

# **“The exploitation of natural resources in the financing of terrorism. The case of ISIS in Syria and Iraq”**



**ΠΑΝΕΠΙΣΤΗΜΙΟ ΠΕΙΡΑΙΩΣ**  
**UNIVERSITY OF PIRAEUS**

**Roumpini Farmaki,**

**Attorney at Law**

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“The exploitations of natural resources in the financing of  
terrorism.

The case of ISIS in Syria and Iraq”

**Examining Committee**

Associate Professor Dr. Spyridon Roukanas

Professor Dr. Athanasios Platias

Professor Dr. Aggelos Kotios

**Department of International & European Studies**

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## **Abstract**

As terrorist groups expand worldwide, a worrisome phenomenon can be observed: the capacity of the above-mentioned groups to exploit natural resources in order to finance their activities, given the advantages that this source of revenue offers. Given that, it is of great importance to advance the discussion on terrorists' exploitation of natural resources in the framework of a broader effort to firstly understand the phenomenon and secondly to counter the financing of terrorism. The target of the present diploma thesis is to examine the links between natural resources and its exploitation by terrorist groups to finance their political, ideological, practical, military and terrorist activities. More specifically, the exploitation of Syrian and Iraqi oil fields by the Islamic State of Iraq and Syria, during the civil wars that took part in the countries mentioned.

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# 1. Introduction

The Islamic State of Iraq and Sham (ISIS), also known as the Islamic State of Iraq and the Levant (ISIL) or Daesh (formerly known as “Jamaat Tawhid wal Jihad”, the Islamic State in Iraq (ISI), al-Qaeda in Iraq (AQI)) is a jihadist terrorist organization created in 2003 in Iraq by Abu Musab al Zaraqawi<sup>1</sup> . ISIS expanded its territorial control from Western Iraq to Eastern Syria and announced the creation of a caliphate in the territories under its control on June 29, 2014.<sup>2</sup> Since then, the Islamic State has been globally infamous, for its brutality against the so-called “infidels”<sup>3</sup>, but also for its success to evolve to the most economically powerful terrorist factor worldwide. The Islamic State of Iraq and Syria, used a variety of means to fund its activities. Slave markets, illegal trafficking of antiquities, natural gas and consuming goods, taxation of the population living under the organization’s control<sup>4</sup>. This thesis aims to analyze the aspects of the exploitation of the oil fields and the connection between the abundance of natural resources in the ISIS-occupied areas in Iraq and Syria to the group’s economic growth. The link between oil-related revenues and the terrorist factor’s “reign” is undeniable as the oil fields controlled by ISIS were the terrorist group’s main source of revenue<sup>5</sup>. At the peak of the group’s power in 2014, the Islamic State produced approximately 40,000 barrels per day which were sold between 20 and 45 dollars per barrel<sup>6</sup>. Although at a below-market price, the Islamic State managed to earn 1,5 million

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1 Jasko, M., (2018). "ISIS: Its History, Ideology, and Psychology.", *Handbook of Contemporary Islam and Muslim Lives*, p. 4-12

<https://www.researchgate.net/publication/324279895> ISIS Its History Ideology and Psychology

2 Ibid. p. 12

3 Ibid. p. 11

4 FATF, (2015), *Financing of the terrorist organisation Islamic State in Iraq and the Levant (ISIL)*, p. 10-17, FATF, 25.07.2021

[www.fatf-gafi.org/topics/methodsandtrends/documents/financing-of-terrorist-organisation-isil.html](http://www.fatf-gafi.org/topics/methodsandtrends/documents/financing-of-terrorist-organisation-isil.html)

5 Ibid. p. 10

6 Johnston, P. (27.10.2017), “Oil, Extortion Still Paying Off for ISIS”, *The Rand Corporation Blog*, 01.08.2021

<https://www.rand.org/blog/2017/10/oil-extortion-still-paying-off-for-isis.html>

dollars per day, making the exploitation of Iraqi and Syrian oil, the most profitable activity of the terrorist factor<sup>7</sup>.

## 1.1 The origins and birth of the Islamic State of Iraq and Syria

For the purpose of this thesis documentation, it is of paramount importance to understand the social, religious and political background of the Islamic State of Iraq and Syria, in order to deeply comprehend not only the reasons that led the entity to the illegal production and trade of Iraqi and Syrian oil, but also the reasons that made it possible for the terrorist actor to profit from this illegal activity.

In this part of the thesis documentation we are presenting the origins of the ISIS, and its evolution from a small terrorist cell into a major actor of the Iraqi and Syrian Civil Wars. The founding father of the ISIS precursor was the Jordanian Abu Musab al Zarqawi, who was an Afghan-Soviet War veteran<sup>8</sup>. He joined the Mujaheddin forces in Afghanistan in 1989 and was trained by Makhtab al Khidamat (MK)<sup>9</sup>. MK was an organization training Arab volunteers to fight against the People's Democratic Republic of Afghanistan and their Soviet allies and provide refugees with some financial and humanitarian aid<sup>10</sup>. At first, Zarqawi was confronted with skepticism by the MK leadership, especially when he asked the organization to provide him with funds and military training, mostly because of his radical approaches on Muslims with a different doctrine than that of Sunni Salafist Islam.<sup>11</sup> Finally, the leadership of MK provided Al Zarqawi with funds and expertise, when it became clear that he had increased leadership skills and drive to fight for the jihadi cause.<sup>12</sup> In 1992 he got arrested in Jordan for possessing explosives, spent seven years in prison and

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7 Clarke, C. Etc (2017) "Financial Futures of the Islamic State of Iraq and the Levant: Findings from a RAND Corporation Workshop." Santa Monica, California, *Rand Corporation Workshop* 01.08.2021  
[https://www.rand.org/pubs/conf\\_proceedings/CF361.html](https://www.rand.org/pubs/conf_proceedings/CF361.html)

8 Glen, C. (28.10.2019) "Timeline: the Rise, Spread, and Fall of the Islamic State", *Wilson Center*, 01.08.2021  
<https://www.wilsoncenter.org/article/timeline-the-rise-spread-and-fall-the-islamic-state>

9 Ibid.

10 Jasko, M., (2018). "ISIS: Its History, Ideology, and Psychology.", *Handbook of Contemporary Islam and Muslim Lives*, p.12  
[https://www.researchgate.net/publication/324279895\\_ISIS\\_Its\\_History\\_Ideology\\_and\\_Psychology](https://www.researchgate.net/publication/324279895_ISIS_Its_History_Ideology_and_Psychology)

11 Ibid., p 10-27

12 Ibid., p 10-27



was released in 1999, thanks to a general amnesty by King Hussein<sup>13</sup>. The same year he founded Jamaat al Tawhid wal Jihad (The Organization for Monotheism and Holy War).<sup>14</sup> He was involved in many terrorist attacks, such as the infamous bombing of Radisson Hotel in Amman, Jordan, after which he fled to Pakistan to avoid captivation<sup>15</sup>. Al zarqari, gaining more and more recognition in the jihadists cycles, reached out to Osama bin Laden in 1999, to gain the support of Al Qaeda. The meeting did not go as Al Zarqari planned, as the lack of sophistication, the criminal past and the radical theories on killing Muslims presented by al-Zarqari, left Bin Laden skeptical.<sup>16</sup> Despite all that, Bin Laden finally decided to provide him with al Qaeda money, to honor his drive and initiative, in order to firm a training camp in northern Afghanistan.<sup>17</sup>The years that followed the meeting with Bin Laden, al-Zarqari stayed in Afghanistan and expanded his terrorist network, until 2001 when he was forced to leave the country with the US military invasion.<sup>18</sup>

In 2003 he established the “Jamaat Tawhid wal Jihad” in Iraq, the forerunner of ISIS and when the US forces invaded Iraq, he already had a plan, to draw the enemy in a long lasting and exhausting fight. In the first four months of the US invasion, al-Zarqari’s network organized numerous bombings, suicide attacks, beheadings of hostages and managed to make Iraq the “capital” of the Jihadists fight against infidels.<sup>19</sup>

The untamed violence of al Zarqari’s organization, targeting also the Shia Muslims as “an enemy from within”, seemed problematic to the Al Qaeda leader, who at the same time understood that al Zarqari was the most capable leader to serve the jihadi cause<sup>20</sup>. Finally in 2004, al Zarqari’s network pledged allegiance to Osama Bin Laden and started operating as an Al Qaeda branch in Iraq (AQI) The years that followed the US invasion in Iraq, AQI

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13                    ibid., p 10-27

14                    ibid., p 10-27

15                    Glen, C. (28.10.2019) “Timeline: the Rise, Spread, and Fall of the Islamic State”, *Wilson Center*, 01.08.2021

<https://www.wilsoncenter.org/article/timeline-the-rise-spread-and-fall-the-islamic-state>

16                    ibid.

17                    ibid.

18                    ibid.

19                    ibid.

20                    Jasko, M., (2018). "ISIS: Its History, Ideology, and Psychology.", *Handbook of Contemporary Islam and Muslim Lives*, p.16-21

[https://www.researchgate.net/publication/324279895\\_ISIS\\_Its\\_History\\_Ideology\\_and\\_Psychology](https://www.researchgate.net/publication/324279895_ISIS_Its_History_Ideology_and_Psychology)

became more and more powerful and popular<sup>21</sup>. The main cause for this increased power, was the American strategy to re-built Iraq after the regime of Saddam Hussein through the support of the groups neglected by Saddam such as the Kurds and the Shia Muslims<sup>22</sup>. While the US supported and provided aid for the above mentioned groups, the Sunni Muslims were sidelined and removed from government positions.<sup>23</sup> Eventually, AQI's untamed and increasing violence in the area led the Sunni tribes to understand the jihadist's group, could not provide them with safety, and they turned to the US forces for help<sup>24</sup>. This led to the so called "Anbar Awakening", when two hundred and twenty five Sunni Tribe leaders along with US troops, organized a military resistance to al-Zarqari's network<sup>25</sup>. During the Anbar Awakening turbulence, many AQI members were killed or sent to prison.<sup>26</sup>

In 2006 al-Zarqari was killed during an US force airstrike in Iraq.<sup>27</sup> Abu Hamza al Muhaji took his place as a leader of AQI and in October he proceeded to the establishment of the Islamic State of Iraq (ISI)<sup>28</sup>. Al Qaeda's core was not pleased with this decision as they had numerous political objections, so chaos emerged as the organization and the newly established "State" were suddenly found, on different sides of the same war.<sup>29</sup> The loss of the Al Qaeda support alongside with Muhaji's lack of political and operational skills led the group to almost extinct until 2009.<sup>30</sup>

However, the group re-emerged and started to gain popularity, territory, and strength the following years as a result of its members' close interaction in the US in the US detention

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21                      Beauchamp, Z., (19.11.2015), 'ISIS, a history: how the world's worst terror group came to be', *The Vox Magazine*, 20.08.2021

<https://www.vox.com/authors/zack-beauchamp>

22                      Chulov, M., (11.12.2015), "ISIS: The inside story", *The Guardian*, 01.08.2021

<https://www.theguardian.com/world/2014/dec/11/-sp-isis-the-inside-story>

23                      Ibid.

24                      Ibid.

25                      Ibid.

26                      Ibid.

27                      Ibid.

28                      Ibid.

29                      Ibid.

30                      European Parliament, (2017) Director General for External Policies, *The Financing of the Islamic State in Iraq and Syria*

[https://www.europarl.europa.eu/RegData/etudes/IDAN/2017/603835/EXPO\\_IDA%282017%29603835\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2017/603835/EXPO_IDA%282017%29603835_EN.pdf)

facilities in Iraq such as camp Bucca.<sup>31</sup> In these facilities, Sunni radicals interacted with Saddam Hussein's party members, and all together planned the "Jihadi Rise"<sup>32</sup>. To better understand the important role of these facilities, all we need to state is that the majority of ISIS leadership was at a time held captive in camp Bucca<sup>33</sup>. As Abu Ahmed, an Al Qaeda member, said later: "And all the while, a new strategy, which he was leading, was rising under their noses, and that was to build the Islamic State. If there was no American prison in Iraq, there would be no IS now. Bucca was a factory. It made us all. It built our ideology."<sup>34</sup>In 2010, ISIS' two former leaders were killed, so Abu Bakr al-Baghdadi , a former camp Bucca inmate, took the role of the new leader<sup>35</sup>. Al-Baghdadi leadership, led to a collaboration between old enemies: Sunni Muslim extremist and former members of Saddam Hussein's military (jihadi and Baathist movement), worked together to make the organization stronger.<sup>36</sup>

After the US forces left Iraq in 2011, Al-Maliki, the new President, proceeded to the imprisonment and killing of many Sunni leaders, on the grounds of fighting terrorism.<sup>37</sup> This was the second time the Sunni population was sidelined and that forced many of them to join the Islamic State of Iraq, with the hope that they would gain power to fight for their beliefs.<sup>38</sup> At the same time , in 2011, the Syrian civil war started and the Islamic State of Iraq saw this as an opportunity to form a new branch in the area.<sup>39</sup> This branch was called "Jabbat al Nustra" and was aiming to provide help to the Syrian opposition against Assad's

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31 Chulov, M., (11.12.2015), "ISIS: The inside story", *The Guardian*,01.08.2021  
[:https://www.theguardian.com/world/2014/dec/11/-sp-isis-the-inside-story](https://www.theguardian.com/world/2014/dec/11/-sp-isis-the-inside-story)

32 Ibid.

33 Ibid.

34 Ibid.

35 Jasko, M., (2018). "ISIS: Its History, Ideology, and Psychology.", *Handbook of Contemporary Islam and Muslim Lives*, p. 21-29

[https://www.researchgate.net/publication/324279895\\_ISIS\\_Its\\_History\\_Ideology\\_and\\_Psychology](https://www.researchgate.net/publication/324279895_ISIS_Its_History_Ideology_and_Psychology)

36 Fisherman, B., "After Zarqawi: the Dilemmas and Future of Al Qaeda in Iraq", *The Washington Quarterly*, Vol. 29, No. 4, 2006: p19-32 , 08.07.2021

<https://apps.dtic.mil/dtic/tr/fulltext/u2/a470627.pdf>

37 Boghani, P., (28.08.2014), "In Their Own Words: Sunnis on Their Treatment in Maliki's Iraq", *The Frontline*, 09.08.2021

<https://www.pbs.org/wgbh/frontline/article/in-their-own-words-sunnis-on-their-treatment-in-malikis-iraq/>

38 Ibid.

39 Ibid.

regime.<sup>40</sup> The real goal was to expand the Islamic State's territory, in order to develop the network for the establishment of the Jihadi Caliphate.<sup>41</sup> Al baghdadi did not aim only in the replacement of Assad's regime, but most importantly in the establishment of a transnational, no-boarder Islamic State in Iraq , Syria and the region.<sup>42</sup> In 2013 Al-baghdadi proceeded to merge the Islamic State of Iraq with al-Nuusra, creating the Islamic State of Iraq and the Levent or the Islamic State of Iraq and Syria.<sup>43</sup> By 2014 ISIS gained strength and declared itself as the "Jihadi Caliphate" , calling all Muslims in Iraq and Syria to pledge allegiance and by December 2015, ISIS had control of an area extending from western Iraq to eastern Syria, containing an estimated eight to twelve million people, imposing the Sharia law and operated in 18 countries.<sup>44</sup>

Taking all the above into consideration, we can conclude that the Islamic State of Iraq and Syria, pre-existed its reputation, as an Al Qaeda branch at first, but only gained power after it conquered the rich in natural resources territories of Iraq and Syria.

## **1.2 Natural resources as a source for financing terrorism**

The idea of a terrorist group taking advantage of the natural resources found in its territory is not new. The truth is that the exploitation of natural resources, has always been an attractive source of financing for terrorist actors, not only in the Middle East but all around the world. This exploitation includes extracting and mining, transportation, trading, smuggling, refining, and selling the natural resources.<sup>45</sup>

The reason behind terrorist factor's interest in these activities is the relatively low risk and high profit, compared to the traditional methods of financing themselves such as foreign donations by individuals, illicit activities or financing from the wealth and assets owned by

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40 Fisherman, B, (2006), "After Zarqawi: The Dilemmas and Future of Al Qaeda in Iraq ", *The Washington Quarterly*, 01.08.2021  
<https://apps.dtic.mil/dtic/tr/fulltext/u2/a470627.pdf>

41 *ibid.*

42 *ibid.*

43 *ibid.*

44 *ibid.*

45 OECD, (2017), "Terrorism, corruption and the criminal exploitation of natural resources", Brochure, OECD, 23.07.2021  
<https://www.oecd.org/investment/Terrorism-corruption-criminal-exploitation-natural-resources-2017.pdf>

group members and leader.<sup>46</sup> Even though in a small scale, this source of income can finance a terrorist factor's activities, many problems may rise. As far as the exploitation of the group's members wealth is concerned confiscation or freeze of the individual's assets especially when they are linked to illicit activities, makes this source of income highly risky.<sup>47</sup> On the other hand, external donations have become more difficult in the post 9/11 era, as the international community has implemented stricter mechanisms of control over international money transfers.<sup>48</sup> After the attacks, new rules were imposed, actions were adopted (such as the Anti-money laundering/ Combatting the financing of Terrorism (AML/CFT) and new legislation was implemented in order to subject money transferring to more strict control.<sup>49</sup> These enacted laws made it more difficult for foreign donors to offer their money to terrorist groups.<sup>50</sup> On the other hand the exploitation of natural resources is more stable compared to other sources of revenue. To provide a steady income by this procedure the terrorist factors need a large territory reach in natural resources, qualified personnel to function the infrastructures and a strong military body to implement the economic aspects of the new ruler.<sup>51</sup> Also it takes social alliances, smuggling networks and expertise in trade to fulfill the tasks. <sup>52</sup>

Apart from ISIS, many terrorist groups financed their activities from the illicit mining, trade, smuggling and selling natural resources. Al Qaeda, the cradle of militant jihadism, was exploiting diamonds from Sudan and the civil wars in Sierra Leone, Liberia and Congo.<sup>53</sup> When they relocated in Afghanistan, along with the rise of the Taliban regime, they illegal traded opium, rubies and mining minerals. Another example is the funding of "Al-Shabaab"

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46                   Ibid.

47                   Ibid.

48                   Ibid.

49                   Kaplan, E.(2006) "Tracking Down Terrorist Financing", *Council on Foreign Relations*, 04.07.2021  
<https://www.foreignaffairs.com/articles/2017-06-13/dont-follow-money>

50                   International Monetary Fund, (2003), *Anti-Money Laundering/Combating the Financing of Terrorism – Topics The Fund's involvement in AML/CFT*, 21.07.2021  
<https://www.imf.org/external/np/leg/amlcft/eng/aml1.htm>

51                   Ibid.

52                   Kaplan, E.(2006) "Tracking Down Terrorist Financing", *Council on Foreign Relations*, 04.07.2021  
<https://www.foreignaffairs.com/articles/2017-06-13/dont-follow-money>

53                   Crone, A. (02.07. 2014) "How charcoal fuels Al Saahbab's terror campaign", *African Geographic*, 25.07.2021  
<https://africageographic.com/stories/how-charcoal-fuels-al-shabaabs-terror-campaign/>

terrorist group operating in Kenya, Erytrea and Somalia, from Illicit charcoal and ivory trade.<sup>54</sup>

Taking all the above into consideration, we can understand why terrorist factors turned to natural resources for their funding. The exploitation of these resources is highly profitable for terrorist groups, as the revenues are high and this method can provide them with the necessary resources to finance their military operations, terrorist attacks, new recruits, regime bribes and support of members.

Iraq and Syria hold great reserves of oil and have both been under international embargo. Syrian oil industry has been under US and European embargo, since 2011 on the grounds of alleged possession of weapons of mass destruction and financing of terrorist groups such as Hamas and Hezbollah, while Iraqi oil industry has been under international embargo since 1990, on the grounds of the country's possession of mass destruction weapons and also as a sanction for the invasion of Kuwait.<sup>55</sup> The embargo forced both countries to create smuggling routes with neighboring countries in order to export their oil and to keep their economies alive. ISIS, having the experience of war veterans, trading culture, exploiting natural resources and existing smuggling routes had many opportunities to generate income from occupying oil producing areas.<sup>56</sup>

## **2. Middle East's abundance in oil reserves**

### **2.1 The Republic of Iraq and its petroleum industry**

Following the decline of the Ottoman Empire and the First World War, the British Mandate of Messopotamia was declared. Iraq proclaimed independence in 1932 and King Faisal was its first post-independence ruler.<sup>57</sup> The period from 1932 to 1941, was shaped from a series of civil wars and military coups. During the Second World War, Iraq was used as a

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54 Ibid.

55 University of Pittsburgh-Office of Trade Compliance, (2021) *Embargoed and Sanctioned Countries*.  
20.08.2021

<https://www.trade.compliance.pitt.edu/embargoed-and-sanctioned-countries>

56 Ibid.

57 Demirmen, F.(25.04.2003), "Oil in Iraq: The Byzantine Beginnings", *Global Policy Forum*,  
01.08.2021

<https://archive.globalpolicy.org/security/oil/2003/0425byzantine.htm>

base to launch military operations against Vichy-led French Mandate of Syria and the Anglosoviet invasion of Iran.<sup>58</sup> In 1958 a military coup, led by Brigadier Qarim Qassem overthrew the monarchy, ceased the Pact of Baghdad caused the Hashemite unification with Jordan and set grounds for the territorial claims over oil-rich Kuwait.<sup>59</sup>

The Arab nationalist government of Qassem used the revenues from Iraqi oil to fund extensive social programs, to upgrade the living standards of the Iraqi people.<sup>60</sup> In February 1963, Qassem was overthrown by army officers inspired by Baathism. The Baath party proclaimed the Arab Republic of Iraq and joined forces with the Baathist Arab Republic of Syria to campaign against the Kurdish population of northern Iraq. Northern Iraq is dominated by Kurdish population and holds almost 20% of the nation's oil reserves.<sup>61</sup>

After the Iranian Revolution, Iraq declared war against Iran and the countries engaged in a destructive war for nine years.<sup>62</sup> The severe economic situation of Iraq led to the Iraqi invasion of Kuwait in 1990.<sup>63</sup> A US-led coalition force drove Saddam Hussein's troops out of Kuwait, imposed an embargo over Iraq and crippled their economy. Iraqi petroleum industry suffered from air bombardments, embargo on equipment crucial for the industry and could no longer supply the markets with oil.<sup>64</sup>

The 2003 US invasion and the conflict that followed multiplied those problems. Oil producing areas were controlled by Shia Muslims to the south, Kurdish militia in the north and Sunni jihadis in the eastern provinces.<sup>65</sup> Those Jihadi terrorist groups was also

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58                   Ibid.

59                   Ibid.

60                   Ibid.

61                   Ibid.

62                   ibid

63                   ibid.

64                   Ibid.

65                   The Oxford Institute for Energy Studies, (2018), *Iraqi Oil: industry evolution and short and medium-term prospects*, The Oxford Institute for Energy Studies,03.09.2021  
<https://www.oxfordenergy.org/wpcms/wp-content/uploads/2018/10/Iraqi-Oil-industry-evolution-and-short-and-medium-term-prospects-WPM-79.pdf>

supported by Baathist former officers.<sup>66</sup> All of them had the expertise of smuggling goods in and out of Iraq. They had suppliers, markets in neighboring countries and logistical support.<sup>67</sup>

By 2009, Iraq was the world's fifth largest oil producer with world's fifth largest petroleum reserves. 94% of its energy needs are covered by oil and 67% of its GDP was related to oil revenues.<sup>68</sup>

According to the US Energy Information Administration (EIA) Iraq holds 143,069,000,000 barrels of proven oil reserves as of 2016, ranking [5th](#) in the world and accounting for about 8.7% of the world's total oil reserves of 1,650,585,140,000 barrels. Iraq has proven reserves equivalent to 457.4 times its annual consumption.<sup>69</sup> This means that, without Net Exports, there would be about 457 years of oil left (at current consumption levels and excluding unproven reserves).<sup>70</sup> Most of the reserves are found in the Shiite south and the Kurdish area, while the Sunni areas are far behind in oil reserves.<sup>71</sup> Sunni areas were the main recruiting pool for the Islamic State. Revenues from oil in those areas were used to arm and train a new Kurdish army and security forces in order to build a Kurdish state (northern Iraq) and to finance the Shiite controlled central government of Iraq. Many Shiite militias in the south controlled oil fields with crucial assistance from Iran.<sup>72</sup>

Iraq has thirty one fields that can produce up to six billion barrels of oil.<sup>73</sup> Nine of those thirty one fields are characterized as “supergiant fields” and can produce 5 billion barrels. This is the largest known concentration of oil worldwide. The supergiant fields produce 70% of Iraqi oil, while the 20% is concentrated in Kurdish nominated areas and the rest 10% can be found in Sunni areas as we can see in the figure below :

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66                    Ibid.

67                    Ibid.

68                    Ibid.

69                    Ibid.

70                    BP (2021) *Statistical Review of World Energy 70th edition*, 01.08.2021

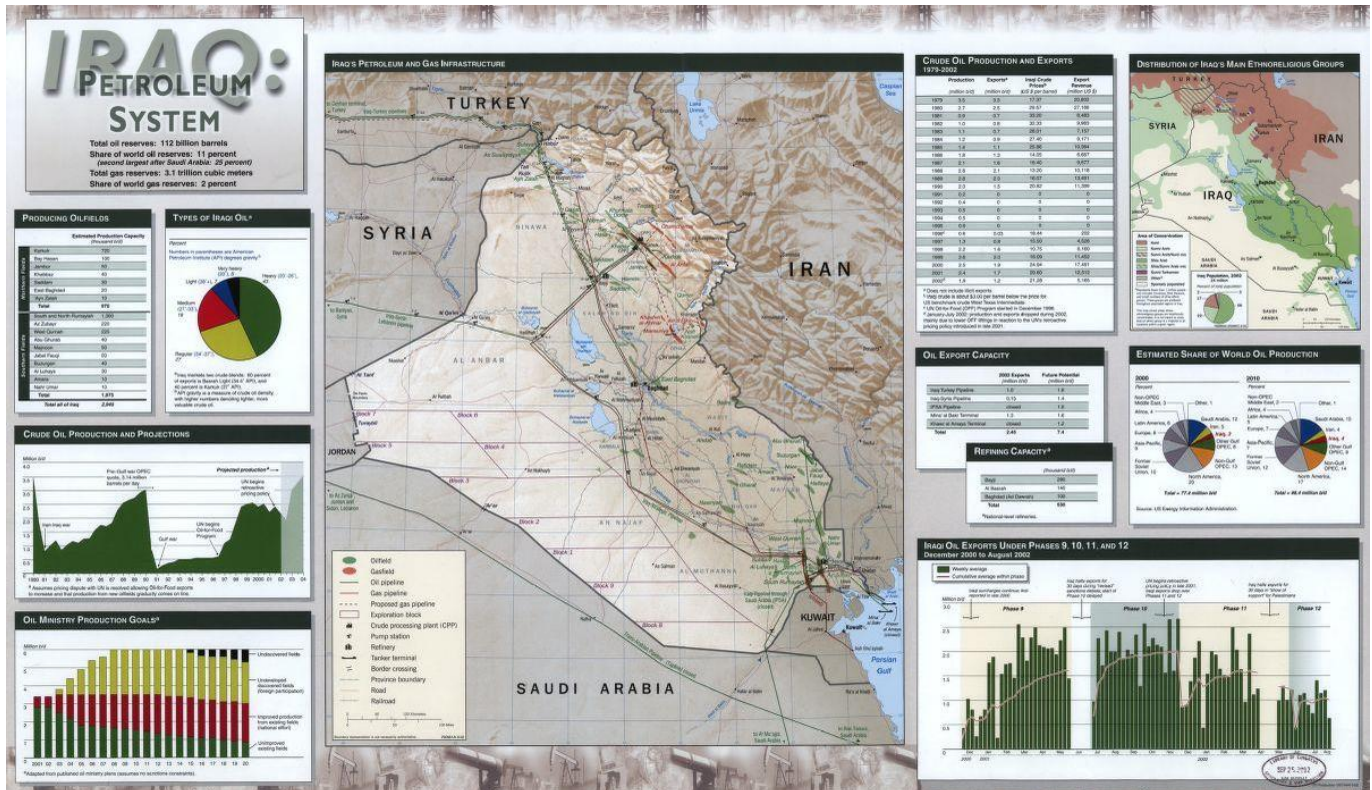
<https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2021-full-report.pdf>

71                    Ibid.

72                    Ibid.

73                    Ibid.





(Figure 1: USCI, Map of Iraq' Oi and Gas Infrastructure System)<sup>74</sup>

Production reached a record 4.55 million barrels per day, in March 2016. An International Energy Agency report estimated that production of Iraqi oil could reach 6.1 million barrels per day by 2035. It is an estimated 200 billion dollars per year.<sup>75</sup>

74 United States, Central Intelligence, (2002), "Iraq's petroleum and gas infrastructure" *Library of Congress Geography and Map Division Washington, D.C*, 20.07.2021 <https://www.loc.gov/resource/g7611h.ct000895/>

75 BP (2021) *Statistical Review of World Energy 70th edition*, 01.08.2021 <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2021-full-report.pdf>

Iraq started to launch ambitious projects to modernize its petroleum industry. One of the main objects of the Iraqi Government was to implement the Hydrocarbons Legislation, a legal framework for the exploitation and investment in the energy sector.<sup>76</sup> Between 2008 and 2010, the Iraqi Government signed long-term contracts with international oil companies to exploit and develop 14 oil fields.<sup>77</sup> Those contracts covered oil fields that concentrate 60 billion barrels. It was expected that by 2011 these oil fields would produce up to 9,6 million barrels per year. The process of signing long term contracts was limited by the blitzkrieg launched by the Islamic State.<sup>78</sup>

The sectarian violence and the rise of the Islamic State brought more problems for the Iraqi petroleum industry. Lack of experienced personnel, mismanagement, poor and old equipment has brought a dead-end in the increase of oil production of Iraq<sup>79</sup>. Propositions for a balance between oil and natural gas production have been made to equal the market demands and meet with present situations. Iraqi petroleum industry runs with electricity.<sup>80</sup> It consumes 10% of total demand and power shortages throughout the country are common.<sup>81</sup> An increase in the production of electric power to support the future development would need the introduction of natural gas, a plan very hard to be implemented. Thus, the importance of oil is once again highlighted.

The Kirkuk-Ceyhan Pipeline, also known as the Iraq- Turkey Pipeline is a 600-mile-long (970 km) pipeline that runs from in Iraq to Ceyhan in Turkey and is Iraq's largest crude oil export line, in the north of the country. Usable capacity of the line is believed to be only 300 thousand barrels per day , with significant repairs needed. Considering that the Kirkuk – Baniyas Pipeline is closed after the 2003 invasion, and the Iraq -Saudi Arabi Pipeline is

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76 BBC News, (20.10.2010), "Iraq awards major contracts to develop gas fields", 20.07.2021  
<https://www.bbc.com/news/world-middle-east-11582702>

77 Ibid.

78 Ibid.

79 Alzuwaini, H., (2018), "Problems of Petroleum industry in Iraq", *IOP Conf. Series: Earth and Environmental Science* 337,p 3

80 Ibid, p4

81 Ibid p4

closed after the 1991 Kuwait invasion, the harmonic function between Shiite Basra and Kurdish northern Iraq, via Sunni dominated areas is vital.<sup>82</sup>

The two remaining exporting routes are a) the Basra Oil Terminal, that can support very large crude carriers (VLCC) and b) the oil refinery in Zarqa, Jordan, by road tankers. Jordanian is extremely hostile to the Islamic State, al Qaeda and Jihadi groups.<sup>83</sup>

## **2.2The Syrian Arab Republic and its petroleum industry**

Syria was declared as an independent state on April 17, 1946. A period marked by political instability, military coups, the birth of Arab nationalism and the founding of the Arab Socialist Baath Party.<sup>84</sup> A short unification with Nasser's Egypt created the United Arab Republic. The discontent in the Syrian Armed Forces due to Egyptian dominance in the UAR, drove army generals to stage a coup and dissolve the Union.<sup>85</sup>The fundamental social problems of Syria were frequently faced by the armed forces. In addition, the 1967 Six Day War and the destruction of Syria's Air Force, the occupation of Golan Heights, the Black September in Jordan and the mass expulsion of Palestinians to Lebanon, open the way for Hafez al Assad to organize a coup and seize power.<sup>86</sup>

The 1973 Yom Kippur War, the Lebanese Civil War and occupation of the country by Syria and islamist uprisings in Syria, organized by Muslim Brotherhood created more pressure for the Syrian dictator.<sup>87</sup> It is important to notice that, in contradiction with Iraq, Syria always

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82 Ibid 6

83 Ibid 5

84 Reality Check Team, (21.11.2009), "Syria war: Who benefits from its oil production?", *BBC News*, 11.07.2021

<https://www.bbc.com/news/50464561>

85 Lewis,L.,(2021), "Remembering the 1966 Syrian Coup D'Etat", *Middle East Monitor*, 11.07.2021

<https://www.middleeastmonitor.com/20210221-remembering-the-1966-syrian-coup-detat/>

86 Reality Check Team, (21.11.2009), "Syria war: Who benefits from its oil production?", *BBC News*, 11.07.2021

<https://www.bbc.com/news/50464561>

87 CSIS (2018) , *Province and the Future of Instability in Syria*, *CSIS Briefs, Center for Strategic and International Studies*, 2, 11.07.2021

[www.csis.org/analysis/idlib-province-andfuture-instability-syria](http://www.csis.org/analysis/idlib-province-andfuture-instability-syria)

had a strong presence of Muslim Brotherhood organization. The MBS organized a series of civil uprisings between 1976 and 1982.<sup>88</sup> Also, MBS played a major role during the Arab Spring demonstrations in Syria and the civil war that followed.<sup>89</sup> The Islamic State found a strong competitor, they fought each other and allied in few occasions. The civil war in Syria is an ongoing conflict. The Assad regime found support by Iran, Russia, Lebanese Shiite Hezbollah and many Shiite armed groups from Yemen, Iraq, Afghanistan and Pakistan.<sup>90</sup>

Geographically, Syria is a bridge connecting the Arab Gulf monarchies and Turkey. Neighbors with Iraq, where Iran has a very strong presence in its politics and acts as a bridge for arming and funding Hezbollah. Syria also has the biggest Russian naval base outside of Russia, in Tartus.<sup>91</sup> Syria's denial to participate in the construction of the Qatar-Turkey Natural Gas Pipeline was explained as a protection of Russia's benefits in the European natural gas market. Apart from ideological reasons, this is the most important fact that made the Arab Gulf monarchies to fund, arm and train jihadist terrorist groups such as al Qaeda, ISIS, Free Syrian Army and the military wing of the Muslim Brotherhood.<sup>92</sup>

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Syria is not a major oil producing country but the petroleum industry is important for the state's financial viability. Most of its resources are located east in the Deir Ezzor province. Syria produces 0.5% of global oil and 25.1% of the state revenue comes from oil.<sup>94</sup> The civil war, the international sanctions and old equipment have stabilized the Syrian petroleum industry in low levels.<sup>95</sup> Chinese National Petroleum Company and Indian Oil and Natural Gas Corporation operate in the country, while western petroleum companies,

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88                    ibid.

89                    Almohamad, H.; Dittmann A., (20.05.2016) "Oil in Syria between Terrorism and Dictatorship" *Social Sciences* , 20.07.2021  
<https://doi.org/10.3390/socsci5020020>

90                    ibid.

91                    ibid.

92                    ibid.

93                    ibid.

94                    CSIS (2018) , *Province and the Future of Instability in Syria*, *CSIS Briefs*, Center for Strategic and International Studies, 2, 11.07.2021  
[www.csis.org/analysis/idlib-province-andfuture-instability-syria](http://www.csis.org/analysis/idlib-province-andfuture-instability-syria)

95                    ibid.

like Shell, Total and Gulfsands have paused activities due the chaotic political environment.<sup>96</sup> Syria's exports to European Union -mainly Germany, Italy, France- before the civil war, were up to 4,1 billion dollars and its capacity reached 137,400 barrels per day.<sup>97</sup>

Syria, according to 2016 EIA reports, has 2,5 billions barrels of oil in its soil. ranking 31<sup>st</sup> in the world and accounting for about 0.2% of the world's total oil reserves of 1,650,585,140,000 barrels. <sup>98</sup> Syria has proven reserves equivalent to 48.9 times its annual consumption. This means that, without Net Exports, there would be about 49 years of oil left (at current consumption levels and excluding unproven reserves).<sup>99</sup> The main field are located in Deir Ezzor – the main operational capabilities of the Islamic State where there- and smaller fields at central Syria. Most of the Syrian oil is exported to Europe.<sup>100</sup>

As we have already seen, the major components of the European Union (Germany, France, Italy) have huge demands for oil and natural gas to keep their economies running. Their main natural gas provider is Russia.<sup>101</sup> A country that has complicated political and economical relations with both EU and the USA. Germany and France were planning to construct a natural gas pipeline starting from Qatar and reaching transit point in Turkey, before entering Europe.<sup>102</sup> President Assad refused passage of the pipeline through Syrian soil, protecting Russia's financial profits from the European market. <sup>103</sup>

Soon after the outbreak of the Arab Sping, civil demonstrations escalated into civil war.

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96                   Ibid.

97                   Diwan R., Yergin D., (31.10.2019), "Opinion: Why Syrian Oil Matters", *NPR*, 20.07.2021  
<https://www.npr.org/2019/10/31/775142854/opinion-syria-s-oil-production-is-low-but-here-s-why-it-matters?t=1632431978462>

98                   BP (2021) *Statistical Review of World Energy 70th edition*, 01.08.2021  
<https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2021-full-report.pdf>

99                   Ibid.

100                  Ibid.

101                 Popovic, N., (24.02.2020), "The Energy Relationship Between Russia and the European Union", *E-International Relations*, 01.07.2021  
<https://www.e-ir.info/2020/02/24/the-energy-relationship-between-russia-and-the-european-union/>

102                 Ibid.

103                 Ibid.

The only organization at that moment, that had cells, press and communication network was Muslim Brotherhood.<sup>104</sup> MB is a strong ally of both Turkey and Qatar. Qatar is using MB national sectors to promote political Islamism and balance the political influence of Saudi Arabia and the United Arab Emirates.<sup>105</sup> MB in Syria was financed, trained, armed and provided with intelligence by the secret service agencies of the Arab Gulf monarchies and Turkey.<sup>106</sup> Russian involvement, with strong Chinese, Iranian and Northkorean assistance helped Assad preserve his position as the Syrian President. MB's operational capabilities stalled. Their camp was divided in many groups and their political influence was disrupted. In addition, conflicting interests of Turkey, Qatar, Saudi Arabia and UAE could built a stable funding channel for the MB.<sup>107</sup>

After the transformation of civil demonstrations into civil war, European Union imposed sanctions against the regime and the petroleum exporting companies of Syria.<sup>108</sup> Because of the division between Islamist armed groups in Syria and their incapability to cooperate against Assad's regime , ISIS invaded Syria easily, form neighboring Iraq. Soon, the main oil fields were under their control.<sup>109</sup> In January 2014 , the New York Times reported that "Islamist rebels and extremist groups have seized control of most of Syria's oil and gas resources", bolstering "the fortunes of the Islamic State of Iraq and Syria, or ISIS, and the Nusra Front, both of which are offshoots of al-Qaeda."<sup>110</sup> Al-Qaeda affiliated rebels had "seized control of the oil and gas fields scattered across the country's north and east,"<sup>111</sup>

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104 Lefevre,M., (2017), "Saudi Arabia and the Syrian Brotherhood", *Middle East Monitor*, 20.07.2021

<https://www.mei.edu/publications/saudi-arabia-and-syrian-brotherhood>

105 Ibid.

106 Ibid.

107 Ibid.

108 European Union Action Service (EEAS), (2020), *The EU and the crisis in Syria*, Brussels, EEAS

109 Ibid.

110 ibid

111 Ibid.

ISIS managed to produce 35,000 up to 40,000 barrels per day, earning 1,5 million dollars per day.<sup>112</sup> Oil was used for their mechanized divisions, the production of electricity in occupied territories and the rest was sold in black markets.<sup>113</sup>

Syrian petroleum industry is still facing many challenges to meet the demands of its civilian population and international markets. Civil war, international sanctions, infrastructure destructions, immigration of natural resource's personnel and aging equipment have stalled its development.<sup>114</sup> On the one hand, Syria's main allies are oil producing countries, like Iran, Iraq and Russia. Aid has been given to the war torn country to sustain and develop the petroleum industry. In the other hand, many foreign companies have signed contracts with Assad to exploit Syria's natural resources. Total, Shell, Canadian Suncor, Polish Kulczyk and Singaporean Triton are some of them.<sup>115</sup>

### 3.The proposed Natural Gas Pipelines in the Area

The Iran-Iraq-Syria natural gas pipeline , also known as the Friendship Pipeline is a proposed project to run natural gas from the SouthPars/North Dome-Gas Condensate Field to Europe.<sup>116</sup> The project aims to supply Europe but also Syrian, Iraqi and Lebanese markets. The project is a variation of the Persian Pipeline, a pipeline that would deliver natural gas from Iran to Europe via Turkey.<sup>117</sup> Swiss energy company, Elektrizitatsgesellschaft Laufenburg agreed to invest in its Construction, but after international pressures, following US sanctions against Iran, they withdrew their support.<sup>118</sup>The project has not been developed since 2013 and is today considered to be cancelled.

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112 Centre for the analysis of Terrorism, (2015), *ISIS FINANCING*, 20.07.2021  
<https://cat-int.org/wp-content/uploads/2016/06/ISIS-Financing-2015-Report.pdf>

113 Ibid.

114 Diwan R., Yergin D., ,(31.10.2019), "Opinion: Why Syrian Oil Matters", *NPR*, 20.07.2021  
<https://www.npr.org/2019/10/31/775142854/opinion-syria-s-oil-production-is-low-but-here-s-why-it-matters?t=1632431978462>

115 Ibid.

116 Center For Middle Eastern Strategic Studies (2011,) *Is the Qatar-Iraq-Turkey-Europe natural gas pipeline project feasible? An Analysis With Regards To International Energy Market Policies and Risks*, Center of Middle Eastern Strategic Studies, Report No: 23, Ankara, Turkey

117 Ibid.

118 Ibid.

In July 2011 Iran signed a treaty with Iraq and Syria in July 2011, agreeing on a project worth around 6 billion dollars.<sup>119</sup> The project foresaw related infrastructures in Damascus and a European country (Greece or Cyprus) as transit node.<sup>120</sup> The pipeline would act as a competitor to Nabucco Natural Gas Pipeline (Azerbaijan-Turkey -Europe) and the proposed Qatar- Saudi Arabia- Jordan-Syria- Turkey-Europe Natural Gas Pipeline.<sup>121</sup>

The Qatar-Turkey Pipeline was a proposition from the Qatari government to exploit its Qatari owned part of the South Pars/North Dome Gas-Condensate Field to transfer natural gas to Europe.<sup>122</sup> The pipeline would meet the Nabucco Pipeline in Turkey and jointly deliver the natural gas to Europe.<sup>123</sup> The project was not fulfilled because President Assad denied access in Syrian territory. He stated that this pipeline would harm the interests of Russia, the main natural gas supplier of Europe.<sup>124</sup>

#### **4.Social and economic aspects of ISIS . Why oil matters ?**

The Islamic State was, and in some parts of Middle East, Libya and Central Asia still is, a Sunni Salafist Wahabist paramilitary organization using terrorist methods to implement its political and social agenda.<sup>125</sup> The Islamic State fighters were war veterans from Afghanistan, Iraq, Somalia, Caucasus, Kosovo, Bosnia and Tajikistan conflicts. Their goal was “to liberate Muslim lands from invaders, tekfirs and to liberate Jerusalem”.<sup>126</sup> The pure Muslim lands would be governed according to the strict Wahhabi interpretation of the

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119                Ibid.

120                Ibid.

121                Ibid.

122                Ibid.

123                Ibid.

124                Ibid.

125                Jasko, M., (2018). "ISIS: Its History, Ideology, and Psychology.", *Handbook of Contemporary Islam and Muslim Lives*. .23

[https://www.researchgate.net/publication/324279895\\_ISIS\\_Its\\_History\\_Ideology\\_and\\_Psychology](https://www.researchgate.net/publication/324279895_ISIS_Its_History_Ideology_and_Psychology)

126                Ibid.



Quran and the Sharia.<sup>127</sup> The Islamic State was motivated by the mujahideen guerilla war against the PDR of Afghanistan and its Soviet Allies, the seizure of the Grand Mosque of Mecca by Wahhabi militants in 1979 and the Islamic turn of the Iranian revolutionary events following the topple of the Shah.<sup>128</sup> These three main historical events would sharpen their worldview and political manifesto after the Afghanistan and Iraqi US-led invasions.<sup>129</sup>

In this point it is important to analyze the way ISIS perceives the natural wealth of the Muslim countries. The Arab Peninsula states (KSA, UAE, Qatar, Kuwait, Bahrain), Iraq, Syria, Libya, Iran and Afghanistan are rich in natural resources (crude oil, natural gas, minerals, precious and semi-precious stones).<sup>130</sup> The Kingdom of Saudi Arabia is the birthplace of Wahhabism, a political interpretation of Islam, same as Al Qaeda, Taliban and ISIS, a doctrine that is being implemented in the rest of the emirates and kingdoms of the area.<sup>131</sup> On the other hand Syria, Iraq (Baathism) and Libya (Jamaahiriya) choose a secular way of governance.<sup>132</sup>

For decades, the Saudi kings and the Emirs of the Arab/Persian Gulf have had contracts with Western petroleum companies, the main exporting resource of the Arab/Muslim lands.<sup>133</sup> This situation, along with the cooperation of the Saudis and the Emirs of the Gulf with the United States, UK, France and Netherlands, and the increased gap of the living standards, due to corruption and mismanagement, in their states underlined the economic, political and social significance of the oil fields and the pipelines.<sup>134</sup>

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127            Ibid.

128            Ibid.

129            Heaphy, M. (09.07.2021), "The Impact Of Rentier States On Political Economies Of The Arabian Peninsula; Past, Present And Future", *The Organization for World Peace*, 18.07.2021  
<https://theowp.org/reports/the-impact-of-rentier-states-on-political-economies-of-the-arabian-peninsula-past-present-and-future/>

130            Ibid.

131            Ibid.

132            Ibid.

133            Jasko, M., (2018). "ISIS: Its History, Ideology, and Psychology.", *Handbook of Contemporary Islam and Muslim Lives*, p.23

[https://www.researchgate.net/publication/324279895\\_ISIS\\_Its\\_History\\_Ideology\\_and\\_Psychology](https://www.researchgate.net/publication/324279895_ISIS_Its_History_Ideology_and_Psychology)

134            Ibid.

The KSA and the Emirates gave the full exploitation of their natural sources to Western companies, built authoritarian states using the police forces and their ideology was gushing from the Quran.<sup>135</sup> The revenues from the exploitation of the oil fields have been considered to be personal wealth of the royal families and used accordingly, while main social infrastructures, such as water networks, education, industrial facilities, housing project where not developed.<sup>136</sup> The royals where strong enforcers of the sharia law in their kingdoms and emirates, something that has been reflected in the societies they rule. The mosques were operating as schools, providing children with religious education. The upbringing of those children through strict religious education, the poor living standards, the implementation of Shariaint heir societies, the absence of opportunities for any future individual or mass development, the corruption of the royal families and the exploitation of natural resources by foreign petroleum companies appointed the importance of oil, as a possibility for social and economic improvement if the oil related revenues was used to improve the living standards of the population.<sup>137</sup> The exploitation of oil by the Arab Kings and Sheiks for purposes of personal wealth made the ground fertile for the development of radical political thoughts and practices.<sup>138</sup>

The Middle East was the main pool for jihadi terrorist groups to recruit their fighters.<sup>139</sup> The other main source to increase their human capital were the western countries. Countries that had strong Muslim majorities, like France, Great Britain, Belgium or Norway faced large parts of those communities as second class citizens.<sup>140</sup> The living standards in their neighborhoods, the job opportunities and the financial situation of those communities where, and still is, quite low. Individuals from those communities found motivations in the strict medieval interpretation of the Quran.<sup>141</sup> Phrases from the Quran on distribution of the wealth equally in the Muslim world, the Ummah, gave them an opportunity to claim the

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135            Ibid.

136            Ibid.

137            Ibid.

138            Ibid.

139            Borger, J., (19.05.2021), " jihadists' control of Syrian oilfields signals a decisive moment in conflict", *The Guardian*, 10.07.2021  
[https:// www.theguardian.com/world/2013/may/19/ jihadists-control-syrian-oilfields](https://www.theguardian.com/world/2013/may/19/jihadists-control-syrian-oilfields)

140            Ibid.

141            Ibid.

natural wealth from the royal families of the Arab World, the secular governments and the Emirs for the development of their communities that would be rebirthed in the lands of the Prophet Muhammad.<sup>142</sup>

Having those facts in mind, we easily understand the exploitation of the natural resources by ISIS was not just a mean for providing financial support for their paramilitary and terrorist activities, but a road to upgrade their living standards, using the religion of Islam in a very distorted way. The exploitation of the oil fields was not just a method to develop their arsenal, spread their propaganda and transfer militants through out the war zones. It was a method to enforce their own vision of society. A main difference between Al Qaeda and the Islamic State was the perception of the “Muslim Paradise”. While al Qaeda promises the perfect society in the Muslim paradise, to convince their suicide bombing squads, the the Islamic State declared that the Muslim paradise was on Earth and their capital was Raqqa, in Syria. That is why the exploitation of the Iraqi and Syrian oil fields became integral for the fastening of the ISIS state format.

The Islamic State functioned as a state modelled by Taliban regime and the script of Quran.<sup>143</sup> They enacted laws, raised taxes, circulated a currency, imposed strict Quranic order in their territories. They organized a judicial system and repaired infrastructures, such as electricity, water networks and waste management. The central government of Iraq failed in many occasions to provided services like those, during the war.<sup>144</sup>

## **5.The Islamic State’s of Iraq and Syria Financing Methods**

The Islamic State used a variety of ways to fund its organization. A report published by the Financial Action Task Force (FAFT) describes the different sources of funding, concluding

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142                   Ibid.

143                   Fisherman, B, (2006), “After Zarqawi: The Dilemmas and Future of Al Qaeda in Iraq “, *The Washington Quarterly*, 01.08.2021  
<https://apps.dtic.mil/dtic/tr/fulltext/u2/a470627.pdf>

144                   Ibid.

that ISIS was financed primarily from five sources, listed in order of magnitude: illicit proceeds from occupation of territory, such as bank looting, extortion, control of oil fields and refineries, and robbery of economic assets and illicit taxation of goods and cash that transit territory where IS operates; kidnapping for ransom; donations including by or through non-profit organisations; material support such as support associated with Foreign Terrorist Fighters (FTFs) and fundraising through modern communication networks.<sup>145</sup>

According to a 2014 RAND Corp. report, 5% of ISIS's revenue during the period 2005-2010 came from foreign donations, while the rest 95% came from activities within Iraq. ISIS terrorist cells used kidnapping, extortion, racketeering and armed robberies to collect money<sup>146</sup>. A 20% of their collections were given to the commanders above them. Then the national-scale leadership of ISIS redistributed those funds to the cells being in a disadvantaged position. Either to function as a cell, or either to conduct paramilitary and terrorist attacks. Most of the revenues came from the Mosul and were given to cells in Baghdad and the provinces of Diyala and Salahuddin. Mosul is a key energy node with a significant importance for the national Iraqi economy.<sup>147</sup> After the Northern Iraqi Offensive, launched by ISIS, in June 2014, Mosul came under the lash of the jihadis and great part of its culture and social life was destroyed, while the economy was transformed to obey the Sharia doctrine and the financial needs of the ISIS operations. Mosul was a multinational, multireligious and multi cultural city, located in the Kurdish-dominated Iraqi North.<sup>148</sup>

ISIS in its occupied territories used artifacts and antiques, aged from the roots of human civilization, to fund its terrorist network. They looted the Grand Palave of the Assyrian King Ashurnasirpal at Nirmud and smuggled ancient tablets, manuscripts and gold artifacts to

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145 FATF, (2015), *Financing of the terrorist organisation Islamic State in Iraq and the Levant (ISIL)*, p. 9, FATF, 25.07.2021

[www.fatf-gafi.org/topics/methodsandtrends/documents/financing-of-terrorist-organisation-isil.html](http://www.fatf-gafi.org/topics/methodsandtrends/documents/financing-of-terrorist-organisation-isil.html)

146 RAND Corporation, (2019), *Return and Expand? The Finances and Prospects of the Islamic State After the Caliphate*, RAND Corporation, Santa Monica, California, 20.07.2021

[https://www.rand.org/content/dam/rand/pubs/research\\_reports/RR3000/RR3046/RAND\\_RR3046.pdf](https://www.rand.org/content/dam/rand/pubs/research_reports/RR3000/RR3046/RAND_RR3046.pdf)

147 ibid  
148 Ibid.

Turkey and Jordan. Another major source of revenue were the wheat-producing lands in Syria and Iraq. It is believed that, at its peak, ISIS controlled 40% of Iraq's wheat-producing land<sup>149</sup>. They confiscated agricultural equipment and loaned them back to the farmers. Finally, they concentrated the majority of the agricultural outcome to control the flow and prices. Due to the fluidity of the Iraqi and Syrian Civil Wars, economic sectors such as exploitation of oil fields, natural gas fields, phosphate and cement mining were not a stable source of income. The Islamic State used heroin trafficking networks. Afghanistan-Iraq-Turkey-Europe was the main pipeline.<sup>150</sup>

## **6.Oil Fields and Refineries controlled by ISIS in Syria and Iraq**

The Islamic State's revenues have always been correlated to the exploitation of Middle East's natural resources. By examining the group's history, it is clear that the rise and fall of the organization is closely related to the state of control it had on Syria's and Iraq's oil fields and refineries. When the group was established, oil was immediately identified as a source of revenue. As the terrorist group gained control over territory in Middle East it also gained control over the area's lucrative natural resources. A significant portion of ISIS revenues came from oil. <sup>151</sup>The group captured key oilfields and refineries in northeastern Syria and northern Iraq between June 2014 and September 2014 . In 2015, ISIS controlled 15 oilfields in Syria, mostly in the region of Deir ez-Zor, Raqqa and Hasakah<sup>152</sup>, and 10 oilfields in Iraq. Some of the key oil fields and refineries in the area are the following :

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149                    ibid

150                    Ibid.

151                    European Parliament-Policy Department (2017) , *The financing of the 'Islamic State' in Iraq and Syria (ISIS)* ,In depth analysis, European Union, 20.07.2021  
[https://www.europarl.europa.eu/RegData/etudes/IDAN/2017/603835/EXPO\\_IDA%282017%29603835\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2017/603835/EXPO_IDA%282017%29603835_EN.pdf) .

152                    Centre for the analysis of Terrorism, (2015), *ISIS FINANCING*, 20.07.2021  
<https://cat-int.org/wp-content/uploads/2016/06/ISIS-Financing-2015-Report.pdf>

## 6.1 The Iraqi oil fields

### The Alas and Ajeel oil field in Hamrin Mountains, Iraq

The Islamic State captured the Hamrin Oilfields in 2014 and started selling Ajeel's crude oil. It is estimated that the Ajeel oil field was producing 28.000 barrels per day.<sup>153</sup>

In August 2014 the production was limited, when the pumping site was bombed by the Joint Task Forces led by the US, and by 2015 the Ajeel oil field was under the control of "Popular Mobilization Forces" an Iraqi state-sponsored umbrella organization composed of approximately 40 forces.<sup>154</sup> During the fight between ISIS and PMU, the terrorist organization set both Alas and Ajeel fields on fire, causing a great environmental threat.<sup>155</sup>

### The Baiji oil refinery

It is the largest oil field in Iraq and it is located in the city Baiji, northern of Baghdad. This oil field was captured by the Islamic State in June 2014, when the group's forces entered the city and attacked the refinery facility. The refinery had been producing up to 200.000 bpd, 1/3 of Iraq's domestic production.<sup>156</sup> The Iraqi forces retook control of the facility in December 2014, only to lose parts of it again from ISIS in April and May 2015.<sup>157</sup> The

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153 Do, Q. etc, (2017) "How Much Oil is the Islamic State Group Producing? : Evidence from Remote Sensing" *Policy Research Working Paper; No. 8231. World Bank, Washington, DC, World Bank*, p.3-7 <https://openknowledge.worldbank.org/handle/10986/28617> License: CC BY 3.0 IGO

154 Ibid p.12-20

155 Ibid p.12-20

156 Solomon, E., (29.02.2016), "Inside Isis Inc: The journey of a barrel of oil", *The Financial Times*, 27.07.2021

<https://ig.ft.com/sites/2015/isis-oil/>

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157 Ibid.

terrorist group had control over the oil field until October 2015 when they were defeated by a joint movement of the Iraqi forces, the forces led by the US and the PMU.<sup>158</sup>

### The Qayyara oil field

The Qayyara oil refinery is located south of Mosul and has an estimated production capacity of up to 30.000 bpd.<sup>159</sup> It was seized by ISIS in 2014. The Iraqi forces regained control of the facility in September 2016 but after the terrorist group's defeat they set fire on 20 oil wells, as a retaliation.<sup>160</sup>

## **6.2 Syrian oil fields**

### The Al-Omar Oil Field

The Al-Omar oil Field, one of Syria's largest oil fields is located northern of the city of Raqqa and is estimated to have the production capacity of up to 75.000 bpd.<sup>161</sup> ISIS seized control of the above mentioned oil field in 2014 and it was considered to be one of the group's largest source of revenue until 2017, when the US led forces, regained control of the region.<sup>162</sup>

### The Al-Tanak Oil Field

The Al-Tanak Oil Field is located in the Sheiyat desert area in the east of Deir Ezzor province and has an estimated production capacity of 19.000 bpd. The field remained under ISIS control for four years (2014-2017).<sup>163</sup>

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158            Ibid.  
159            Ibid.  
160            Ibid.  
161            Ibid.  
162            Ibid.  
163            Ibid.

## 7.The Exploitation of Oil Fields by the Islamic State of Iraq and Syria as a source of financing terrorism

As we have already analyzed, the exploitation of natural resources by the Islamic State, can be explained by three main reasons: firstly, the imperative need to find an alternative more stable and low risk source of income in the post 9/11 era , secondly the political background of Ira and Syria and idea that natural resources and their exploitation do not belong to the Sheiks or Kings but their exploitation can lead to the establishment of the Muslim Paradise in Raqqa and thirdly the abundance of natural resources in the area and the need for crude oil by the European Countries. Another crucial element in this geopolitical equation are the natural gas pipelines that pass-through Iraq and Syria, but also the proposed ones. On the one hand, there is the proposed Iran-Iraq-Syria Pipeline, officially named “*Druzhba Pipeline*”, also known as *The Friendship Pipeline*. A competitor to the Azerbaijani Nabucco Pipeline, via Turkey to Europe.<sup>164</sup> As mentioned above this project was canceled in 2013. On the other hand, there is the Qatar Pipeline, which would supply Europe with natural gas via Saudi Arabia, Jordan, Syria and Turkey.<sup>165</sup> Though our interest is not focused on natural gas, the problems occurred from those gigantic energy projects and the delays occurred in their fulfillment, increased the vital need for a stable, seamless and secure transportation of crude oil from the fields to the markets and their undisturbed function throughout the time of the civil wars.

Finally, the energy needs of the European Union, and more specifically those of France

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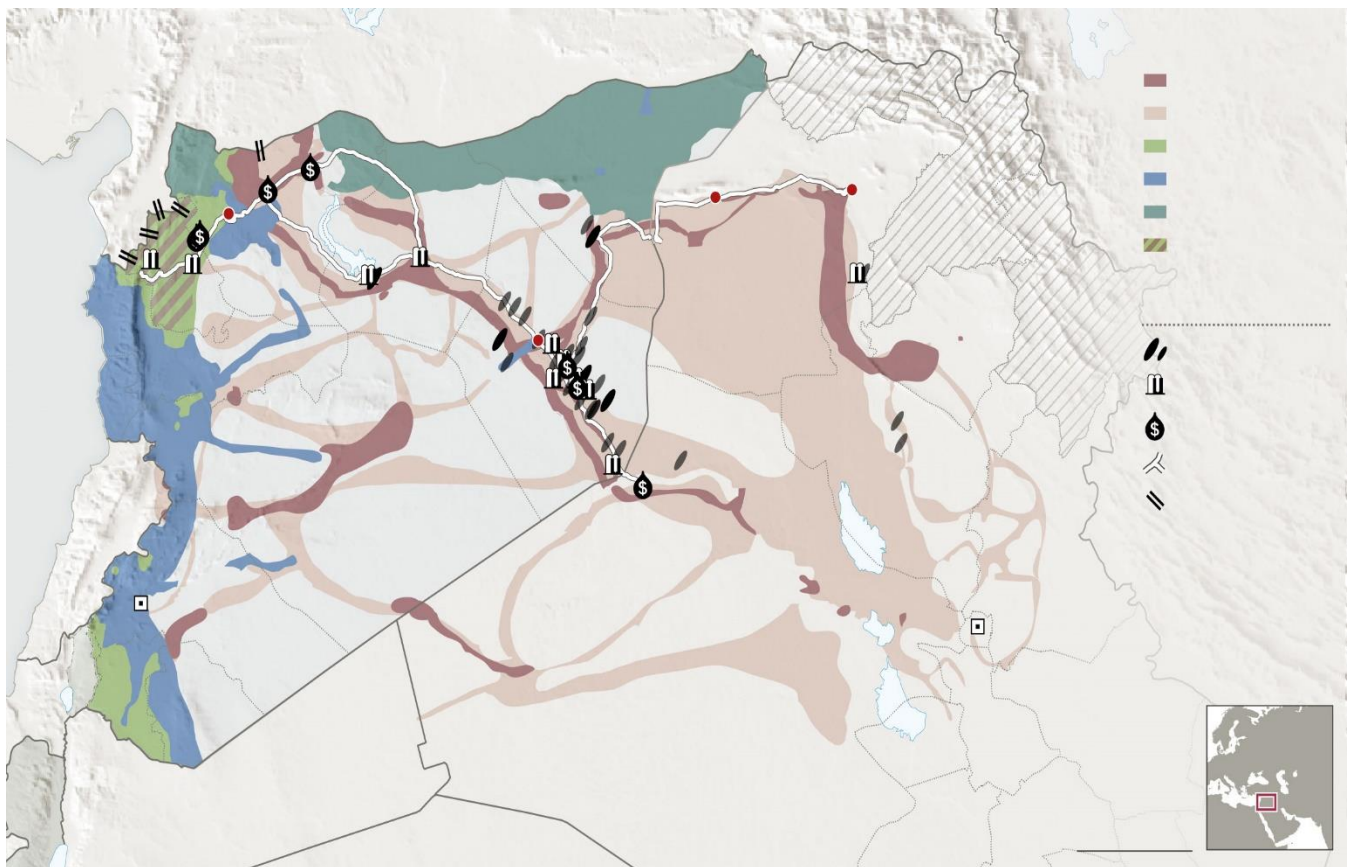
164 Nimrod, R., (21.05.2009), “The Missed Opportunity of the Iraq-Syria Oil Pipeline: Syria Chooses Terrorism over Long-Term Economic Gains”, *MEMRI Inquiry & Analysis Series No. 515* , 21.08.2021  
<https://www.memri.org/reports/missed-opportunity-iraq-syria-oil-pipeline-syria-chooses-terrorism-over-long-term-economic>

165 Ibid.



and Germany, increased the importance of stable, secure, and undisturbed distribution of crude oil and its products. The EU tried, and is still trying, to build its own distribution networks through Russia, Libya and Turkey.<sup>166</sup> Turkey is not a major oil producer country, but geographically is the last stop, connecting oil rich countries of the Middle East to the European Continent. Plus, Turkey was the main ally of the Islamic State in waging their terrorist and paramilitary activities in the region.<sup>167</sup>

As mentioned above, many terrorist factors used natural resources related revenues to finance their political and military agenda. Nevertheless, it was the Islamic State who emerged as a terrorist group exploiting natural resources extracted from the territory under the group's control. After conquering large parts of Eastern Syria and Western Iraq, ISIS seized control on large and lucrative oil fields and refineries as seen in the figure below :



166  
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ibid.  
ibid.

(figure 2, Financial Times, *ISIS territorial control on Syrian and Iraqi oil fields*)<sup>168</sup>

During 2013, The Islamic State concentrated more militants to the eastern, Sunni-dominated parts of Syria, rather the northern parts. The eastern parts of Syria are bordering with the Iraqi Sunni Triangle, plus, Deir Ezzor is located there.<sup>169</sup> Deir Ezzor is one of the largest cities in Syria and has the oil fields of al-Omar, Deiro, and al-Tanak. The al-Jabsah and al-Tabqa oil fields are located outside of the city.<sup>170</sup>

The victorious Mosul campaign of 2014 brought the oil fields of Ajil, Allas and Himiran under ISIS control.<sup>171</sup> The Northern Offensive Campaign of 2014 was targeting primarily the oil fields of northern Iraq and eastern Syria. ISIS leadership imposed a centrally planned control of the production and placed Abu Sayyaf as emir (minister) of oil production. At that time ISIS controlled 200 wells.<sup>172</sup> By December 2015, ISIS controlled nine oil-fields in Syria and none in Iraq. Tanak, Omar, Jabseh, Kharata, Deiro, Taim, Rashid and Shoula.<sup>173</sup> The most productive oil field was Al-Tanak, reaching 12,000 barrels per day and along with Taim and Omar oil fields provided the best quality. Al Rashid was poorest, providing only 300 barrels per day and its quality was quite low.<sup>174</sup>

By September 2016, Iranian airstrikes, Iraqi Shia militias, Iranian Quds Revolutionary Guards and Iraqi State Army managed to reclaim all of ISIS-occupied oil fields.<sup>175</sup>

The Islamic State unfolded blackmail tactics against the Syrian and Iraqi central governments using water supplies.<sup>176</sup> The destruction of the Tabqa dam, in Syria and the

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168 Solomon, E., (29.02.2016), "Inside Isis Inc: The journey of a barrel of oil", *The Financial Times*, 27.07.2021

<https://ig.ft.com/sites/2015/isis-oil/>

169 Jasko, M., (2018). "ISIS: Its History, Ideology, and Psychology.", *Handbook of Contemporary Islam and Muslim Lives*, p.23

[https://www.researchgate.net/publication/324279895\\_ISIS\\_Its\\_History\\_Ideology\\_and\\_Psychology](https://www.researchgate.net/publication/324279895_ISIS_Its_History_Ideology_and_Psychology)

170 Ibid.

171 Ibid.

172 Ibid.

173 Ibid.

174 Ibid.

175 Ibid.

176 DuBois, M.,(2016) "The Weaponization of Water in Syria and Iraq", *The Washington Quarterly*, 21.09.2021

<https://www.tandfonline.com/doi/full/10.1080/0163660X.2015.1125835?scroll=top&needAccess=true>

occupation of the Tishrin dam were tools in the hands of ISIS to disrupt electricity generation. A devastating blow in the petroleum industry would follow.<sup>177</sup> ISIS could put pressure in the prices of international oil market. A 60% control over Syrian oil fields and 10% control over Iraqi oil fields, occupation of many electricity-producing dams, the destruction of thermal power plants, and the lack of natural gas infrastructures, were negotiating tools in the hands of ISIS multiplying the power that came for oil revenues.<sup>178</sup>

Estimations on ISIS oil production rates are remarkable. Overall production for 2015 was estimated at around 40,000 at a price between \$15 and \$45 per barrel, depending mainly on the quality of the oil. Oil produced at Syria's largest oilfields (al-Tanak and al-Omar) was sold at the highest price, between \$40 and \$45 per barrel.<sup>179</sup> Another significant factor is the monopoly the group enjoyed mainly in the areas controlled by rebels in northern Syria, in the areas controlled by the Kurdish militia in the East, which led to a steady price, regardless the fluctuation on the world market. ISIS oil revenue for 2014 are estimated at around 1 billion dollars, while for 2015 at six hundred million dollars<sup>180</sup>. The decrease in oil related revenues in 2015 can be explained by US led coalition and Russian airstrikes and the resulting disorganization in terms of oil sales and transportations. The following figures, represent ISIS oil related revenues in 2014 and 2015 and the share of oil related revenues in ISIS revenue breakdown for 2015<sup>181</sup>:

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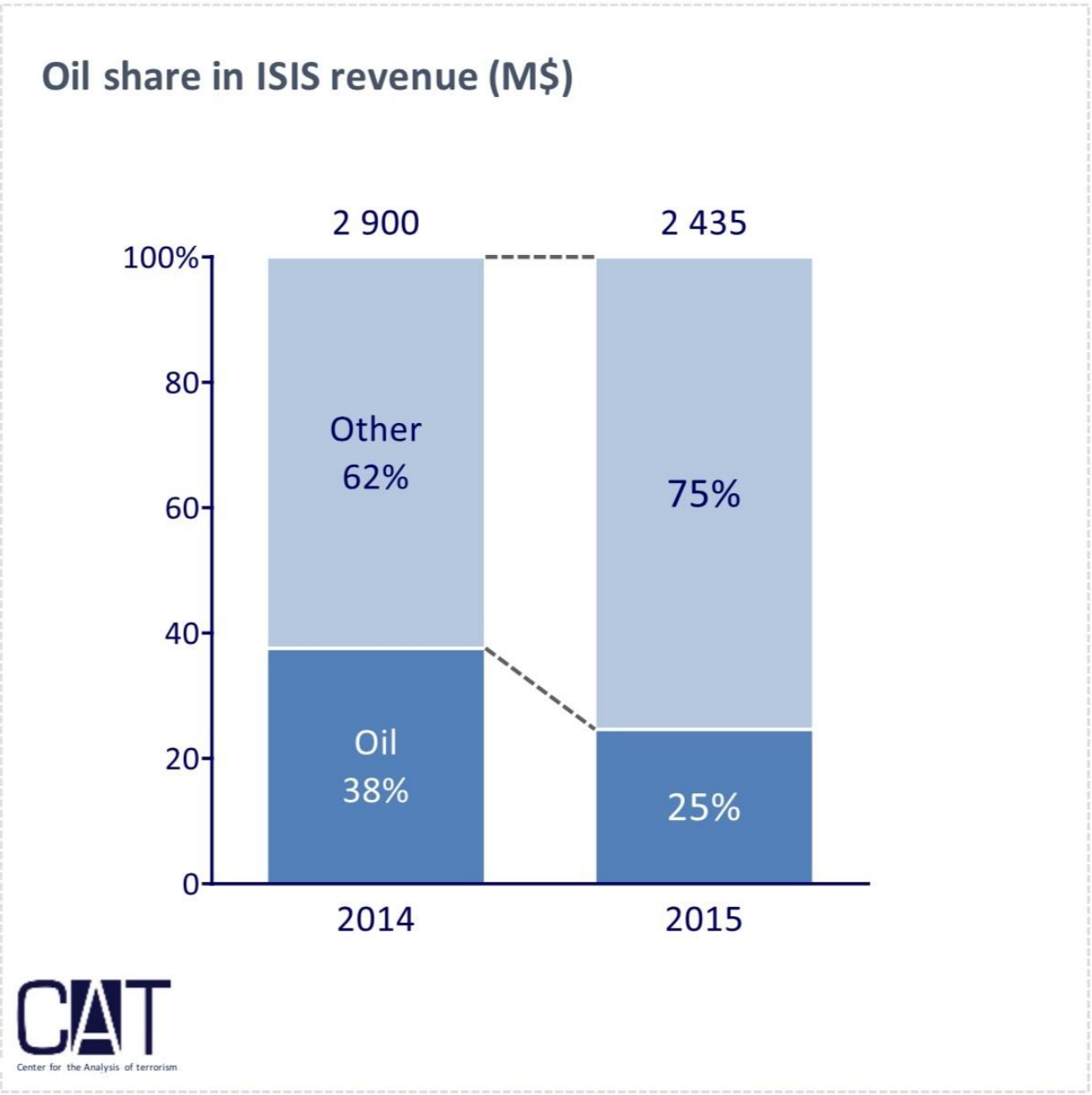
177 Ibid.

178 Ibid.

179 European Parliament-Policy Department (2017), *The financing of the 'Islamic State' in Iraq and Syria (ISIS)*, In depth analysis, European Union, 20.07.2021  
[https://www.europarl.europa.eu/RegData/etudes/IDAN/2017/603835/EXPO\\_IDA%282017%29603835\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2017/603835/EXPO_IDA%282017%29603835_EN.pdf).

180 Centre for the analysis of Terrorism, (2015), *ISIS FINANCING*, 20.07.2021  
<https://cat-int.org/wp-content/uploads/2016/06/ISIS-Financing-2015-Report.pdf>

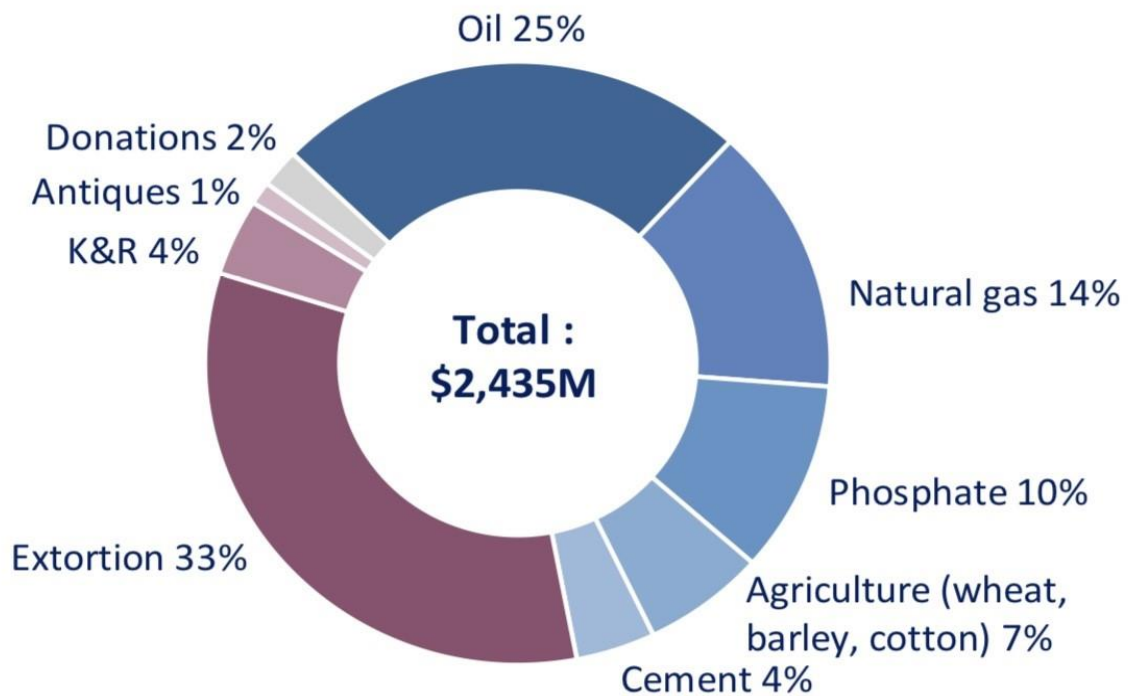
181 FATF, (2015), *Financing of the terrorist organisation Islamic State in Iraq and the Levant (ISIL)*, p. 10-17, FATF, 25.07.2021  
[www.fatf-gafi.org/topics/methodsandtrends/documents/financing-of-terrorist-organisation-isil.html](http://www.fatf-gafi.org/topics/methodsandtrends/documents/financing-of-terrorist-organisation-isil.html)



(Figure 3: C.A.T: Oil share in ISIS revenues, 2014-2015)<sup>182</sup>

182 Centre for the analysis of Terrorism, (2015), *ISIS FINANCING*, 20.07.2021  
<https://cat-int.org/wp-content/uploads/2016/06/ISIS-Financing-2015-Report.pdf>

## ISIS revenue breakdown in 2015



(Figure 4: C.A.T: ISIS revenues breakdown in 2015)<sup>183</sup>

183 Centre for the analysis of Terrorism, (2015), *ISIS FINANCING*, 20.07.2021  
<https://cat-int.org/wp-content/uploads/2016/06/ISIS-Financing-2015-Report.pdf>

Part of the oil that was produced, was used for the needs of the Islamic State ,part of it was sold on the local market as mentioned above and part of it was transferred outside the Islamic States territory.<sup>i</sup> The Islamic State therefore, used existing smuggling networks form the Saddam Hussein era. After the First Gulf War, the United Nations imposed an embargo on Iraq and two nonflying zones.<sup>184</sup> One in the Kurdish-dominated north and another in the Shia-dominated south. Because of the embargo Saddam's regime organized smuggling routes for consuming goods, luxury goods for regime's executives, pharmaceutical preparations and industrial goods. The smuggling routes connected embargo-battered Iraq with Turkey, Jordan, Iran and Syria.<sup>185</sup> These routes were later used by ISIS militants. Many former intelligence officers of the Baathist regime formed an alliance with various islamist groups, including ISIS. Having money, intelligence and power those officers were buying oil directly from the Islamic State. The price for a road tanker was 4,500 dollars. Those road tankers were re-sold at Jordanian black markets, reaching at an ending point in legitimate oil markets and stations. The bordering region for Iraq and Jordan is in Anbar province, a Sunni populated region and stronghold of ISIS. Corrupted Jordanian border guards were profiting<sup>186</sup> from the illicit oil trade helping ISIS and Iraqi individuals to complete the trades.Kurdish territories were crucial for ISIS smuggling routes, since Turkey was a more profitable oil market. ISIS organized its Northern Campaign specifically for this purpose and managed to gain control in some of them

The oil produced in Qayyara was transferred to Turkey through to Mosul and Sinjar. The oil produced in Ajeel and Hamrin was finally sold to Iranian smugglers or transferred to Kurdish oil refineries and Turkey through Tuz Khormato, Albo Najm, Kirkuk and Sulaymaniyah<sup>187</sup>. Additionally, the Islamic State transferred oil to Jordan through the western province of Anbar. A defining factor for the success of ISIS oil transfer was cooperation of the organization with Sunni Muslim Tribes, who had expertise on the cross

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184                   ibid

185                   ibid

186                   FATF, (2015), *Financing of the terrorist organisation Islamic State in Iraq and the Levant (ISIL)*,p. 10-17, FATF, 25.07.2021

[www.fatf-gafi.org/topics/methodsandtrends/documents/financing-of-terrorist-organisation-isil.html](http://www.fatf-gafi.org/topics/methodsandtrends/documents/financing-of-terrorist-organisation-isil.html)

187                   ibid

boarder smuggling routes and the black-market, thanks to the post First Gulf War sanctions imposed on the area<sup>188</sup>.

ISIS used the oil revenues to pay the monthly wages of its fighters, fuel its mechanized division and local economy under its control. The rest sought many ways to the market. Many Arab Sunni tribal chiefs acted as negotiators or second-hand sellers. They sold oil to Kurdish traders and they sold to Turkey or Iran via Kurdish populations in those countries.<sup>189</sup>

However, the Islamic State exploited not only oil but also other natural resources to fuel its activities. According to reports, in 2015 , the group derived 25% of its revenues from oil, 14% from natural gas, 10% from phosphate, 7% from wheat, barley and cotton, and 4% from cement.<sup>190</sup> Nevertheless our study shows that the exploitation of Syrian and Iraqi oil by the Islamic State as a source of revenues was vital for the group's growth and expansion, as the oil related revenues hold a big percentage of the terrorist actor's income through the years 2014-2016.

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188 Director General for External Policies, (2017), *The Financing of the Islamic State in Iraq and Syria*, European Parliament  
[https://www.europarl.europa.eu/RegData/etudes/IDAN/2017/603835/EXPO\\_IDA%282017%29603835\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2017/603835/EXPO_IDA%282017%29603835_EN.pdf)

189 ibid

190 Brisard, j., Martinez, D., (2014) "Islamic State: The Economy-Based Terrorist Funding", *Reuters*, 19.09.2021  
[http://catint.org/wp-content/uploads/2016/06/White-Paper-IS-Funding\\_Final.pdf](http://catint.org/wp-content/uploads/2016/06/White-Paper-IS-Funding_Final.pdf)

## **8.The United Nations’ legislation and initiatives to combat the illicit trade of natural resources by terrorist actors**

### **8.1The Applicable Legal Framework under International Law**

Having analyzed the reasons why terrorist factors tend to exploit natural resources as a mean to fund their political and military agenda, focusing on the case of the Islamic State of Iraq and Syria, this thesis diploma proceeds to analyze the international community’s response to this phenomenon, expressed in different levels: responses implemented by single state factors, by regional communities or by the United Nations. At this point it is important to note that under international law, all terrorist organizations are recognized as non-state armed groups. According to ICRC (2011), “Generally speaking, non-state armed groups are defined as distinctive organizations that are (i) willing and capable to use violence for pursuing their objectives and (ii) not integrated into formalized state institutions such as regular armies, presidential guards, police, or special forces.”<sup>191</sup>

At a national level, the United States’ sanctions can be described as the most impactful response against terrorist actor’s financing from oil related revenues. These sanctions adopted by the United States’ Office of Foreign Assets Control (OFAC) consists of asset freezes, trade bans on specific commodities and prohibition of financial transactions and are imposed against organizations included in the Specially Designated Global Terrorist (SDGT) list .

At the regional level, the European Union has a list of organizations accused of terrorism or suspicious for future terrorist attacks or for supporting terrorism and imposes financial sanctions against them such as trade restrictions and asset or fund freezes, in order to prevent them from raising money.<sup>192</sup>

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191 Bandekas, I., (2003) "The International Law of Terrorist Financing", *American Journal of International Law*, Vol.97, No.2,

192 *ibid*



At an international, the measures adopted by the United Nations against the financing of terrorism, shape in a great level the singlestate's responses to the phenomenon. Especially after the 2001 terrorist attacks (9/11 ) the United Nations Security Council has become the focal point of discussions and the forum for the adoption of measures against terrorism<sup>193</sup>. The United Nations can impose sanctions according to articles 39 and 41 of the UN Charter (Chapter VII)

-Article 39 "The Security Council shall determine the existence of any threat to the peace, breach of the peace, or act of aggression and shall make recommendations, or decide what measures shall be taken in accordance with Articles 41 and 42, to maintain or restore international peace and security. "

-Article 41 "The Security Council may decide what measures not involving the use of armed force are to be employed to give effect to its decisions, and it may call upon the Members of the United Nations to apply such measures. These may include complete or partial interruption of economic relations and of rail, sea, air, postal, telegraphic, radio, and other means of communication, and the severance of diplomatic relations" <sup>194</sup>

Even though Chapter VII does not include detailed framework for the implementation of the sanctions, the Security Council has the authority to determine the existence or no existence of a threat to international peace and authorize the application of sanctions, the targets, the precise measures, the objectives, the timeframe and the conditions under which the sanctions can be lifted.<sup>195</sup>

In the post First Gulf War era, the United Nations Security council imposed sanctions on non-state armed actors, governments and government officials such as asset freezes,

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193                   ibid

194                   United Nations, *The UN Nations Charter*, 20.08.2021  
<https://www.un.org/en/about-us/un-charter/chapter-7>

195                   Brisard, j., Martinez, D., (2014) "Islamic State: The Economy-Based Terrorist Funding",  
*Reuters*, 19.09.2021  
[http://catint.org/wp-content/uploads/2016/06/White-Paper-IS-Funding\\_Final.pdf](http://catint.org/wp-content/uploads/2016/06/White-Paper-IS-Funding_Final.pdf)

visas or travel restrictions and bans, arms or commodities embargoes and diplomatic transportation or economic sanctions.<sup>196</sup>

The United Nations Security Council, has responded effectively to the increasing phenomenon of natural resources' exploitation by terrorist groups, regarding the goal of combating terrorism and its financing from illegal activities. The Security Council's response to these activities includes various sanctions such as:

-asset freezes in order to make it difficult to monetize natural resources or proceed to transfer the natural resources' related revenues.

-travel restrictions or travel bans to block the terrorist actors capacity to transfer natural resources or natural resources' related revenues

- import or export bans on specific commodities to prohibit the exploitation of natural resources from terrorist actors, through restrictions on the terrorist groups' access to these commodities and ability to trade them<sup>197</sup>

On the matter of the exploitation of Syrian and Iraqi natural resources by Al Qaeda, the Islamic State and other terrorist actors, the United Nations Security Council has already condemned terrorism as one of the most dangerous threats to world's peace, labeled the Islamic State and all other groups associated with al-Qaeda as "terrorist" actors, according to its definition and applied sanctions against them. These actions aim to raise awareness on the fact of the natural resources' exploitation by those terrorist groups, the significant revenues generated from these illegal activities and the possibility that oil, coal, natural gas, diamonds etc, could be transferred to international markets through transport departing from occupied territories.<sup>198</sup>

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196 Bandekas, I., (2003) "The International Law of Terrorist Financing", *American Journal of International Law*, Vol.97, No.2,

197 United Nations,(2015) UN Sanctions: Natural Resources, New York ,27.09.2021  
<http://www.securitycouncilreport.org/specialresearch-report/this-is-security-council-reports.php>

198 Furlan, M., (2020), "The Exploitation of Natural Resources in the Financing of Terrorism: The Case of Syria and Iraq" *Al-Nahrain Center for Strategic Studies' opinion*,p.13-20, 20.07.2021  
<https://www.kas.de/documents/266761/6686921/The+Exploitation+of+Natural+Resources+in+the+Financing+of+Terrorism+English.pdf/ef5616d5-4bb9-bafb-9c89-9895365d4ef6?version=1.2&t=1583487620551>

Regarding the combat against the Islamic State's financing it is important to notice that the UNSC sanctions committee blacklisted the organization as an offshoot of al Qaeda in Iraq in May 2013. The committee also according to Reuters<sup>199</sup>, renamed its al Qaeda sanctions regime the "ISIL (Daesh) and al Qaeda Sanctions Committee" - Islamic State is also known as ISIL and Daesh in 2015 - and called on states to report within 120 days on their implementation of sanctions. <sup>200</sup> The ISIL and Al-Qaida sanctions regime imposed the following sanctions: restrictions on supplying arms or related materials, restrictions on providing services related to military activities, restrictions on providing assets to designated persons or entities, restrictions on dealing with the assets of designated persons or entities and travel bans<sup>201</sup> According to the Australian Department of Foreign Affairs and Trade the imposed sanctions can be analyzed as follows:

"It is prohibited to supply, sell or transfer (directly or indirectly) arms or related matériel to ISIL or Al-Qaida or a person or entity designated for the purpose of the ISIL (Da'esh) and Al-Qaida regime. Arms or related matériel includes, but is not limited to, weapons, ammunition, military vehicles and equipment, and spare parts and accessories for any of those things. It also includes paramilitary equipment. It is prohibited to supply technical advice, assistance or training related to military activities to ISIL or Al-Qaida or a person or entity designated for the purposes of the ISIL (Da'esh) and Al-Qaida sanctions regime. It is prohibited to directly or indirectly make an asset available to (or for the benefit of) a person or entity designated for the purposes of the ISIL (Da'esh) and Al-Qaida sanctions regime. It is prohibited to use or deal with an asset, or allow or facilitate another person to

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199 Nichols, M., Iris, J., (17.12.2015), "U.N. Security Council puts sanctions focus on Islamic State", *Reuters*, 25.09.2021

<https://www.reuters.com/article/us-mideast-crisis-islamic-state-un-idUSKBN0U030P20151217>

200 Furlan, M., (2020), "The Exploitation of Natural Resources in the Financing of Terrorism: The Case of Syria and Iraq" *Al-Nahrain Center for Strategic Studies' opinion*, p. 17-19 20.07.2021

<https://www.kas.de/documents/266761/6686921/The+Exploitation+of+Natural+Resources+in+the+Financing+of+Terrorism+English.pdf/ef5616d5-4bb9-bafb-9c89-9895365d4ef6?version=1.2&t=1583487620551>

201 Isle of Man Government , (2020), "ISIL (Da'esh) & Al-Qaida Sanctions – Guidance", 20.07.2021

<https://www.gov.im/media/1371208/isil-daesh-and-al-qaida-sanctions-december-2020.pdf>

use or deal with an asset owned or controlled by a designated person or entity (the assets are 'frozen' and cannot be used or dealt with).<sup>202</sup> The prohibition on 'dealing' with assets includes using, selling or moving assets. 'An 'asset' includes an asset or property of any kind, whether tangible or intangible, movable or immovable. All persons designated for the sanctions regimes are prohibited from transiting through or entering the country<sup>203</sup>

## **8.2The Effectiveness of the UN Sanctions**

Undoubtedly, the United Nations Security Council sanctions under the "ISIL and Al-Qaida sanctions regime" played a major role in the combat against the financing of terrorism. However, the exact size of this contribution cannot be specifically determined, due to the great territorial loss the Islamic State suffered in a short period of time after the implementation of the above mentioned measure, which resulted in a great loss of oil related revenues for the terrorist actor, due to the loss of access to natural resources. Even though the Islamic State's decline was achieved mainly due to military intervention, other terrorist groups, exploit natural resources for their financing, therefore the Security Council's sanctions are of paramount importance for the maintenance of World's peace, and in that direction the United States have contributed a lot. A great example are the sanctions imposed by the UNSC against the Somalian terrorist group Al-Shabaab, linked to illicit charcoal trade in Eritrea, Kenya and Somalia. These sanctions resulted in military intervention and confiscation of illegal charcoal in international waters.

Nevertheless, the UNSC imposed sanction, should be improve or specified, as some problems can occur. Regarding the combat against terrorism financing, we must always keep in mind that the illegal trade or sell of natural resources in not taking place inside a formal ruled system. This means that, natural resources can be transferred from one dealer directly to another, individuals with travel restrictions can move by land across borders with poor security or smuggling routes or rely on non targeted third parties and finally that

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202 Australian Government Department of Foreign Affairs and Trade, ISIL (Da'esh) and Al-Qaida sanctions regimes, 20.07.2021

: <https://www.dfat.gov.au/international-relations/security/sanctions/sanctions-regimes/Pages/isil-daesh-and-al-qaida-sanctions-regime>

203 ibid

for the sell of illegal oil, diamonds etc the terrorist actors can use regional networks or illegal dealers and intermediates.<sup>204</sup>

Taking all the above into consideration, we can conclude that the UN legislation and sanctions regime is an important step towards fighting terrorism financing from exploitation of natural resources, however in order to make these measures more efficient, the imposed sanctions should be more specific, in order to address to every context of natural resources' exploitation by terrorist and adapt in every different case in the best way possible , and more proportionate, in order to avoid causing financial harm to legitimate actors involved, as local Governments.

## **9. Conclusions**

The Islamic State of Iraq and Syria was created, mainly, by war veterans of Caucasus, Bosnian, Afghanistan, Somalia and Iraq conflicts. Jihadi fighters, linked with al Qaeda leadership and the Mujaheddin armies of Afghanistan, were the backbone of the terrorist organization. The two main recruiting pools were a) marginalized individuals from western European Muslim communities such as France or b) individuals from Muslim countries with corrupted governments.

The main state policy of the Arab monarchies of the Persian Gulf was based on the strict 18<sup>th</sup> century of the Quran by Muhammad ibn Abd al Wahab. The Sharia is the guideline for the public and private aspects of everyday social life. Although the ruling royal families of these states are preaching the word of Muhammad, written in the Quran, they have been involved in scandals and have been accused of corruption and mismanagement numerous times. These families, conceded the exploitation of their countries' natural resources to western petroleum companies and used the financial benefits of these contracts for their personal wealth, while the social contrasts were striking and the investment in public infrastructure was poorly scheduled and funded. Children raised in Arab Monarchies. Learned writing and reading through religious texts, the Quran and Islamic laws. That

means that the majority of the children are learning how to read and to write via the main reactionary doctrine of the state, which at the same time has a perverted interpretation.

In these communities, natural resources play a major role on the living standards of the population in regards that the entity or individual who controls and profits from the natural resources has power. Oil and natural gas define who is wealthy and who is poor, who will have access to clean water and steady supplies of food. This is something that the Islamic State understood and acted accordingly. The goal of taking control and exploiting the oil fields of Iraq and Syria, shaped the organization's strategy and helped them fulfill their political program, ideological agenda and military campaign. The Islamic State of Syria organized their military plans according to the location of the oil fields in Iraq, Syria, Libya and the mining areas of Afghanistan. Their main territorial conquests were achieved when the Iraqi and Syrian armies were collapsing. There were no political parties capable to fill the power vacuum and using the blitzkrieg tactics they are known for, they managed to control 100,000 square kilometers. The Islamic State declared its organization in the occupied territories as an official state, with Raqqa as its capital and preached that Muslims should fight to defend and expand the "Muslim paradise on earth". We must clearly understand, in simple terms, why the capture and exploitation of Iraqi and Syrian oil fields and refineries was vital for the Islamic State. Their main target were not the revenues from the oil and its products for the organization's wealth, but the use of the financial benefits by those activities to fund their propaganda, their recruiting and training capabilities, fulfill military and terrorist attacks and fight for the defense and expansion of their occupied territories. In this occupied territories, they imposed the Sharia Law and the teachings of Prophet Muhammad, Muhannad Abd al-Wahab and the religious leaders of the Soviet-Afghan War.

The exploitation of oil fields by the Arab monarchies, the dictators in Libya, Syria, Iraq and Egypt and the Western petroleum companies taking advantage of those countries' wealth, brought striking social contradictions and unequal development. The possession of oil fields and the distribution of the oil related revenues in favor of a small percentage of the

society created perverted and blurred radical ideas. The world of equality could only be created through the teachings of Sharia, Jihad and the Quran. Secular political parties were, and still are, prohibited in the Arab kingdoms and emirates. The only secular ruling political parties were those of Baath in Syria and Iraq.

The vacuum of power that the US-led invasions brought and the Islamist turn of the Syrian popular uprising could only be filled by groups that had the expertise to organize an effective political and military force. The Muslim Brotherhood in Syria was seriously battered by the Baathist regime, while in Iraq the main Islamist expression was expressed via Shia Muslims, inspired by the Iranian Revolution of 1979. The Islamic State had the elements and guidance to organize an effective force. The Islamic State had a compact, warfare experienced core, they had steady flow of funds before the capture of oil fields from Arab donors and a huge recruiting pool. These facts gave credibility to ISIS in the eyes of Saudi, Qatari and United Arab Emirates state officials and provided them with personnel to operate refineries, oil wells and trading routes.

They earned credibility in a very fluid area of the world. As we mentioned above, three natural gas pipelines were proposed to be constructed. After ten years, none of those projects came true. That increased the importance of steady and safe ways of transporting of oil. The Islamic State was trying to claim a territory that would act as bridge, connecting the Arab monarchies and Turkey, the last step before Europe. Europe has the highest needs for natural gas worldwide, and its main supplier is Russia, Syria's strongest ally

The Islamic State operated mainly in oil producing countries to fund its terrorist activities. Their main concentration was in Iraq, Syria, Libya. Although, in Libya the organization could not set a viable base because of its lack of Libyan personnel, the existence of strong Muslim Brotherhood cells and the geographical distance from its birthplace Iraq. The Islamic State declared Caliphate cells in countries like Tunisia, Somalia, Yemen, Gaza and Afghanistan but could not develop a functional base due to lack of financial incomes.

The Islamic State of Iraq and Syria used the oil fields as a strategic weapon to strengthen their position. They used oil and oil products to move their economy, trade it with weapons, increase their financial capabilities, provide with energy the occupied territories in Syria and Iraq and have an extra negotiating tool in the fluid geopolitical area where they acted. Bearing that in mind, we can conclude that the exploitation of natural resources played a key role in the financing of ISIS and the organization's wealth and power. The social inequality due to previous exploitation of the resources by corrupted regimes, the vast oil resources of the occupied territories, the preexisting smuggling routes in both Syria and Iraq and the high demand on crude oil and its products, were the factors that played a major role in designating the exploitation of natural resources as a vital key element in the Islamic State's financing methods.

As this thesis documentation demonstrates, terrorists' actors have always been actively engaged in the exploitation of natural resources to finance their activities, especially in the post 9/11 era where the more traditional methods like donations from individuals became more and more unstable and risky. The Islamic State took advantage of the geographical position of the territories under its control and not only use the existing oil fields to produce or refine oil, but also found ways to transfer and sell this oil inside or outside its Caliphate. With a percentage of 25% in the share of the Islamic State's revenues for the year 2015, it is becoming undeniable that the exploitation of Iraqi and Syrian resources was of paramount importance for the organization's survival at first- and then growth and reign. Even though, this high percentage also raises a question: Did the western world took every possible measure to attenuate the terrorist group's illicit activities, or are there more to be done?



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