

MONEY TALKS: EVALUATING U.S. DISRUPTION OF TERRORIST FINANCING
NETWORKS

by

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ABSTRACT

This paper contributes to the understanding of how to respond to the financing efforts of a group like ISIS by answering the question, how have the USA PATRIOT Act and other U.S. policies disrupted the financing of ISIS? The scope of this research relates to the terrorist group ISIS and the efforts by the United States to combat its financing operations. Terrorist groups can only carry out as much activity as they can afford. As a nation at the forefront of the War on Terror, the U.S. has the responsibility to frequently analyze and evaluate current policy and whether or not it is adequately addressing terrorist threats. This study claims that current policy requires revision in order to adequately address the financing mechanisms used by ISIS, specifically the financing mechanisms tied to the organization's control of territory. It concludes with policy suggestions for improvement and implications for the future of terrorism and terrorist policy.

Introduction

The United States dropped a bomb in Mosul, Iraq, on January 10, 2016. The target building did not house terrorist leaders or serve as a headquarters to the operation. It contained money. The US was launching a financial attack on ISIS (the Islamic State in Iraq and Syria; also referred to as ISIL, Da'esh, IS and the Islamic State), one that allegedly destroyed millions of dollars held by ISIS. The direct attack on ISIS's cash reserves indicates a counterterrorism strategy that hinges on disrupting financing abilities. Indeed a part of the United States strategy to "disrupt, degrade, and ultimately defeat ISIL" includes strategies to "degrade ISIL's financial strength" (Cohen, 2014).

Major research in the area of terrorist financing has provided much information about terrorist groups and their financing activities. The primary ways Al Qaeda was financed before and after the September 11 attacks were state sponsorships, charities, and money transfers. ISIS now uses those tactics, but also criminal enterprises and smuggling. After September 11, the United States enacted financial regulations as an attempt to combat the financing of terrorism. These regulations changed banks' reporting standards and offshore investment limitations, among other things. Terrorism finance has evolved to become more localized and under-the-radar. Financers of terrorism rely on black markets, kidnapping ransoms, and business fronts. As regulations evolve and funding tactics evolve in response, it becomes more difficult to stop the financing of terrorism under current policy.

This paper contributes to the understanding of how to respond to the financing efforts of a group like ISIS by answering the question, *how have the USA PATRIOT Act and other U.S. policies disrupted the financing of ISIS?* The scope of this research relates to the terrorist group ISIS and the efforts by the United States to combat its financing operations. Targeting financing

is only one part of the war on terror, but it is a relevant step in fighting terrorism. It is necessary to study the financing of terrorism because terrorist groups can only carry out as much activity as they can afford. When carrying out attacks, terrorist groups attempt to minimize costs while maximizing damage. Counterterrorism financing policies and strategies are intertwined with overall counterterrorism efforts, though this study intends to separate policies specific to financing and evaluate them. As a nation at the forefront of the War on Terror, the US has the responsibility to frequently analyze and evaluate current policy and whether or not it is adequately addressing terrorist threats. Results of this study are useful in determining the future targeting of terrorist financing as well as in reforming current policy aimed at disrupting the financing of terrorism.

Literature Review

It is first necessary to begin with a review of the literature on the history of terrorist financing, a brief history of ISIS and ISIS financing techniques, and the evolution of U.S. policy towards terrorist financing. This section begins with an overview of terrorist financing techniques. The financing techniques of terrorist groups [have always been](#) evolving. In the development of terrorist financing networks, two twentieth century European terrorist groups emerged (Jonsson and Cornell, 2007). The IRA in Ireland and the ETA in Spain used a combination of criminal activities to acquire money, including robbery, extortion, and kidnappings. Criminal activities evolved into more internal and diverse financing, which meant a switch to victimless crimes like oil smuggling, tax fraud, and money laundering. Other strategies [were](#) employed by Al Qaeda. Before the September 11 attacks, Al Qaeda relied on \$30 million annually from non-state donations from Saudi Arabia and the United Arab Emirates. According

to Jonsson and Cornell, the strength of Al Qaeda's financing was in the group's ability to maximize the damage of inexpensive attacks (2007).

A study of terrorism in Southeast Asia finds that Al Qaeda financing was built on donations from charities, NGOs, mosques, websites, and fundraisers throughout the 1980s (Abuza, 2003). Islamic charities played a large role in funding. Al Qaeda officials often held Muslim leadership positions in Southeast Asia. Indonesian intelligence estimated "15-20% of Islamic charity funds are diverted to politically motivated groups and terrorists" (Abuza, 2003). When Muslims give *zakat*, a charitable contribution, many are unaware that the money ends up in the hands of Al Qaeda. Another large part of terrorist financing in Southeast Asia comes from front companies. Front companies are one of two kinds. One kind is established with a low investment and low profits solely to purchase materials or hide other aspects of the terrorist operations. Another kind is established using Al Qaeda funds with the primary purpose of generating revenue for the organization. Front companies provide a challenge to those combating the financing of terrorism because they appear as legitimate businesses (Abuza 2003).

Al Qaeda fighters were often paid large sums of money to fight in Sudan and later Afghanistan (Farrall 2011). Al Qaeda uses franchising to fund many of its efforts and increase the scope of its goals. Other Islamic terrorist groups are brought under the umbrella of Al Qaeda and grow the organization in size and money. Because of these franchises, a 2011 study concludes at the time that Al Qaeda was larger than ever (Farrall 2011).

ISIS emerged as a militant group fighting in Iraq during the American occupation. First claiming to be a branch of Al Qaeda, then changing its name to Al Qaeda in Iraq, the jihadist group eventually settled on calling itself the Islamic State in Iraq and Syria in 2013. The group amassed strength and attention through its involvement in the Syrian Civil War and began

controlling territory. Fighting against the Iraqi and Syrian governments and rebel groups in both countries, ISIS operates with the goal of establishing an Islamic Caliphate, specifically a fundamentalist Sunni Muslim state with all Muslims pledging allegiance to the current leader, Abu Bakr al-Baghdadi (Cassman 2017).

Since 2013, ISIS has gained control of several large and important cities in Iraq and Syria including Dabiq and Raqqa in Syria and Ramadi, Fallujah, and Mosul in Iraq (Bremmer, 2016). As of this writing, Raqqa and some parts of Mosul are the only two remaining under ISIS control. Currently a seemingly successful ground campaign is underway to reclaim Mosul and only some western portions of the city remain under ISIS control (*Coalition Official*, 2017).

The US is at the forefront of the international coalition fighting ISIS in Iraq and Syria. Groups participating in the coalition include the Iraqi military, Turkish military, Kurdish forces, Jordan, Saudi Arabia, Bahrain, Kuwait, Qatar and other Gulf States, and Russia. While many groups are united in the fight against ISIS, tensions among the groups can be high. The Turks are not happy with U.S. support of Kurdish forces that they consider a terrorist group. Shia militias fighting in the area receive no support from the US because of their commitment to sectarian conflict. The Assad regime in Syria offers another point of contention, with some groups like Saudi Arabia prioritizing the overthrow of Assad above the overthrow of ISIS (Boghani year?).

The way ISIS finances its terrorist activities is different than Al Qaeda and other terrorist groups before it. In a statement on “Attacking ISIL’s Financial Foundation,” David S. Cohen, the Under Secretary for Terrorism and Financial Intelligence, describes the financing of the Islamic State saying: “ISIL’s primary funding tactics enable it today to generate tens of millions of dollars per month. Those tactics include the sale of stolen oil, the ransoming of kidnap victims, theft and extortion from the people it currently dominates, and, to a lesser extent, donations from

supporters outside of Syria and Iraq” (Cohen, 2014). Thus, ISIS relies less on the movement of large payments internationally and focuses on internal revenue creation. It is able to uniquely rely primarily on internal revenue because of the territory the group controls.

Testimony submitted to the House Committee on Financial Services by Matthew Levitt provides similar information about the criminal enterprises funding ISIS. The criminal enterprises are described by Levitt: “ISIS steals livestock, sells foreign fighter passports, taxes minorities and farmers and truckers, runs a sophisticated extortion racket, kidnaps civilians for ransom payments, and much more” (Levitt, 2014). But, Levitt also warns that targeting only the criminal enterprises would not make a big impact on the funds of ISIS because there are other important areas of financing, like oil production, refining, and smuggling, taxing companies and individuals in the areas it controls, as well as traditional methods of diverting charitable donations and soliciting large donations. Research by the Rand Corporation supports the findings on Islamic State’s funding tactics. The research explains that the information known about funding comes from a collection of financial documents seized by U.S. and Iraqi forces between 2005 and 2010 (Johnston, 2014). The Islamic State is operating in an area that has long been exploited for criminal activity. Different groups have controlled the area, but exploiting local revenue has been constant.

In addition to declassified financial documents that have been acquired, much of the information about ISIS’ financing comes from ground reporters, interviews and analysts. This requires a look into news media accounts. The *Associated Press* and *Washington Post* report ISIS taking in 3 billion dollars daily in oil profits (Dilanian, 2014; McCoy, 2014). For decades, different terrorist organizations have relied on oil smuggling in different areas of Iraq, and smuggling networks have been long established in the area (Dilanian 2014). ISIS is able to be so

profitable because it controls geographic locations that provide oil, antiquities, and tax revenue. A seizure of computer flash sticks in Mosul revealed detailed accounts of finances, according to a report by *The Guardian* (Chuloy, 2014). After analyzing the finances, researchers put the total cash and asset value of ISIS at 2 billion dollars (as of June 2014). By way of comparison, Al Qaeda was operating at around 30 million dollars in 2001. The *Washington Post* account of the seizure of Mosul by ISIS forces estimated 425 million dollars were stolen from local banks during the attacks (McCoy, 2014).

Ultimately, ISIS is uniquely funded because of its control of geographic territory. Land control in Syria and Iraq gives ISIS a distinct ability to create tax revenue, antiquities revenue, and other revenue from criminal activity in the area. Oil field control and oil smuggling also give the organization an edge. Another strategic advantage is that ISIS has been able to avoid large international exchanges that can be easily detected by international organizations and keep financing operations internal. This puts ISIS in a strategic financial situation with the ability to avoid the international system and external funding, and it requires a response that is strategic as well.

While the control of territory gives ISIS a unique advantage, it is not without cost. Controlling territory also imposes expenses on the group—providing utilities, infrastructure, and other basic needs of the people in the territory. Whether or not the group does provide basic needs is open to interpretation. Nonetheless, ISIS has specific expenses. Thus, while it is generating substantial revenue by running what it considers a state, it is putting a lot of that revenue back into the financing of non-terrorist activities within the state.

How has the United States responded to terrorist financing? Scholars admit, “Until the September 11 attacks, combating the financing of terrorism (CFT) was not a priority for the U.S.

government” (Levitt and Jacobson, 2008). But, in the years since the attacks, the government has embarked on an extensive effort to combat the financing of terrorism. In response to the September 11 attacks, the US took action against individuals and organizations involved in the financing of terrorism. These actions included legal and structural changes, international efforts, and regional improvements that aimed at financiers of terrorism (Levitt and Jacobson, 2008). The Treasury Department identified individuals involved and froze their assets or the Justice Department prosecuted them for supporting terrorist organizations. The Intelligence Community grew and advanced in technology, improving the government’s ability to detect and address threats to the financial system. The US encouraged the intervention of international organizations like the United Nations (UN) and Financial Action Task Force (FATF) to the fight against terrorist financing. The UN created a blacklist of members of terrorist groups, which it then distributed to all UN members with the instructions to freeze assets and restrict travel and trade of those on the list. International organizations involved the private sector by instructing banks to disclose suspicious activity. Regionally, the European Union joined the force as well as many Persian Gulf countries. The UAE has collaborated with the United States, offered financial information to intelligence analysts, and began to regulate an area well known for financial activity of terrorists. Of Course, the challenge is that terrorist groups constantly change the ways in which they raise money (Levitt and Jacobson, 2008).

The legal changes are another point of focus that ensued after the September 11 attacks, namely financial regulations. Big banks can no longer accept large payments without certain information, like who is behind them or where the money comes from, and cannot accept money from certain offshore banks (Malkin and Elizur, 2002). These regulations are extended to stockbrokers as well, although they are limited to the US This presents a problem in coordinating

with foreign banks, which do not have the same regulations as U.S. banks. Investigators have begun the costly practice of collaborating with banks to screen out dirty money and follow finance trails that lead to terrorists. With financial regulations however, it is still possible for financial terrorist activity to go under the radar with front companies and charity organizations.

Much of the financial legislation dealing with CFT comes from the USA PATRIOT Act. Dennis Lormel (Chief, Terrorist Financing Operations Section, Counterterrorist Division, FBI) spoke to members of the Senate in October 2002 about the tools provided by the USA PATRIOT Act in countering terrorist financing methods (Lormel, 2002). These include the aforementioned bank regulations, Suspicious Activity Reports (SARs) requirements, support to non-governmental organizations and international organizations, legal rights of prosecutors to foreign bank accounts, and the creation of a network to provide information related to terrorist financing among the Intelligence Community.

David Cohen's remarks referenced earlier, as the Under Secretary for Terrorism and Financial Intelligence at the Department of the Treasury, include stopping the financing and funding as one of the larger goals to counter the Islamic State. Thus it is important to note the role of combating the financing of terrorism in the global fight against terrorism. The literature provides us with a background of terrorist financing, explaining the diverse way ISIS is financed and the ways the US has traditionally responded to terrorist financing. It sets up a need for an analysis of policy related to the financing of terrorism, and brings up questions of the policy's effectiveness and impact on the state of terrorism today.

Theory

This research began by asking questions about the impact of the USA PATRIOT Act specifically on the way ISIS chose to diversify its funding mechanisms. I theorized that ISIS designed its finances in part as a response to the regulations put forth in the USA PATRIOT Act. The PATRIOT Act targeted big movements of money, usually on an international scale, so ISIS avoided those big international payments. I believed a combination of ISIS controlling territory and ISIS attempting to avoid the international regulatory system were the causes of their financing mechanisms. However, I found this to be an inadequate approach. Instead, I shifted my research to address the effectiveness of all policy that affects the financing of ISIS (including but not limited to the PATRIOT Act).

My research took on a new direction and attempted to answer a new question, *how have the USA PATRIOT Act and other U.S. policies disrupted the financing of ISIS?* I expected that our traditional policy aimed at the financing of terrorism, such as the USA PATRIOT Act, provided tools for disrupting financing methods that ISIS is not employing. The unique organization of ISIS as a terrorist group controlling territory leads to unique financing mechanisms that the US is unprepared to respond to from a policy standpoint. The way ISIS is funded is not like Al Qaeda, but the way the US targets ISIS funding *is* the way the US targeted Al Qaeda. Therefore, I expected inadequacies in US policy towards ISIS financing and a lack of disruption that requires an immediate policy update by the US.

Research Methods

Answering the question, *how have the USA PATRIOT Act and other U.S. policies disrupted the financing of ISIS?* takes the form of a policy analysis and evaluation. The sources of evaluation evidence will be testimonies to Congress, the Department of Treasury, Department

of Homeland Security, the Federal Reserve, and other governmental agencies, as well as Congressional Research Service Reports. The sources will be searched for evaluations of disrupting terrorist financing and evidence of its effects. Since Congress and the bureaucracy are routinely updated on legislation in effect, there are published reports on the PATRIOT Act and other policies and their use in certain situations. While it is difficult to find detailed information about the finances of terrorist groups, it is easier to find government reports about policies being implemented. Documents recovered in the field provide the basis of knowledge of the financing tactics of ISIS, and these documents are often funneled through media sources. Therefore, news reports and other sources will also be searched to find ways the funding of ISIS is organized and disrupted.

Findings

ISIS presents an unprecedented threat because of its ability to rely on internal revenue creation and largely avoid the international system. The ability to rely on internal revenue is directly tied to the group's control of territory in Iraq and Syria. Current policy does not address the diversity of funding tactics employed by ISIS but rather addresses outdated terrorist financing methods. Policy towards the financing of ISIS must therefore be updated to address all areas of ISIS revenue. Each major funding mechanism employed by ISIS and U.S. policy response to that mechanism is subsequently described and evaluated in the following sections:

- I. Oil and Natural Resources
- II. Taxation and Extortion
- III. Sale of Looted Antiquities and Stolen Goods
- IV. Kidnapping for Ransom

V. External Support

At the end of each section is a determination of “sufficient” or “insufficient” policies. A sufficient policy is one that adequately addresses the threat faced by the funding mechanism it targets evidenced by the organization’s lack of reliance on that mechanism or decreasing reliance. If evidence is available that shows (1) the organization is no longer using a mechanism the US has targeted or (2) the organization is relying less on a mechanism the US has targeted, the policy is sufficient. An insufficient policy is one in which (1) it is not clear how the US is targeting the mechanism or (2) no evidence exists of decreased reliance on the mechanism. Based on published information without access to classified information, the terms sufficient and insufficient are as far as one can go in evaluating policy. The results of the evaluation are summarized in Table 1.

Oil

ISIS has settled in territory in both Syria and Iraq that has long been rich in oil and other natural resources (mainly natural gas, phosphate, cement, and agriculture). ISIS sells oil by shipping it to the border with Turkey on trucks where brokers and dealers pay cash in black market transactions. Oil is sold at a discounted price (possibly as low as \$18 per barrel) because it is considered contraband in Syria and thus closely monitored by the government (Humud, Pirog & Rosen, 2015). Smuggling networks have existed in the region for decades before ISIS gained control. In the past, ISIS also had control over several oil refineries, with the ability to sell refined oil products as well as use it to fuel their state and vehicles. Natural resources are similarly smuggled across the border and sold on the black market, though other resources

present larger problems and bring in significantly less revenue than oil (Brisard and Martinez, 2016).

In response to a high reliance on oil revenue by ISIS, the U.S. government has used both sanctions and airstrikes as policy tools. The US states "we will target for financial sanctions anyone who trades in ISIL's stolen oil" (Cohen, 2014). The US is using intelligence and international cooperation to identify all individuals involved with the smuggling and sale of oil and intends to target them. The other aspect of targeting ISIS oil revenue takes the form of coalition airstrikes aimed at truck convoys and oil facilities (refineries, oil fields, and production facilities). Airstrikes by the US and other international coalition members had beginning in 2011 destroyed approximately 50% of ISIS refining capabilities by October 2014 and in 2016 had destroyed over 1500 oil trucks (Johnson, 2014; Michaels, 2016).

Oil revenue is falling as a result of airstrikes conducted by the U.S. coalition and Russia. (Brisard and Martinez, 2016). By October 2014, ISIS oil refining capacity had been cut in half due to airstrikes (Johnson, 2014). Since 2014, coalition forces have carried out at least another 1,000 airstrikes against oil facilities (Daiss, 2016). Airstrikes have successfully crippled the organization's reliance on oil revenue. Although it was once the main source of revenue for the group, a Pentagon official confirmed in 2015, "Oil revenue is no longer the lead source of their income in dollars" (Kirby, 2015). Because of the evidence of success of the military strategy and U.S. policy towards oil, the policy is deemed sufficient in this area.

Taxation and Extortion

ISIS lays and collects taxes for a variety of activities within the state. ISIS extorts money from people under the guise of taxation and threat of jail or death. As a pillar of Islam, all Muslims are obligated to pay *zakat*, a religious tax. Christians wishing to remain in ISIS-

controlled territory are required to pay *jizyah*, a tax for living in the Islamic State. Additional taxes are required for safe passage across the border, doing business in the territory, using utilities and infrastructure, earning income, being a student, and producing agriculture. (Humud, et al., 2015; Brisard & Martinez, 2016). As the group faces financial strain caused by airstrikes lowering oil revenue, new taxes and fees have been added. In 2014 and 2015 a repentance tax was placed on former army and police members and former workers in the electoral commission, and a textbook printing fee was added to students on top of the education tax (Al-Tamimi, 2016). In 2014 tax revenue totaled \$360 million and was up to \$800 million in 2015 as oil revenue diminished (Pagliery, 2016).

Revenue from extortion and taxation is easy to generate for the organization but difficult for outside disruption. Military campaigns reduce the organization's ability to rely on oil revenue, and create a demand for increased revenue from other sources. Taxes and fees are an easily adjustable revenue source. Military salaries have been decreased in order to reduce costs as the organization further comes under strain. ISIS therefore has control over how much revenue can be generated through taxation and extortion because they set the taxes and salaries. The internal nature of taxation further complicates disruption mechanisms. According to Undersecretary Cohen, "the Treasury's tools are not particularly well-suited to the task" of disrupting revenue from extortion. Successful disruption begins with identifying individuals involved in extortion networks and reversing their control of territory (2014). This makes it a military and law enforcement challenge (Johnston, 2014). Based on Undersecretary Cohen's assessment and a lack of evidence of any progress in infiltrating extortion networks, the policy is evaluated as insufficient.

Sale of Antiquities and Stolen Goods

The ground in Iraq and Syria is rich with ancient artifacts from the last twelve thousand years. At the beginning of 2015, ISIS controlled 2,500 archeological sites in Iraq and 4,500 in Syria. The group also gained control of the ancient city Palmyra in May 2015 but is losing its grip to the Syrian regime at the time of this writing (Brisard & Martinez, 2016). ISIS has authorized outside archeological expeditions as well as internal excavations by ISIS itself in order to acquire objects for smuggling and sale. The antiquities are smuggled through countries such as Turkey and Jordan and are then exported to the international markets. Smugglers are employed by ISIS and are granted safe passage through ISIS controlled territory and across the border to Turkey. They sell the artifacts for cash and deliver most of the money back to ISIS leadership, keeping an approved cut as payment (usually 15 percent) (Engel, Petropoulos, and Omar, 2016). Many valuable antiquities are also placed in storage in order to be sold at a later date with less hassle over their illegal origins.

During one sixth month period in 2014, recovered documents show revenue of \$265,000 from antiquity sales (Taub, 2015). Antiquities do not make up a large portion of ISIS revenue. Scholars argue about the demand for the antiquities coming out of the area, some claiming artifacts from Palmyra are “generally unpopular” and often go unsold due to their untraceable nature (Taub, 2015). While disrupting revenue from antiquity sales remains a priority, a further concern is the cultural damage being inflicted on an area rich in ancient history.

Similar to the U.S. policy on extortion, the policy towards stolen antiquities relies on identifying those players who are involved in the smuggling, sale, and purchase of the goods. It requires significant intelligence and international cooperation. There is a lack of evidence of any disruption of the sale of looted antiquities and stolen goods, though documents are being

uncovered that give more insight into the organization of the smuggling and sale. Due to the lack of any evidence of disruption, policy aimed at the sale of antiquities and stolen goods is deemed insufficient.

Kidnapping for Ransom

In 2014, the United Nations estimated ISIS made at least \$35-\$45 million in ransom money for the return of hostages. Those kidnapped include local residents and to a lesser extent foreign aid workers and journalists (Humud et al., 2015). U.S. journalist James Foley was kidnapped and eventually killed when the US refused to pay a ransom of \$132.5 million. He is one of a handful of western citizens taken hostage by ISIS (Mullen, 2014)

U.S. policy has long prohibited the payment of ransoms or the making of concessions to hostage-takers, resting on the premise, "confirmed by experience – that an explicit and consistently applied no-concessions policy reduces the frequency of kidnappings by eliminating the underlying incentive to take hostages in the first place" (Cohen, 2014). The no-ransom policy is supplemented with a commitment to use all resources possible to secure the release of Americans held hostage. However, not every country has the same commitment to prohibiting the payment of ransoms. The United States threatens sanctions on anyone who pays ransom to terrorist groups, but an international consensus is lacking.

The U.S. policy on paying ransoms to terrorist groups is clear: the US does not pay ransoms to terrorist groups or make any concessions. However, President Obama announced some changes in 2015. He reminds "that our policy does not prevent communication with hostage-takers" and promises better organization in government around hostage recovery centered around supporting the families of those taken hostage (Obama, 2015). Families of hostages were also reassured that they will not be prosecuted for seeking to pay ransoms on their

own (Diamond [and Serfaty](#), 2014). More policy discrepancies exist outside of the United States. Multiple media outlets claim France paid ransom to terrorist groups in exchange for the release of four journalists taken hostage in Syria (Black & Borger 2014). The hostages were released after sources claim the French defense minister sent money to Turkey where it was then funneled to the kidnappers. The French government denies the claim. Even the British government, which stands firmly with the same no-concessions policy as the US, has "turned a blind eye" to ransom payments made by private companies for the release of British citizens. (Black & Borger, 2014). The US seeks to create an international consensus against the payment of ransoms, but this is so far unsuccessful. The policy towards kidnapping for ransom is thus insufficient.

External Support

External support, a traditional staple of terrorist financing, takes the form of individual donors, charitable donations, and foreign fighters bringing cash. External support comprises a small portion of ISIS revenue because of the importance the group places on being an autonomous state. Individual donors mostly reside in Saudi Arabia, Qatar, and Kuwait (Levitt, 2014) and mostly move their money through wire transfers or charitable organizations. Some charitable organizations in the Gulf States and Europe raise money for humanitarian aid and funnel it to ISIS militants. Lastly, foreign fighters often travel into Iraq and Syria, bringing with them substantial amounts of cash, or conduct self-financed attacks of their own outside of the region. (Levitt, 2014).

The USA PATRIOT Act (Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism) is a large piece of legislation crafted in response to the terrorist attacks on September 11. It is a relevant piece of legislation to analyze in

this study because it is the primary source of anti-terrorist legislation in the modern era, and it includes a large portion targeted directly at finance. Certain portions of the USA PATRIOT Act have been at the center of media controversies about the overreach of government and have sparked conversations about the surveillance of citizens. Some of those sections have expired and some have been amended. This research does not deal with those sections, but only deals with the portions relevant to the financing of terrorism, found in Title III.

The general goals of Title III are to shut down foreign shell banks, freeze assets of individuals with terrorist connections, identify and disrupt money laundering efforts, increase legal authority in the area of terrorist financing, regulate concentration accounts, strengthen Suspicious Activity Reports, implement anti-money laundering programs, and create a highly secure network of financial monitoring (*Uniting and Strengthening America, 2001*). Michael Chertoff (Assistant Attorney General of the Criminal Division of the U.S. Department of Justice), in a report to the Senate claimed, "The provisions of Title III of the PATRIOT Act provide important new authority to investigate financial crimes and attack those crimes on a system-wide basis" (Chertoff, 2002). Exact instances in which the PATRIOT Act has been used to disrupt the financing of ISIS are difficult to find; whether this is because of their lack of existence or simply their lack of release to the public is unclear. Nonetheless, systems and networks established by the PATRIOT Act almost certainly provide assistance in the financial fight against ISIS. The following subsections describe aspects of the PATRIOT Act that may relate to the disruption of the funding of ISIS.

Establishing international and domestic cooperation. The PATRIOT Act allowed the FBI to create an international program for sharing information with the international financial and law enforcement communities. The program allows international cooperation in

accomplishing the other financial goals of the PATRIOT Act, described below. Additionally, it establishes information sharing networks among the Departments of State and Treasury as well as the creation of the Financial Crimes Enforcement Network (FinCEN). Since 2002, FinCEN has supplied information in connection with at least 455 terrorist financing cases (Federation of American Scientists, 2014). It allows the US to closely monitor international movements of money and to easily share financial information with other countries. Working closely with countries especially those with strategic positions in the Persian Gulf opens up a new network of information.

Freezing accounts of individuals designated as supporters of terrorism and sanctioning. The PATRIOT Act gives the US the authority to regulate "correspondent accounts for foreign shell banks as well as the recordkeeping provisions for foreign banks having correspondent accounts" (Dam, 2002). Thus the US can seize assets of foreign banks that have correspondent accounts in the United States and are contributing funds to terrorist groups. Additionally, rules were created by the PATRIOT Act "to develop identification and verification procedures that enable them to form a reasonable belief as to the customer" (Dam, 2002). Anti-money laundering regulations were expanded by the PATRIOT Act to all facets of the US financial system.

Sanctions make up a large part of the response to external funding networks. The Treasury strategy "aims to dismantle ISIL's financial foundation through targeting its leadership, supporters, and financial facilitators with official terrorist designations" (Johnston, 2014). Placing charities on lists of financers of terrorism is also included under this umbrella, with a main goal being identification of all players who support terrorism financially. Much of the authority for terrorist designations comes from the USA PATRIOT Act. Additionally, the PATRIOT Act

provides mechanisms for cooperation and monitoring of the money flowing through the Gulf States.

The USA PATRIOT Act gives the U.S. government the authority and tools necessary to prosecute and identify financial supporters of terrorism. It has been used to identify a number of charitable organizations that contribute financially to terrorist groups including: Al-Barakaat, the Holy Land Foundation for Relief and Development, the Global Relief Foundation, and the Benevolence International Foundation. It has also identified a number of individuals that have been sanctioned and placed on watch-lists. The Holy Land Foundation as an organization and the individual leaders were prosecuted under the authority of the PATRIOT Act and convicted on multiple counts of “conspiracy to provide material support to a designated foreign terrorist organization” among other financial crimes related to terrorism (*Federal Judge Hands Down Sentences*, 2009). The group was providing support to the terrorist organization Hamas, and was shut down in 2001. In an ISIS-related case, the Department of the Treasury placed sanctions on four individuals and six entities for “providing support to the government of Syria, including for facilitating Syrian Government Oil Purchases from ISIL” (*Treasury Sanctions Networks*, 2015). Assets of affected groups are frozen and any U.S. financial activity with the groups or individuals is prohibited. Numerous cases like these exist; therefore the PATRIOT Act has been deemed sufficient in disrupting external support of terrorism.

Thus at the present time, the areas in which U.S. policy is sufficient are oil and natural resources and external support. These two areas, however, are no longer what ISIS is relying on for revenue generation. Oil has been crippled by airstrikes and no longer provides ISIS with a significant source of revenue. External support has never been a main source of ISIS funding

because of its commitment to establishing an autonomous caliphate. Thus, the other three areas, taxation and extortion, selling looted antiquities and stolen goods, and kidnapping for ransom provide the bulk of revenue for the organization and are not disrupted by U.S. policy. Current policy is outdated and aimed at addressing traditional methods of terrorist financing (external support) rather than modern tactics of self-funding. Updated policy is therefore necessary to address the financing techniques employed by ISIS. My policy suggestion addresses the insufficient areas of taxation and extortion, selling looted antiquities and stolen goods, and kidnapping for ransom, and emphasizes military support.

An implication of targeting the group's ability to internally finance its state is a humanitarian crisis. Many innocent civilians live under ISIS controlled territory and any strategy to disrupt ISIS financing will by default impact them. The impact on their living conditions is not to be ignored. Any policy should take into consideration the value of the innocent lives there and should be created with their protection in mind.

Policy Suggestion

In June 2016, Director of the CIA, John Brennan, gave a statement to the Senate Select Committee on Intelligence explaining the current status of the organization:

On the battlefields of Syria and Iraq, the U.S-led coalition has made important progress against ISIL. The group appears to be a long way from realizing the vision that Abu Bakr al-Baghdadi laid out when he declared the “caliphate” two years ago in Mosul.

Several notable indicators are trending in the right direction. ISIL has lost large stretches of territory in both Syria and Iraq. Its finance and media operations have been squeezed.

And it has struggled to replenish its ranks of fighters, in part because fewer foreign fighters are traveling to Syria. Moreover, some reports suggest that a growing number of ISIL members are becoming disillusioned with the group and are eager to follow in the footsteps of members who have already defected.

The anti-ISIL Coalition is taking steps to exploit these vulnerabilities. In addition to efforts underway to liberate cities like Fallujah and Manbij, the Coalition is also removing ISIL leaders from the battlefield, thereby reducing the group's capabilities and its will-to-fight. Last month, for example, a US airstrike killed an influential ISIL leader in Al Anbar. (Brennan, 2016)

He further addressed future prospects of the organization and financial losses:

To compensate for territorial losses, ISIL will probably rely more on guerrilla tactics, including high-profile attacks outside territory it holds. A steady stream of attacks in Baghdad and Damascus demonstrates the group's ability to penetrate deep inside enemy strongholds.

Beyond its losses on the battlefield, ISIL's finances are taking a hit as well. Coalition efforts have reduced the group's ability to generate revenue and have forced it to cut costs and to reallocate funds. (Brennan, 2016).

ISIS is turning towards encouraging lone wolf attacks and maintaining its last few holds on territory. Most U.S. attention is focused on military strategies to rid ISIS of its territory. It may be past the point in which financial strategies will be effective to limit their ability to generate revenue internally because military campaigns are so far along. Instead, military

campaigns are being used to limit control of territory, which inevitably leads to limiting internal revenue. However, even if ISIS loses all territory, they maintain the ability to generate revenue from existing networks. The policy suggestions that follow address the current state of ISIS financing and control of territory and remain relevant even if ISIS controls no territory. Additionally, the policy suggestions are useful for the future of combating the financing of terrorism universally, especially with groups that control territory.

Policy Goal 1: Use military power to reverse territory gains (eliminating internal revenue generation) and to secure border with Turkey. The most surefire way to limit the organization's ability to create internal revenue sources is to eliminate its territory. With no territory and no "state" the group is unable to tax civilians, exploit oil and archeological sites, and easily kidnap for ransom. U.S.- backed military campaigns must be continued and increased in order to take back territory, especially in the areas around Mosul and Raqqa, the organization's largest two remaining strongholds. U.S. military forces must also assist Turkish forces in securing borders and infiltrating smuggling networks. It is necessary to understand the smuggling networks being used, as they have been used for criminal activity in the past and, if left undiscovered, are likely to continue the same use in the future.

Policy Goal 2: Disrupt profit from kidnapping for ransom. To be sure, even if ISIS loses all territory under its control, the group could continue kidnapping activities. While kidnapping may be limited without territory, it is unlikely to be eliminated. Thus, the US should remain firm in the no-concessions policy and strongly advocate for European countries to do the same.

International cooperation is necessary as a global no-concessions policy is most. More resources ought to be put towards military hostage recovery and towards helping our allies do the same.

Policy Goal 3: Disrupt revenue from taxation and antiquities. Local intelligence gathering should be supported by the US in order to learn more about ISIS taxation methods and antiquities looting. All Syrian and Iraqi antiquities and goods ought to be properly searched upon entering the US (and Europe) in order to establish their origin. It is important to note here that if military campaigns work swiftly to accomplish Policy Goal 1 from above, this strategy is no longer necessary in Iraq and Syria. It may be too late to consider goals such as this in Iraq and Syria now that the military strategy is dominant, but it is not too late in emerging territory under ISIS control, such as prospects in Libya. If ISIS gains territory in Libya, it is necessary to begin intelligence gathering promptly to disrupt a taxation design and smuggling scheme. This goal is valuable to consider and develop further because of the impact and disruption it could mean for future terrorist groups controlling territory.

Policy Goal 4: Discourage future lone-wolf attacks. As mentioned above by former Director of the CIA John Brennan, ISIS is likely to persist after control of territory is lost. Propaganda will increase encouragement of young Muslim men to carry out the ideals of the group and conduct attacks of their own. Cyber intelligence must be used to remove as much ISIS propaganda as possible from the internet. Additionally, the US and international coalition should work with (non-radical) Muslim leadership to create a message and distribute material targeting potential young Muslim fighters and discourage them from conforming to the radical message. It is necessary to create a sustainable model for the future of Islam in the Middle East to reinforce a

positive and anti-radical message of the faith. Acknowledging that Islam is not the problem, but rather a key part of the solution, is necessary to lay the groundwork for a large scale rejection of radicalism within the Islamic faith. Combining U.S. resources for media strategy, large group targeting, and technology with Muslim leadership and messaging will pave the way for a decrease in young men recruited to ISIS and radical Islamic organizations.

Conclusion

Currently, U.S. policy is not responding swiftly or efficiently to counter the financing of terrorism. Constant evaluation of U.S. policy is necessary to determine whether or not policy is addressing terrorist financing threats. It is not enough to establish policy and maintain it for years. This view, demonstrated by the crafting of the PATRIOT Act, seems to be widely held by legislators in the US. As a world superpower, the US has the eyes of the world on it. Other countries look to the US for how to handle terrorism, and we cannot afford to keep viewing terrorist policy as a static entity. Rather, constant questions must be asked and research conducted to ensure policy is updated, efficient, and adequate. Implications of terrorist policy grow as attacks continue in places such as Paris and Brussels. Cooperation with France and Belgium as they respond with policy will lead to strengthening of terrorist policy in all nations involved as they work together to combat the global threat of terrorism.

As terrorist groups evolve in their organization and financing tactics, U.S. policy must evolve in response. At the present time, ISIS control of territory is declining, but the threat of terrorism is not. If the US is able to successfully analyze and strategize, it adds to the toolbox of counterterrorism techniques, and is better equipped to respond to terrorist financing threats. As the toolbox grows by addressing the insufficiencies in existing policy, terrorist attacks may be

reduced in size and in number of lives lost. Terrorism does not have to be a threat that exists forever. If the U.S. establishes a reputation for responding swiftly and efficiently with policies that address terrorism, specifically the financing of terrorism, terrorism becomes a costly activity and may almost disappear altogether.

Table 1. Evaluation Results

Funding Mechanism	U.S. Policy	Evaluation
Oil	Military operations targeting oil fields and refineries; evidence of damage to oil reliance	Sufficient
Taxation & Extortion	Mostly left up to local law enforcement	Insufficient
Sale of looted antiquities and stolen goods	Mostly left up to local law enforcement	Insufficient
Kidnapping for ransom	Spreading an international consensus against the payment of ransoms to terrorist groups	Insufficient
External support	USA PATRIOT Act	Sufficient

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