to swear obedience to the group. Second, ISIL announced the harshest form of sharia law is the enshrined code of conduct. After the completion of these steps, ISIL's final move has been to demonstrate its authority by having the newly vetted police and courts mete out lashings, amputations and executions depending on the severity of the crime.⁷

Other militant groups like the IRA and the FLN have sought to confront crime by assassinating police and establishing underground legal codes in areas where they operated, while other groups like the FARC and the Taliban have sought to impose new institutional frameworks for law enforcement and judiciary directly. Militant gangs have nonetheless coopted the illicit enterprises of organized crime groups. Ironically, while these groups have taken on the responsibilities of law and order, they also commit many of the same crimes perpetrated by those they once labeled corrupt. ISIL has conformed to this pattern. This became initially noticeable in the areas of Syria seized by ISIL. The Syrian government had been routinely involved in the illicit trafficking of drugs, weapons, consumer goods and people. As the country's civil war raged, "the government ceded dominance over the illicit sector to insurgent organizations and smuggling groups."⁸ In both Syria and Iraq, ISIL has also taken over organized crime schemes—like extortion and kidnap for ransom—from the former corrupt authorities or criminal figures who used to work in the area. In many cases, "its cash-raising activities resemble those of a mafia-like organization."⁹ For example, ISIL demands that business owners pay protection money to the group.

6 Dreazen, "ISIS Uses Mafia Tactics."

7 Mariam Karouny, "Life Under ISIS: For Residents of Raqqa, is This Really a Caliphate Worse than Death?" *The Independent*, September 5, 2014; Chelsea Carter, Mohammed Tawfeeq, and Hamdi Atkshali, "In Iraq, Militants Press on Toward Baghdad," *CNN*, June 23, 2014.

8 Matt Herbert, "Partisan, Profiteers and Criminals: Syria's Illicit Economy," *The Fletcher Forum of World Affairs* 38, no. 1 (Winter 2014): 70.

9 Ken Dilanian, "Islamic State Group's War Chest Grows Daily," *Associated Press*, September 15, 2014.

If they refuse, their businesses are subject to damage or the owners are beaten, kidnapped, and held until their families can pay the ransom.¹⁰

In addition to confronting or co-opting the activities of organized crime groups, other militant organizations, including the FARC, Sendero Luminoso, the Taliban, the United Wa State Army and the IRA, all cooperated with organized criminal syndicates mostly through transactional activities involving access to territory.¹¹ The most common form of transaction is “taxation” of shipments of goods that must transit through militant controlled areas. To help keep its coffers filled, ISIL uses its territory near Turkey, Lebanon, and Iraq in similar ways. ISIL has insinuated itself into the region’s long-established smuggling networks that have existed since the French and British division of the Ottoman Empire following World War I, and which gained additional strength during the period when oil sanctions were levied against Saddam Hussein and during the chaos in the immediate aftermath of the Iraq War.¹² Through these illicit channels, ISIL engages in transactional schemes; it permits some illegal groups to continue their activities, but demands “taxes” or “religious alms” from smugglers at checkpoints in and out of the territory they control. Beyond taxation, ISIL works with border area criminal syndicates proficient in the smuggling of weapons, oil and people. The Turkish border region is an area where oil has been smuggled out of ISIL territory and weapons and foreign fighters have been smuggled in.¹³ The possibility also exists that ISIL may have taken over drug production and smuggling as it now controls areas of Syria where narcotics manufacturing and distribution has occurred.¹⁴

Bandit Rationality and the Villain’s Dilemma

Confrontation, co-optation and cooperation as crime management approaches have benefits for any insurgent group. However, cooptation and cooperation have tenuous implications for insurgent groups as well. ISIL may be confronting these vulnerabilities as it consolidates and expands its reach.

If an insurgent group begins to rely on criminal enterprises, a type of “bandit rationality” takes over members of the group.¹⁵ Relying on illicit trafficking for funding makes groups acutely vulnerable to the possibility that individuals become more attracted (and more attractive) to an insurgent group without having to demonstrate a commitment to the ideological goals of the movement. They become valuable because they show an ability to generate illicit profit to keep the group viable. Other

10 Raheem Salman and Yara Bayoumy, “Oil, Extortion and Crime: Where ISIS Gets its Money,” *MSNBC*, September 11, 2014.

11 Paul Rexton Kan, *Drugs and Contemporary Warfare* (Dulles: Potomac Books, 2009), 29-36

12 Cyrus Schayegh, “The Many Worlds Of Abud Yasin; Or, What Narcotics Trafficking In The Interwar Middle East Can Tell Us About Territorialization,” *American Historical Review* 116, no. 2 (April 2011): 276, 283; Eckart Woertz, “How Long Will ISIS last Economically,” *Barcelona Centre for International Affairs, Notes Internacionales*, Numero 9 (October 2014); United Nations Office on Drugs and Crime, “Addressing Organized Crime and Drug Trafficking in Iraq: Report of the UNODC Fact Finding Mission,” August 25, 2003, 12.

13 Daniel Dombey, “Turkey’s Clampdown on ISIS Bearing Fruit,” *The Financial Times*, September 3, 2014.

14 Colin Freeman, “Syria’s Civil War being Fought by Fighters High on Drugs,” *The Independent*, January 12, 2014.

15 Mancur Olson, “Dictatorship, Democracy and Development,” *American Political Science Review* 87, no. 3 (September 1993): 568.

insurgent groups like the FARC and Sendero Luminoso, that began to depend on drug crops for funding, group cohesion and recruitment suffered as political commitment became diluted.¹⁶

Bandit rationality, in turn, leads to a “villain’s paradox” in which a “criminal needs partners who are also criminals, but these are typically untrustworthy people to deal with.”¹⁷ In short, criminals must trust people who are inherently untrustworthy and who must trust them in return. In the case of an insurgent group too wedded to criminal enterprises, the leadership of the group is unsure whether its members are committed to the political cause or to the promise of profit while the members are unsure whether leadership is using them to advance the cause or for the leadership’s personal enrichment. Comrades who share a cause can quickly become clients whose demands need to be met.

When bandit rationality stimulates a villain’s paradox, intragroup struggles can occur. Portions of ISIL may already be experiencing this phenomenon. According to reports, one ISIL battalion in Syria led by Saddam al-Jamal whose men seem more interested in the loot he can provide than the political cause of the group. This has forced him to cooperate with more criminal groups. As a commander in the Kurdish Protection Unit described Jamal’s battalion,

The jihadists are not as strong as you think and they have a lot of problems, especially with their funding and they are trying to get any means of supply. There are some severe divisions at the top and there are a lot of disagreements caused by these new groups in their midst.¹⁸

In other instances, ISIL has even gone so far as to execute members who were found guilty of committing crimes that benefitted themselves.¹⁹

Criminality and the Protraction of Conflicts

At first glance, bandit rationality and the villain’s dilemma appear to be advantages for those who seek to defeat ISIL. Internal disarray over its goals and internal disputes over its criminal spoils appear to be vulnerabilities those opposed to ISIL could exploit to bring the conflict with the group to an end. However, conflicts where insurgent groups have entwined their political goals with criminal schemes have been notoriously protracted.²⁰ As Paul Collier notes, “to get started, a rebellion needs a grievance, whereas to be sustained, it needs greed.”²¹

16 For an excellent discussion of bandit rationality in the FARC and Sendero Luminoso, see Jeremy Weinstein, *Inside Rebellion: The Politics of Insurgent Violence* (New York: Cambridge University Press, 2007). See also Chris Dishman, “Terrorism, Crime and Transformation,” *Studies in Conflict and Terrorism* 24, no. 1 (2001).

17 Diego Gambetta, *Codes of the Underworld* (Princeton: Princeton University Press, 2009), 30.

18 Jamie Dettmer, “Syrian Jihadists Linked to Organized Crime,” *The Daily Beast*, December 9, 2013.

19 “ISIL Crucifies its own ‘Corrupt’ Fighter,” *Times of Israel*, June 28, 2014; “ISIS Militants Behead Their Own Fighters for Spying and Embezzlement in Syria,” *Syrian Observatory for Human Rights*, October 16, 2014.

20 Svante Cornell and Michael Jonsson, “The Nexus of Crime and Conflict” in Svante Cornell and Michael Jonsson, eds., *Political Economy of Conflict in Eurasia* (Philadelphia: University of Pennsylvania, 2014), 12-13; James Fearon, “Why do Some Civil Wars Last so Much Longer than Others?” *Journal of Peace Research* 41, no. 3 (May 2004); and Michael Ross, “How Do Natural Resources Influence Civil Wars,” *International Organization* 58, no. 1 (Winter 2004).

21 Paul Collier, “Rebellion as Quasi-Criminal Activity,” *The Journal of Conflict Resolution* 44, no. 6 (December 2000): 852.

The conflict with ISIL shows similar early signs of other long-running criminalized conflicts.

Insurgent groups in Colombia, Peru, Afghanistan, Turkey and Myanmar continue their campaigns despite attempts to exploit the vulnerabilities presented by bandit rationality and the villain's dilemma. These insurgent groups are known as much for their criminal enterprises as they are for their ideological goals. Within these conflicts, the political and criminal goals of the militant groups became convoluted. Many militant groups "have not only lost some of their more comprehensible ideals, but increasingly turned to smuggling and other criminal activities."²² Sendero Luminoso's commitment to a Maoist vision of political life in Peru became murky in the 1990s due to its active and committed participation in coca cultivation; members routinely deserted when drug supplies were low and would "re-enlist" when cocaine profits once again became available.²³ The Afghan insurgent group, Hezb-Islami Gulbuddin, became a "full-fledged smuggling organization."²⁴ Such groups became "full-service organizations" that were adept at political violence and criminal activity.²⁵

In other conflicts where militant groups have been deeply involved in illicit activities, war became political power rather than an extension of political power. War and violence turned into a normal state of affairs whose benefits were not easily negotiated away. Over time, a growing number of stakeholders emerged who became dependent on the criminal economy generated by the ongoing conflict. Smuggling activities, for example, have benefits for vehicle drivers, security firms, merchants of equipment, and suppliers of scarce items. Law enforcement agencies and politicians of neighboring states have been known to benefit from their roles as conduits for the drug trade across their borders. Some neighboring governments have relied on the trade to meet other national security interests. For example, Pakistani intelligence agencies and their allies have routinely used drug smugglers to assist in arms shipment to numerous warring groups throughout the region.²⁶ As a result, formal and informal pressures build against ending the violent struggle.²⁷

The conflict with ISIL may become similarly resistant to resolution because of its reliance on criminal enterprises. Criminal middlemen in Turkey and Kurdish soldiers in Iraq have assisted ISIL's oil smuggling and sales.²⁸ Other beneficiaries of ISIL's oil smuggling have been truck

22 Kimberley Thachuk, "Transnational Threats: Falling Through the Cracks?" *Low Intensity Conflict and Law Enforcement* 10, no. 1 (2001): 51.

23 Jeremy Weinstein, *Inside Rebellion* (New York: Cambridge University Press, 2007), 155–159.

24 Gretchen Peters, "Taliban Drug Trade: Echoes of Colombia," *Christian Science Monitor*, November 21, 2006, 4.

25 Vera Eccarius-Kelly, "Surreptitious Lifelines: A Structural Analysis of the FARC and the PKK," *Terrorism and Political Violence* 24, no. 2 (2012): 240.

26 Tara Kartha, "Controlling the Black and Gray Markets in Small Arms in South Asia," in *Light Weapons and Civil Conflict*, eds. Jeffrey Boutwell and Michael T. Klare (Latham, MD: Rowman and Littlefield, 1999), 53.

27 David Malone and Jake Sherman, "Economic Factors in Civil Wars" in Chester Crocker, Fen Olster Hampson and Pamela Aal, eds., *Leashing the Dogs of War* (Washington, DC: United States Institute of Peace, 2007), 639; Mats Berdal and David Keen, "Violence and Economic Agendas in Civil Wars," *Millennium: Journal of International Studies* 26, no. 3 (December 1997): 798.

28 Sam Jones, "ISIS Sells Smuggled Oil to Turkey and Iraqi Kurds, Says US Treasury," *Financial Times*, October 23, 2014.

drivers, transport companies, refiners, oil traders, and bankers.²⁹ By insinuating itself into the established regional smuggling networks, ISIL has expanded the number of cross border stakeholders who gain from the group's continuing criminal activities.

Adding to the potential for the protraction of the conflict with ISIL is the group's control of swaths of territory across two states. This greatly enhances its ability to pursue more criminal enterprises, unlike militant groups in other conflicts that became protracted. Rather than merely having sanctuaries or safe havens in a state across the border from the conflict, ISIL has effectively eliminated a large portion of the border between Syria and Iraq. The ability to freely traverse through two states gives the group greater flexibility not only for its military operations but for its criminal activities as well. For example, ISIL abducted a number of women and girls in Iraq, selling them as brides and sex slaves in Syria.³⁰ It may continue this pattern of gaining illicit goods from its territory in one state to supply a market in its territory in the other state. It may also use the territory in one state for more extensive criminal enterprises while putting those proceeds to work in strengthening its institutions of governance in the territory of the other state. As a result, ISIL may over time develop into a "full-service organization" in its own right. Like other groups, ISIL can cloak its criminal activities with its ideology to maintain legitimacy and to continue to derive illicit profit. The ability to control territory in two states in combination with its connections with cross border illicit networks expands the number of stakeholders who benefit from ISIL's continued criminal activity, thereby contributing to the potential for the protraction of the conflict.

Towards an Integrated Strategy

Trying to frustrate ISIL's criminal activities will add little to the current strategic goal to degrade and destroy the group via airstrikes and support of proxies on the ground. As previously mentioned, the ability of other militant groups to finance themselves with illicit activities and little reliance on outside sponsorship or the international financial system makes them more insulated from counterthreat finance attempts. A senior Obama administration official conceded, "there are obvious difficulties. These sales are not through established channels."³¹ Conversely, airstrikes and proxy forces can do little to reduce ISIL's criminal activities. An air force is not a police force any more than a militia is a constabulary. ISIL territory currently encompasses a population of 8 million people across two states, providing a deep reservoir of opportunities for criminal exploitation. There are some clear limits to what the United States and coalition can achieve without seizing and holding ISIL territory.

Publicizing ISIL's criminal activities as part of a "naming and shaming" campaign would not do much to turn members away from the

29 Cohen, "Attacking ISIL's Financial Foundation."

30 Barbara Starr, Joshua Berlinger and Raja Razek, "US Military Carries Out Airstrike and Aid Drops to Iraqi Town Surrounded by ISIS," *CNN*, August 30, 2014, and Chris Pleasance, "Hundreds of Yazidi Women Held in Islamic State Prison Where They are Held as Sex Slaves or Sold Off as Jihadi Brides for as Little as \$25," *DailyMail*, August 28, 2014.

31 Steven Mufson, "Islamic State Fighters Drawing on Oil Assets for Funding and Fuel," *The Washington Post*, September 15, 2014.

group or dissuade sympathizers from joining its ranks. Such information can be dismissed as enemy propaganda. Moreover, ISIL members, like members in other militant groups, can rationalize their criminal activities as “the ends justify the means.” Activities like smuggling and human trafficking earn money for the cause and serve to undermine governmental authority in both Syria and Iraq.

Attempting to limit oil smuggling may hold promise; Turkey has stepped up its border enforcement to take on smugglers. The Kurdistan Regional Government has also begun to track commercial flows into its territory more strictly. The coalition has attacked oil production facilities in Syria under ISIL control. These combined actions have appeared to reduce some of ISIL’s profits.³² The coalition will also need to deal with oil production facilities in Iraq to reduce ISIL’s oil smuggling revenues. The United States and coalition should make recapturing them by Iraqi forces a top priority. To tackle the broader network of regional smuggling, the Treasury Department has threatened to levy sanctions against any individuals involved in trafficking ISIL’s Iraqi or Syrian obtained oil.³³ These are valuable efforts, and more can be done to give them additional strength. For instance, because ISIL is largely earning money locally and dealing predominantly in cash, the United States and the coalition should focus on ways to interdict bulk cash transportation, storage and transfer. One way to tackle the transfer of illicit money is for supportive governments to train Iraqi bank officials in the latest financial tracking techniques, as many banks remain operational in and near ISIL-held territory.

In recent months, air strikes against ISIL-controlled oil refineries in Syria have had little impact alone. According to an extensive investigation by the *Financial Times*, local Syrians have reported ISIL made the bulk of its oil money from smuggling crude, rather than refined oil, to Turkish, Iraqi and Syrian middlemen who then refine it locally where coalition airstrikes are not authorized.³⁴ However, while air strikes by themselves may have had limited success, they have worked in conjunction with the dramatic drop in global oil prices to reduce ISIL’s revenue stream. One report by the Atlantic Council states the combined effect has reduced the group’s oil revenue by approximately seventy to eighty percent.³⁵ Moreover, in order to appease those living in its territory as winter approached, ISIL has had to provide refined oil at a significantly low price to people in its territory for heating and power.³⁶ This, too, has diminished the group’s coffers.

Nonetheless, military operations, such as air strikes, that destroy oil facilities and other assets that support oil smuggling must be viewed cautiously. Certain military operations can actually aid the criminality of the group; the US and its partners, given the constraints of the current strategy, should avoid conducting operations that can increase criminal opportunities for ISIL. The air campaign against Iraq in 2003 offers a

32 Matthew Phillips, “ISIL Loses its Oil Business,” *Businessweek*, October 14, 2014.

33 Cohen, “Attacking ISIL’s Financial Foundation.”

34 Erika Solomon, “The ISIS Economy: Meet the New Boss,” *The Financial Times*, January 5, 2015.

35 Mona Alami, “ISIS’s Governance Crisis (Part I): Economic Governance,” *The Atlantic Council*, December 19, 2014.

36 *Ibid.*

cautionary tale. The damage to the Iraq's power grid permitted criminal groups to pull down power lines, strip them of copper and sell the highly sought metal to eager buyers in the region.³⁷ Therefore, countries involved in the current air campaign against ISIL must be careful that they do not damage key infrastructure, which may spur additional black market opportunities that ISIL can use to raise more money, further enmeshing crime in the fabric of the territory under ISIL control. For example, attacking oil facilities may stimulate a black market in material needed to repair oil operations.

A more integrated strategy that links both Treasury activities with military operations may prove beneficial in limiting ISIL's power. One example of an integrated strategy of military operations and financial pressures used in a protracted conflict that bore fruit was Colombia's Democratic Security and Defense Policy. Beginning in 2002, the Colombian government implemented a coordinated approach to tackle the various militant groups, including the FARC, that were challenging the Colombian state by expanding the presence of the state to deny sanctuary to militant groups; protect the population once under the control of militant groups and to directly target the illegal drug trade which financed the militant groups and contributed to the growth of corruption and crime.³⁸ The broad outline of the Colombia's strategy has been:

The government gradually restores state presence and the authority of state institutions, starting in strategically important areas. Once the Armed Forces and the National Police have re-established control over an area, Army and Police units maintain security and protect the civilian population. This enables state organizations and criminal investigation authorities to work in the area.³⁹

The strategy has led to the demobilization of a number of militant groups, peace talks with the FARC, and a concomitant reduction in criminal acts and drug crop cultivation.⁴⁰

A glaring issue is who would implement such an approach in the absence of US or coalition willingness to provide a ground presence of their own. Iraq has weak state institutions and the moderate Syrian rebel groups' ability not only to regain territory from ISIL, but to topple Asaad and take control of the institutions of power is a long-term proposition. The United States and those supporting moderate Syrian rebel groups will have to vet their membership and demand pledges from them to forgo criminal activities. Given the urgency by many countries to cobble together a response to ISIL's actions and the seductive opportunities for illicit profit, vetting rebel groups has proven to be a tall order.

Even with the constraints of current US policy, portions of Colombia's approach can be used to design a more integrated strategy

37 United Nations Office on Drugs and Crime, "Addressing Organized Crime and Drug Trafficking in Iraq: Report of the UNODC Fact Finding Mission," August 25 2003, 7.

38 Presidency of the Republic, Ministry of Defence (Colombia), "Democratic Security and Defense Policy," (2003), 31, <http://usregsec.sdsu.edu/docs/Colombia2003.pdf>

39 Jose Perdomo, *Colombia's Democratic Security and Defense Policy in the Demobilization of the Paramilitaries* (Carlisle Barracks: United States Army War College, 2007), 9.

40 June Beittel, "Peace Talks in Colombia," Congressional Research Service, April 3, 2014, 11-12; United Nations Office on Drugs and Crime, "Colombia: Coca Cultivation Survey 2013," (June 2014), 16; and Thomas Marks, "A Model Counterinsurgency: Uribe's Colombia (2002-2006) vs FARC," *Military Review* 87, no. 2 (March-April 2007): 50-51.

that weakens ISIL's criminal foundations. For example, Treasury agents and military planners should be embedded with one another to prevent operations that will bolster criminal opportunities for ISIL while searching for ways to drain the group's funds. The establishment of intelligence "fusion centers" between the Department of Defense and the Department of Treasury may also aid in integrating operations. The US Treasury believes finding ways to increase the financial pressure on the group will make it more costly for ISIL to expand its operations and maintain its current territorial gains.⁴¹ Substantial damage to ISIL's finances has been due to the group's own missteps in trying to run an economy; it mishandled the rampant inflation of basic goods like food, cooking oil and kerosene caused in part by its widespread extortion of businesses.

Recommendations

To take advantage of ISIL's mistakes, military operations against the group must be robust enough to create additional expenditures and financial complications for the group. Replacing equipment, enlisting recruits and maintaining a local economy are all expensive propositions for ISIL. The group is also working on minting its own currency which will also very likely lead to larger financial headaches for ISIL. Because the currency will be valued on the worth of gold, silver, and copper used to make the coinage, experts forecast the shortage of these metals will lead the group to print paper money and thus create even more inflationary pressures.⁴²

Therefore, more efforts should be aimed at disrupting the supply of gold, silver and copper to expedite the group's monetary failure. Additionally, military operations should target the group's financial personnel as well as its military personnel along with stores of hard currency in ways that would disrupt its finances. Other operations should be aimed at providing further intelligence on the inner workings of the group's criminal enterprises.⁴³ The more ISIL has to contort itself to provide law and order for political legitimacy while coopting and cooperating with criminality for economic gains, the greater the stress placed on the group. However, if this approach is adopted, much like Colombia's Democratic Security and Defense Policy, success will take time.

Recognizing the difficulty in substantially reducing ISIL's criminality in the short term does not absolve the United States and its partners from developing a more integrated strategy linking military operations and financial actions. The current strategy may work to create an economic implosion in ISIL controlled territory, but it is unclear what US partners will do in the aftermath, and whether that will lead to ISIL's surrendering of territory. In many ways, the current strategy is a paradox: the financial strategy is to help break ISIL's grip on territory, but a stronger financial strategy will require the United States and its partners to access that territory. Without an integrated strategy and

41 Cohen, "Attacking ISIL's Financial Foundation."

42 Jesse Solomon, "The ISIS Currency is Doomed," *CNN*, November 14, 2014.

43 Patrick Johnston and Ben Bahney, "Hitting ISIS Where it Hurts: Disrupt ISIS's Cash Flow in Iraq," *RAND*, August 13, 2014, <http://www.rand.org/blog/2014/08/hitting-isis-where-it-hurts-disrupt-isis-cash-flow.html>.

willing partners on the ground to enable its implementation, the United States and the coalition could find themselves bogged down in another protracted conflict.