

MUSINGS ON IRAQ

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Next Phase Against The Islamic State Cutting Its Finances, Interview With RAND's Patrick Johnston

The Islamic State is on its way to being defeated in the Battle of Mosul. Afterward it is likely to lose its remaining territory in Iraq. It is already transitioning back to an insurgency however. To finally stamp out the group its funding needs to be cut off. That can't be done on the battlefield however, but through intelligence and law enforcement. Recently the RAND Corporation published a report on the group's finances entitled [“Financial Futures of the Islamic State of Iraq and the Levant.”](#) To talk about the next step against the Islamic State is one of the paper's authors Patrick Johnston. He can be followed on Twitter [@JOHNSTON](#).

1. The Islamic State still holds oil fields in Syria, but has lost control of all of the ones it had in Iraq. What will the organization turn to earn money and fund itself in Iraq?

The Islamic State is likely to manage to retain a modest, clandestine presence in and around cities that have been declared “liberated” by Coalition and Iraqi forces. As long as institutions are weak and corruption is rife, preventing IS from making money off of extortion schemes will be difficult. Also, reconstruction efforts tend to generate a lot of contracting opportunities that groups like IS can subvert through intimidation and fraud. In research I conducted with colleagues at RAND on IS's predecessor, the Islamic State of Iraq, for example, we analyzed financial ledgers captured from the group in 2009 in Mosul—another period in which the group had been degraded militarily. The ledgers showed that ISI still managed to generate substantial income by extorting companies, contractors, and the like. If the past is prologue, reconstruction aid to Mosul and elsewhere will need to be monitored closely to prevent leakage—including into IS coffers.

In addition, as IS retreats into desert areas, the group may be able to gain revenue either through taxing smugglers and informal traders or by engaging in smuggling activity directly.

2. The RAND report you were involved in said that as the Islamic State loses territory measures against the group would shift from military action to law enforcement. How so?

IS generates almost all of its revenue from the territory in which it operates rather than through donations, such as those from wealthy sympathizers in other countries. Assuming the group continues to lose territory and increases the extent to which it operates clandestinely, dealing with it—particularly its financing—will primarily become a law enforcement issue. Just like if you wanted to dismantle the mafia here in the United States, you would task the FBI instead of the U.S. Army, if you want to counter IS’s ability to profit from criminal activities, a similar logic should apply in Iraq.

3. Are the Iraqis up to the task of making this transition to using the police and intelligence agencies against the Islamic State after it is defeated on the battlefield?

Good question. There certainly has been a greater focus on building Iraqi military capacity in the counter-IS campaign than there has been on law enforcement and intelligence. Iraq’s law enforcement and intelligence agencies suffer from some of the same problems that hinder capacity building in other parts of the government of Iraq—sectarianism, corruption, and political schisms. Few analysts are under the illusion that these challenges will completely disappear anytime soon. But failing to build more effective institutions, particularly for law enforcement, threatens to leave behind the kind of “seam” in Iraqi society that IS successfully exploited during its revival in Iraq and would happily do so again. On the plus side, the coalition is [training Iraqi police](#). In addition, the performance of the federal police in the Mosul operation is reported to be strong. The Iraqi government now has a better idea of what it will need to do to maintain the support of the population. Whether it will actually implement the necessary policing actions and build the trust of the population is to be seen.
