21st Century Terrorism Business Model: ISIS v. Al-Qaeda

By: Alexandra L. Boll

There are two things a brother must always have for jihad, the self and money. - An Al-Qaeda operative.

I. INTRODUCTION

In the last two years, the Islamic State in Iraq and Syria (“ISIS”) has accomplished more than Al-Qaeda has been able to in three decades. Unlike Al-Qaeda who fell short in these areas, ISIS has been very successful in the different strategic aspects of funding, recruiting, survival, and capturing the world’s undivided attention. Proclaiming itself a caliphate in 2014, known as the Islamic State, ISIS has attempted to legitimize their organization and be the forefront leader of the

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Muslim movement.\textsuperscript{6} ISIS differs from other terrorist organizations by recognizing the importance of internal funding, as it reveals a new structure for operations that has proven very successful.\textsuperscript{7} ISIS has proven this to be successful by establishing and operating a business model unlike anything seen before; within a year of departing from Al-Qaeda, ISIS was labeled the, “World’s Richest Terrorist Group,” by Business Insider, while Forbes ranked ISIS the, “richest terrorist organization the world has known.”\textsuperscript{8} They have accomplished this by structuring a well-built business model utilized to establish dangerous strongholds.

This business model is defined as, “a design for the successful operation of a business, identifying revenue sources, customer base, products, and details of financing.”\textsuperscript{9} ISIS has created a business foundation that has allowed them to maintain operations and grow at alarming rates.\textsuperscript{10} The ideological and theological implications surrounding their caliphate present a significant challenge to other terrorist organizations, particularly Al-Qaeda.\textsuperscript{11} ISIS has suffered financial strain in 2016, and as a result has faced significant territory loss.\textsuperscript{12} While ISIS’s business foundation has proven overwhelmingly successful, recently, the sustainability of said model has

\textsuperscript{6} Yasmine Hafiz, \textit{What is A Caliphate?}, HUFFINGTON POST, (June 30, 2014), http://www.huffingtonpost.com/2014/06/30/what-is-a-caliphate-meaning_n_5543538.html.


\textsuperscript{8} Jason Dozier, \textit{Who is funding ISIS?}, GLOBAL RISK INSIGHTS (Feb. 18, 2016), http://globalriskinsights.com/2016/02/who-is-funding-isis/.


come into question. Despite ISIS’s fragile state, their swift surges and atrocities will continue to draw enemies, elicit recruits, and further permeate their existence.\textsuperscript{13}

This article focuses on the importance of understanding modern day terrorist organization business models.\textsuperscript{14} Terrorism is currently at the forefront of global issues and the means by which these organizations operate and commit atrocities are of the utmost importance.\textsuperscript{15} A comparative analysis of organization foundations and operations will iterate the evolution of financing and highlight the need of subsequent remedial measures to minimize operations and halt further expansion.\textsuperscript{16}

This article will begin by discussing terrorist organization’s business models, the importance of their individual structures, and the requisite means to operate an organization.\textsuperscript{17} The remaining portion of the background section will discuss the Al-Qaeda organization and the framework on which they have historically and currently operate.\textsuperscript{18} This article will argue ISIS’s business model is more effective than Al-Qaeda’s due to its heavy reliance on internal funding, adaptability, advanced technology and territory control.\textsuperscript{19} Finally, the conclusion will re-iterate the importance of terrorist organization’s business foundations by discussing current operations, organization evolution, and the desperate need of modern counter-terrorist financing measures.\textsuperscript{20}

\section*{II. BACKGROUND}

Thoroughly investigating the infrastructure of terrorist groups is critical to understanding an organization’s current capabilities and future objectives as “[s]uccessful groups are often

\textsuperscript{14} \textit{Infra} section I Introduction.
\textsuperscript{15} \textit{Infra} section III Argument.
\textsuperscript{16} \textit{Infra} section III Argument.
\textsuperscript{17} \textit{Infra} section II Background.
\textsuperscript{18} \textit{Infra} section II Background.
\textsuperscript{19} \textit{Infra} section III Argument.
\textsuperscript{20} \textit{Infra} section IV Conclusion.
defined as much by their skills as financial managers as they are by their military expertise and ability to recruit fighters.”

Terrorist organizations require significant funds for operations, propaganda, recruitment, training, salaries, and social services.

Historically, terrorism financing took a hand-to-mouth existence approach and was funded by state sponsors or large donors. In order to establish any level of financial independence in the 21st century, terrorist groups are required to move from primarily external funding to internal, self-generated funding. This self-generated funding is more difficult for the international community to track and disrupt. If terrorist groups are to grow and be sustainable, they need to develop reliable sources of financing based on the territory, population, and resources where they are located. The on-going conflict in Syria and Iraq is morphing the nature of the terrorist threat and this self-sufficiency is what differentiates ISIS from Al-Qaeda. It is important to recognize these differences as terrorist organizations operate with different fundraising and expenditure priorities. During their existence, these priorities and methods of operation will evolve as they establish their infrastructure, influence, and operational capabilities.

In August of 1988, Soviet troops began to withdraw from Afghanistan following an eight-

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24 Id.
25 Id.
26 Id.
30 Id.
year intervention against the rebels, promoting a communist and pro-Soviet government.\textsuperscript{31} Amongst the turmoil, Osama Bin Laden and other top officials met in Pakistan where they determined it was time to initiate a global jihad movement.\textsuperscript{32} Bin Laden envisioned a group of elite fighters who would lead the global jihad initiative by bringing together hundreds of struggling and unorganized small jihadist groups.\textsuperscript{33} This group became known as Al-Qaeda.\textsuperscript{34} By the mid-1990’s Osama Bin Laden re-directed the movement to focus on what he believed was corrupting all local regimes, American influence.\textsuperscript{35} Seeking to re-shape the Muslim world, Al-Qaeda sought to avenge the wrongdoings of Jews and Christians against Muslims around the world.\textsuperscript{36} As years went on, Al-Qaeda continued to grow and facilitate terrorist attacks around the world claiming the lives of many women, men, and children.\textsuperscript{37} Despite the 2011 death of their leader, Bin Laden, the


\textsuperscript{34} Al-Qaeda in Arabic translates to “the base.” Laura Hayes et al., Al-Qaeda Osama bin Laden’s Network of Terror, INFOPLEASE (Sept. 12, 2001), http://www.infoplease.com/spot/al-qaeda-terrorism.html.

\textsuperscript{35} Daniel L. Byman, Comparing Al Qaeda and ISIS: Different goals, different targets, BROOKINGS (Apr. 29, 2015), https://www.brookings.edu/testimonies/comparing-al-qaeda-and-isis-different-goals-different-targets/.


group continued to grow and commit atrocities. Al-Qaeda capitalized on their anger and spread their ideology to Iraq by waging an insurgency against the United States troops in Iraq. Following the gassing and genocide of his own people, an uprising against Syrian dictator Bashar al-Assad became evident. Al-Qaeda in Iraq saw this uprising as a key opportunity to spread its presence into Syria and renamed themselves ISIS. Al-Qaeda did not approve of this new organization due to an existing counterpart. As distaste with their organization and their atrocities grew, Al-Qaeda disavowed and distanced them from ISIS.

A sound and well thought out business plan is what can lead to the immense success or utter failure of an organization. “A business model is the plan implemented by a company to generate revenue and makes a profit from operations. The model includes the components and functions of the business, as well as the revenues it generates and the expenses it incurs.” Understanding how terrorist organizations have generated revenues, organization operations, and

40 Id.
41 Id.
42 Id.
maintains expenses is of crucial importance. Absent this understanding, counter terrorism financing measures will be ineffective.

With a global overhaul to eliminate funding sources, organizations are constantly required to think ahead of their combatants and do so in secrecy. The means necessary to carry out a terrorist attack are relatively small compared to the damage they can inflict and the cost of an organization’s daily operations. The costs of a plane ticket, homemade explosives, detonators or guns are a very small portion of organization costs.

Substantial structural costs of growing, maintaining, and operating extreme ideologies are what drive a strategic and efficient business model. In order to maintain a stable infrastructure and continue to promote objectives, terrorist groups require a steady flow of income. A large portion of organization funds includes living costs for members and their families; secure methods of communication, member training, and extensive propaganda. As technology continues to evolve, organization ideologies are easier to spread yet costs remain significant. Organizations

47 Id.
48 Id.
50 Id.
53 Gómez, supra note 51.
such as ISIS incur the most expenses and require the most operational costs.\textsuperscript{55} In declaring a caliphate, ISIS assumes responsibility for the land, people, and resources within that territory.\textsuperscript{56} As organizations mirror the operations of ISIS, they too will be required to rely on significant financing to survive and thrive.\textsuperscript{57}

A. AL-QAEDA’S BUSINESS MODEL

Since their inception, Al-Qaeda has relied on foundations, mosques, banks, and fundraisers as its financial backbone.\textsuperscript{58} Responsible for the deadliest terrorist attack in US history, Al-Qaeda quickly became the main target of terrorism suppression.\textsuperscript{59} Prior to September 11, 2001 “9/11” their financial requirements for operation were estimated to be 30 million annually.\textsuperscript{60} This income was used for carrying out attacks, supporting and maintaining the military, training, indoctrination, and support to other terrorist groups.\textsuperscript{61} Ultimately bombed into submission, the post 9/11 years were the central focus for lawmakers in counter-terrorism.\textsuperscript{62} Following 9/11, President George W. Bush declared the global war on terror maintaining two objectives; to freeze terrorist assets and to disrupt their financial infrastructures.\textsuperscript{63}

Al-Qaeda’s business foundation of relying on external funding has significantly hindered their ability to maintain effectiveness on a global scale.\textsuperscript{64} Al-Qaeda operates a lean business model

\textsuperscript{56} \textit{Id}.
\textsuperscript{57} \textit{Id}.
\textsuperscript{60} Gómez, \textit{supra} note 51.
\textsuperscript{61} \textit{Id}.
\textsuperscript{62} Center for the Analysis of Terrorism \textit{supra} note 55
\textsuperscript{64} Denise N Baken & Ioannis Mantzikos, \textit{Al Qaeda: The Transformation of Terrorism in the Middle East and North Africa}, 59-60 (2015).
with a hierarchical leadership structure. A lean business model is a strategy that strives to eliminate wasteful spending and increase quality and productivity. Unlike ISIS, Al-Qaeda is not concerned with extravagant spending and luxury commodities. Holding the most important role in Al-Qaeda’s financing, Saeed al-Masri is the former accountant for Osama Bin Laden. Killed in a US airstrike in 2010, Saeed’s reputation for being notoriously reserved and frugal has lived on.

Orchestrated by Al-Qaeda, September 11, 2001 marks the largest terrorist attack in the history of the United States. The entire operation responsible for the deaths of thousands of Americans cost a mere $500,000. In the months and years following the attack, the 9/11 commissions determined a majority of their income was through cash donations siphoned from legitimate charities, wealthy donors, and mosques. The cash donations were funneled by numerous amounts of radical clerics and corrupt administrators. Nonetheless, donations are not a reliable and consistent means to an income responsible for operating an entire organization.

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69 Id.
72 Roth, *supra* note 58, at 19.
74 See generally Michael Freeman, *The Sources of Terrorist Financing: Theory and Typology*, *Studies in Conflict and Terrorism*, (Volume 34, Number 6, June 2011),
When the means of Al-Qaeda’s financing were discovered, the world leaders quickly assembled a handful of counter-terrorism financing measures and initiatives.\(^{75}\) These measures acted as a financial chokehold and significantly minimized the group’s ability to function effectively.\(^{76}\) Al-Qaeda quickly learned the nature of relying heavily on external funding was easily interrupted.\(^{77}\) Post 9/11, Al-Qaeda was required to adapt and protect reliable financial sources to ensure their existence.\(^{78}\)

Al-Qaeda’s organization is ran by a financial committee consisting of many leaders and headed by a finance minister.\(^{79}\) Al-Qaeda’s financial committee is no longer as effective as it once was because many committee members have been killed throughout the global war on terror.\(^{80}\) Many of the remaining leaders continue to rely on external sources for organization funding.\(^{81}\)

\(^{75}\) See generally Roth, supra at 58.

\(^{76}\) See generally The Global Regime for Terrorism, COUNCIL ON FOREIGN RELATIONS (June 19, 2013), http://www.cfr.org/terrorism/global-regime-terrorism/p25729 (The United Nations rallied international efforts for counterterrorism. Many conventions, committees, and countries have placed counter-terrorism efforts at the top of their agenda.).

\(^{77}\) See generally Center for the Analysis of Terrorism, supra note 55.


\(^{79}\) Center for the Analysis of Terrorism, supra note 55 at 7.


\(^{81}\) See generally Victor Comras, AL Qaeda Finances and Funding to Affiliated Groups, Strategic Insights, (Vol IV, Issue 1, Jan. 2005), http://calhoun.nps.edu/bitstream/handle/10945/11147/comrasJan05.pdf.
Although the organization is loosely run and decentralized, groups are still linked.\(^8\) Al-Qaeda’s priorities include terrorist attacks, destabilization, and the decimation of the western world.\(^8\) Presently, Al-Qaeda acts through a large number of cells and satellite terror groups.\(^8\) A global enterprise, its decentralized nature permitted its existence when anti-terrorism campaigns were at their biggest height.\(^8\) Morphing into their own distinct cells, Al-Qaeda is a large network with three interlinked entities under their umbrella.\(^8\) These networks include Al-Qaeda in Iraq, the Islamic Meghreb, and Al-Qaeda in the Arabian Peninsula.\(^8\) Although Al-Qaeda still relies on traditional funding methods, the cells within them are largely responsible for their own income.\(^8\) These groups have turned to criminal activities, such as drug trafficking and kidnapping in order to obtain a consistent and reliable stream of revenue.\(^8\) The individual income and decentralized command under Al-Qaeda leaders has minimized the control they have over their affiliates.\(^8\) Although this specific structure has minimized the control over their affiliates, it has allowed them to adapt individually to counter-terror measures and broaden its fundraising strategies.\(^8\) Directed by the organization’s leaders, businesses and shell organizations have been created to generate

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\(^8\) Baken & Mantzikos, *supra* note 67.


\(^8\) Gómez, *supra* note 51.


\(^8\) Comras, *supra* note 81, at 464.

\(^8\) Id. at 466.


\(^8\) See generally Humud, *supra* note 87
self-funds through various scams.\footnote{Powell, \textit{supra} note 78.}

Affiliate cells and satellite terror groups established in an estimated 16 countries\footnote{Ty McCormick, \textit{Al Qaeda core: A Short History}, FOREIGN POLICY (Mar. 17, 2014), http://foreignpolicy.com/2014/03/17/al-qaeda-core-a-short-history/.} have provided support for one another and subsidized other affiliates in financially difficult times.\footnote{Drake Bennett, \textit{Al-Qaeda’s New Business Plan}, BLOOMBERG, (Aug. 6, 2014, 2:05 PM), http://www.bloomberg.com/news/articles/2014-08-06/al-qaedas-new-business-plan.} According to the New York Times, it is believed that a significant portion of Al-Qaeda’s activities are financed through ransoms paid to free Europeans.\footnote{\textit{Id.}} While affiliates are still reliant on donors and charities, some of the more successful affiliates act as franchises of Al-Qaeda and subsidize one another.\footnote{Comras, \textit{supra} note 81.}

### III. ARGUMENT

Claim: ISIS’s business model is more effective than Al-Qaeda’s due to their adaptable nature, advanced technology, extensive propaganda, exploitation of the weak, reliance on internal funding, and vast territory control.

ISIS follows a similar business model to that of a large corporation.\footnote{Sophie McBain, \textit{Isis's strangely corporate approach to terror makes them all the more scary}, NEW STATESMAN (Jun. 18, 2014), http://www.newstatesman.com/world-affairs/2014/06/isiss-strangely-corporate-approach-terror-makes-them-all-more-scary.} ISIS has structured themselves in a manner that cannot easily be eliminated with existing counter-terrorism measures by relying on nothing but their own independence.\footnote{Audrey Kurth Cronin, \textit{ISIS is Not a Terrorist Group: Why Counterterrorism Won’t Stop The Latest Jihadist Threat}, FOREIGN AFFAIRS (Apr. 2016), https://www.foreignaffairs.com/articles/middle-east/isis-not-terrorist-group.} By financing themselves, ISIS has been able to maintain political, economic and religious autonomy.\footnote{Center for the Analysis of Terrorism, \textit{supra} note 55 at 6.} ISIS operates as a bureaucratic and
administrative organization ensuring its own success and stability with its predefined financial strategy.\footnote{Id. at 25.}

An internal document drafted by ISIS describes its strategy as follows: “The wealth of the State is the principal component and source of financing for all internal and external operations, and the existence of secure financial resources whose value does not change in every time and place is a must.”\footnote{Id. at 6 (quoting Abu Abdullah al-Masri “Islamic State Caliphate on the prophetic methodology” IS internal document, 2013-2014).} ISIS relies on multiple revenue streams for organization operations, which maintains the rules of conventional economics.\footnote{See generally Faisal Dahmoush Al Mashhour et al., The Impact of International Coalition Operations on the Economy of “Islamic State” in Syria, Justice for Life Observatory in Deir Ezzor, (Jan. 2016), https://jfldz.org/wp-content/uploads/2016/02/The-Impact-of-International-Coalition-Operations-on-the-Economy-of.pdf.} ISIS’s economic system progressively escalated their goals, organizational structure, and revenue sources.\footnote{See generally Center for the Analysis of Terrorism, supra note 55.} The progressive escalation has risen to the level of self-sufficiency seen in ISIS today.\footnote{Id. at 5.} Once the organization reached this level of self-sufficiency, they were able to utilize the funding against its targets, payment for its members, and public services for those within its territory.\footnote{See generally Center for the Analysis of Terrorism, supra note 55.} Once self-sufficient and fully operational, ISIS was able to provide public services to the people that included street cleaning, power, and telephones.\footnote{Id. Recently the group has been under financial strain and cut back on some of the public services provided.}

“The administration of wealth within the territory under ISIS control is based on several principles illustrating an economic and political strategy based upon the maintenance of technical and executive staff within all productive and administrative sectors, alongside a hierarchy affiliated with the group.”\footnote{Id. at 8.}
ISIS’s operations and their internal sources present a new intelligence and policy challenge on a global level.108 “This non-state actor’s ability to survive and grow independent of external funding and exploitation of ungoverned spaces make it difficult for the U.S.-led coalition to target the group’s funding using traditional measures.”109

A. EXPLOITATION, TERRITORY CONTROL, RESOURCES

ISIS has gained significant traction in areas of instability by exploiting war-torn and weak governments.110 Taking advantage of those that are economically marginalized was something Al-Qaeda never pursued.111 By seizing and controlling large portions of territory in both Syria and Iraq, the proclaimed caliphate has quickly surpassed Al-Qaeda as the dominant and preeminent force in the international jihadist movement.112 The vast territory controlled by ISIS provides the caliphate with a location for training, governing, and housing.113 The organization extracts all the resources within the territory by taking administrative and civil control over the conquered territories.114 Despite a lack of reliance on donations for financing operations, ISIS’s estimated donations in 2015 were around $50,000,000.115 The independence of this organization has enabled them to avoid measures implemented to combat the financing of terrorism and to maintain power.116 Absent ties to major donors or state sponsors, they are not restricted from any


111 Id.


113 See generally Center for the Analysis of Terrorism, supra note 55.

114 Swanson, supra note 7.

115 Center for the Analysis of Terrorism, supra note 55, at 20.

116 Id.
demands.\textsuperscript{117} Donations can give an organization a source of initial "seed-funding", but they are vulnerable to disruption and ultimately unreliable.\textsuperscript{118}

1. Oil

ISIS exploits oil for two reasons: economic value, and political pressure.\textsuperscript{119} Mocking oil-trading operations of a state oil company, they possess the biggest advantage over other groups because they have taken control of existing fields in Syria and Iraq and exploit oil via Turkey.\textsuperscript{120}

As one of their most lucrative streams of revenue, ISIS expends vast resources on the extraction, refining, and selling of oil.\textsuperscript{121} According to the U.S. Treasury department, oil provides ISIS annual revenue of $500 million per year.\textsuperscript{122} Analysts have discovered that a combination of revenues from extortion, bank robbery, and taxation together account for a little more revenue than from oil.\textsuperscript{123} Through mocking oil-trading operations of a state oil company, ISIS has been able to derive significant funds from oil.\textsuperscript{124} Recent coalition air strikes have hindered extraction and production of oils fields within their territory.\textsuperscript{125}

The complex nature of oil does not permit ISIS to possess the individual expertise or machinery to effectively run oil fields.\textsuperscript{126} When ISIS first seized territory containing oil fields there

\begin{footnotes}
\footnote{117} See generally Center for the Analysis of Terrorism, supra note 55.
\footnote{118} Keatinge, supra note 21.
\footnote{119} See generally Center for the Analysis of Terrorism, supra note 55.
\footnote{120} See generally Center for the Analysis of Terrorism, supra note 55, at 12. See also Oscar Williams-Grut, Here’s where terrorist groups like ISIS and Al Qaeda get their money, BUSINESS INSIDER (Dec. 7, 2015), http://www.businessinsider.com/how-isis-and-al-qaeda-make-their-money-2015-12.
\footnote{124} See generally Center for the Analysis of Terrorism, supra note 55, at 9-11.
\footnote{125} Swanson, supra note 7.
\footnote{126} Suleiman Al-Khalidi, How Islamic state uses Syria’s oil to fuel its advances, REUTERS (Sept. 18, 2014), http://www.reuters.com/article/us-syria-oil-idUSKBN0HD20J20140918.}

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was still a significant amount of industry specialists remaining in the area. As the population dwindled, ISIS brokered agreements with the Syrian regime and public companies in the oil sector.

Managing complex entities in tandem has proven very successful as they exchange some of its gas production for expertise. This relationship has provided ISIS with the qualified staffing and elaborate equipment required to operate their refineries. Selling barrels at almost half of the current industry norm, the line for purchasing said resource is never short. ISIS follows the practice of local black market vendors, by selling oil to the highest bidder. ISIS is able to minimize transportation and storage costs by selling through the shortest distribution circuits and local markets. When controlling both the oilfields and distribution circuits, ISIS is able to heavily regulate the process and ultimately its profit margin.

As of September 2016, ISIS is no longer in possession of oil fields in Iraq. The recapture by Iraqi soldiers of oil rich cities Shargat and Qayyarah has left the organization unable to produce, smuggle and sell oil out of Iraq. In losing these oilfields ISIS’s revenue have been reduced to that of what they incurred during the time of rapid expansion. ISIS possesses six key oilfields in Syria and is heavily dependent on this for income, as it now constitutes 70% of its overall income.

2. **Banks & Finances**

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127 Erika Solomon, *The ISIS economy: Meet the new boss*, FINANCIAL TIMES (Jan. 5, 2015), http://www.ft.com/cms/s/0/b2c6b5ca-9427-11e4-82c7-00144feabdc0.html#axzz4Hz8UzvIT.
128 Id.
129 Id.
130 Id.
131 Id.
132 Id.
133 Id.
134 Id.
135 ISIS no longer controls any Iraqi oil, RUDAW (Sept. 27, 2016), http://rudaw.net/english/kurdistan/270920164.
136 Id.
137 Id.
138 Id.
ISIS Stole $425 million in cash in mid-June of 2014 from the Mosul branch of the Central Bank of Iraq, which was previously unheard of from a Terrorist Organization.\textsuperscript{139} By 2015, ISIS had a total of 115 bank branches under its control.\textsuperscript{140} Although ISIS controls a large number of bank branches, they are limited to acting solely as deposit banks.\textsuperscript{141} Regulators and large banks preclude ISIS from accessing the global financial system through the banks within their control.\textsuperscript{142} No longer tied to the global financial system, ISIS has been hindered in their efforts to buy critical military and communications.\textsuperscript{143}

ISIS has manipulated the Iraqi banking system and utilized an external trade system called Hawala.\textsuperscript{144} Through network currency exchange offices, the Hawaladars throughout the region can instantaneously send or receive money.\textsuperscript{145} ISIS is able to trade with agents in Jordan and Turkey by using the Hawala system.\textsuperscript{146} Also utilized by Al-Qaeda, bypassing regulations and neutralizing the Hawala system is difficult to do.\textsuperscript{147} The agents shuffle funds across borders benefiting from the exchange rate fluctuations.\textsuperscript{148} This has made funding sources of ISIS difficult to trace.\textsuperscript{149}

3. Taxes, Fees, Fines, and Confiscations


\textsuperscript{140} Center for the Analysis of Terrorism, \textit{supra} note 55, at 23.

\textsuperscript{141} \textit{Id}.


\textsuperscript{144} Center for the Analysis of Terrorism, \textit{supra} note 55, at 23.

\textsuperscript{145} \textit{Id}.

\textsuperscript{146} Center for the Analysis of Terrorism, \textit{supra} note 55, at 24.

\textsuperscript{147} \textit{Id}.


\textsuperscript{149} al-Masri, \textit{supra} note 101.
Although commonly used as a revenue source by criminal organizations and enterprises, ISIS’s widespread extortion from their population possesses ingenuity. The greater the population within their control, the more revenue they obtain. With an administrative structure, ISIS’s department of the Diwan al-Khadamat (Services Department) is dedicated solely to extortion. The department also consists of a large militant team that actively engages in tax collection. Taxes implemented under ISIS include; truck driving tolls, satellite installation or repair, exit fees for leaving the city, tax on cash withdrawals from bank accounts, a road tax, customs tax, tax on archeological sites, telecommunication company taxes, looting taxes, protection taxes for non-Muslim communities, and taxes for being Christian. All establishments within ISIS territory are under sanctions and international monitoring.

ISIS offers services to their residents such as water and electricity but requires them to pay a steep fee on a monthly basis to maintain these.

Imposing strict rules based off Sharia Law, ISIS gathers financial penalties on all transgressions. Fines on transgressions range from $100 US dollars to $500 US dollars. The types of transgressions warranting these fines include smoking, wearing of non-regulatory clothing, and much more. Residents within ISIS control are often quizzed on the contents of the

150 Center for the Analysis of Terrorism, supra note 55, at 4.
151 Id. at 18.
152 Id.
153 Id.
154 Id. at 15-18.
155 See generally id.
156 Id. at 16.
159 Id.
Qur’an.\(^{160}\) If answered incorrectly, ISIS will publicly discipline that individual.\(^{161}\) In an attempt to collect more revenue, ISIS has held back public discipline and replaced these repercussions with fines.\(^{162}\)

When seizing territory, ISIS often carries out confiscations and requisitions of all individuals within their control.\(^{163}\) Upon conquering different communities, ISIS systematically loots any goods possessed by citizens.\(^{164}\) ISIS sells confiscated goods on the local markets and gives preferential purchases and steeper discounts to members within their caliphate buying goods.\(^{165}\)

Although taxes and fees provide ISIS with a significant amount of funding, their attempt to regulate all goods and services has yielded a frustrating level of red tape.\(^{166}\) The growing pain incurred in ISIS’ attempt to expand is similar to that of a newly established and growing business.\(^{167}\)

4. Kidnap & Ransom

Targeting businessmen, politicians, international travelers, and religious dignitaries, ISIS has always resorted to kidnapping for ransom.\(^{168}\) It is estimated that in 2013, ISIS raised up to $45 million in kidnapping ransoms.\(^{169}\) Exploiting its caliphate’s population in more ways than one,

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\(^{161}\) Id.

\(^{162}\) Id.

\(^{163}\) See generally Center for the Analysis of Terrorism, *supra* note 55.

\(^{164}\) Center for the Analysis of Terrorism, *supra* note 55, at 16.

\(^{165}\) Id.

\(^{166}\) Weiss, *supra* note 12.


\(^{168}\) Weiss, *supra* note 12.

\(^{169}\) Keatinge, *supra* note 21.
ISIS is known for supplementing a portion of their revenue through the sale of women and children.\footnote{\textit{See generally} Center for the Analysis of Terrorism, \textit{supra} note 55.}

5. \textit{Antiquities Trafficking}

Although contradictory in nature, ISIS continues to call for the destruction of antiquity sites, yet receives significant revenue by exploiting these sites and looting the antiquities within.\footnote{Christopher Jones, \textit{New documents prove ISIS heavily involved in antiquities trafficking}, GATES OF NINEVEH (Sept. 30, 2015), https://gatesofnineveh.wordpress.com/2015/09/30/new-documents-prove-isis-heavily-involved-in-antiquities-trafficking/.
} Whether it is sold for profit or destroyed, it is important to acknowledge the decimation of cultural heritage and history amongst these territories that can be dated back to 9000 B.C\footnote{Fiona Rose-Greenland, \textit{How Much Money Has ISIS Made Selling Antiquities? More than Enough to Fund Its Attacks}, WASHINGTON POST (Jun. 3, 2016), https://www.washingtonpost.com/posteverything/wp/2016/06/03/how-much-money-has-isis-made-selling-antiquities-more-than-enough-to-fund-its-attacks/?utm_term=.92a178a7e1bf.}. Under ISIS’s current business model, they have established a bureau called the Diwan of Natural Resources.\footnote{Jones, \textit{supra} note 171.} Divided into two regions, this department is purely dedicated to the excavation, exploration, and surveying of archaeological sites containing artifacts.\footnote{\textit{Id.}} This department is run in similar fashion to a corporation with their own marketing team, research and development, exploration and identification, and administration.\footnote{\textit{Id.}} ISIS has legitimized the systematic looting by issuance of licenses permitting authorized traffickers to search, excavate and sell any objects discovered at a 20-50% tax rate.\footnote{Center for the Analysis of Terrorism, \textit{supra} note 55, at 19.} In order to get the highest profit margin, ISIS often performs the explorations, excavation, and sale through the Diwan of Natural Resources.\footnote{\textit{Id.}}
In early 2015, ISIS was estimated to control 2,500 archeological sites in Iraq\(^\text{178}\) and 4,500 sites in Syria.\(^\text{179}\) With the antiquities industry poorly regulated, ISIS is easily able to smuggle artifacts through neighboring countries, Turkey and Jordan.\(^\text{180}\) The estimated revenue derived from the sale of artifacts in 2015 was around $30 million.\(^\text{181}\) The revenue generated from antiquities only represented 1% of their total revenue.\(^\text{182}\) The estimated revenue for the 2016 fiscal year is predicted to be significantly less than $30 million as they have already ravaged many sites and lost control of the ancient city of Palmyra.\(^\text{183}\) Although not confirmed, it is believed that ISIS still has a large amount of valuable items hidden in storage that will be sold in the future when the attraction of stolen antiquities subsides.\(^\text{184}\)

6. Agriculture

A common theme throughout ISIS’s business model is the utilization of resources within the territory they have seized as a revenue source.\(^\text{185}\) The agriculture resource is exploited for income through taxes at varying levels of the production process in addition to taking a certain percentage of the income made from farmers.\(^\text{186}\) Taxes on the agricultural industry are applied at all different levels of production and transportation.\(^\text{187}\) ISIS commonly invests in cultivating the lands for farming wheat and other public lands.\(^\text{188}\) In December of 2015, ISIS was estimated to control one-third of Iraq’s wheat and barley land.\(^\text{189}\)

\(^{178}\) Id.


\(^{180}\) Id.

\(^{181}\) Id.

\(^{182}\) Powell, *supra* note 78.

\(^{183}\) Id. at 6.

\(^{184}\) Id. at 20.

\(^{185}\) *See generally id.*

\(^{186}\) Id. at 16 (farmers are forced to pay a tax of 5-10% for their harvests).

\(^{187}\) *See generally id.*

\(^{188}\) Id.

\(^{189}\) Pagliery, *supra* note 122.
It is not uncommon for ISIS to seize agricultural machines and rent them out back to the farmers.\textsuperscript{190} Although not common, ISIS has been known to smuggle livestock to Turkish lands.\textsuperscript{191} ISIS’s agriculture involvement accurately portrays their business model of utilizing resources in as many ways as possible within the territories they seize.\textsuperscript{192} Expanding revenue past a farmer’s tax allows them to collect revenue at different levels of production and in different manners.\textsuperscript{193} This versatility is what has made ISIS so successful.\textsuperscript{194}

7. \textit{Phosphate Mines}

The phosphate mines within ISIS control represent their thoughtful business foundation and fiscal strategy.\textsuperscript{195} With a miniscule profit margin, low international prices, and difficulties associated with the transportation of phosphates, ISIS has limited their action within that industry.\textsuperscript{196} Although the resource phosphate is abundant and has been utilized for financial gain in the past, ISIS’s business model does not give heavy consideration to revenue sources with miniscule profit margins.\textsuperscript{197}

B. \textbf{VIOLENCE & BRUTALITY}

Worldwide, ISIS exploits fear and instability by branding and advertising indiscriminate killings.\textsuperscript{198} Despite the indiscriminate tactics utilized by Al-Qaeda on September 11, they publicly renounce the violent nature surrounding ISIS.\textsuperscript{199} A significant disagreement from their predecessors, Al-Qaeda was not accepting of the violence and brutality ISIS sought.\textsuperscript{200} ISIS has

\begin{itemize}
\item \textsuperscript{190} \textit{Id.}
\item \textsuperscript{191} Al Mashhour et al., \textit{supra} note 102.
\item \textsuperscript{192} \textit{See generally} Center for the Analysis of Terrorism, \textit{supra} note 55.
\item \textsuperscript{193} \textit{Id.}
\item \textsuperscript{194} \textit{See generally,} Swanson, \textit{supra} note 7.
\item \textsuperscript{195} \textit{See generally} Center for the Analysis of Terrorism, \textit{supra} note 55, at 12.
\item \textsuperscript{196} \textit{Id.}
\item \textsuperscript{197} \textit{Id.}
\item \textsuperscript{198} Dennis M. Lormel, \textit{Business Model for a Terrorist Organization}, DML Associates, LLC (2015).
\item \textsuperscript{199} CNN Library, ISIS Fast Facts, CNN (Jul. 4, 2016), http://www.cnn.com/2014/08/08/world/isis-fast-facts/.
\item \textsuperscript{200} \textit{Id.}
\end{itemize}
started to spread their ideology of indiscriminate violence urging lone-wolf militants with elementary improvised explosives and weapons to commit atrocities.  

C. TECHNOLOGY, RECRUITMENT, & PROPAGANDA

Closely linked with violence and brutality, ISIS pushes its violent ideologies and actions through propaganda and technology. Utilizing the production of gruesome acts on footage, ISIS strives to outbid Al-Qaeda in the realm of cruelty. With an online presence more prominent and sophisticated than Al-Qaeda, ISIS reaches many prospective fighters. Given the organization’s recent birth, they have been afforded technology that was not available to Al-Qaeda during their prime years. Al-Qaeda’s propaganda videos typically consisted of the group’s former president, Osama Bin Laden, sitting in a cave. “Hiding in an Afghan cave or in a modest Pakistani compound without access to internet is just so last decade.” These videos revealed a rugged lifestyle plagued with location secrecy and continuing evasion. “The Al-Qaeda people were Afghan warriors. Great warriors – horrible people but great warriors. They didn’t have the ability

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203 Malsin and Cairo, supra note 112.

204 Id.


208 Id.
to use the Internet, they didn’t have the ability to infiltrate.”

Al-Qaeda’s propaganda was limited to its words by promising eternity to its followers. ISIS takes a different approach by glorifying all communication and social media. Promising virgins, luxurious accommodations, and a steady income; ISIS conveys this lifestyle to prospective recruits through advanced technology. ISIS has created a mobile application called “The Dawn of Glad Tidings.” This application has allowed the organization to post content to supporters and gain income from those purchasing the application.

Due to its global expansion, ISIS devotes significant resources and educators to teaching its followers and members the proper use of different encrypted communications. These encrypted communications are difficult to track as technology and media platforms continually evolve and develop. This sophisticated technology is used for recruiting, member communication, and fundraising.

D. ADAPTABILITY

Adaptability is key to the success and operations of terrorist organizations. ISIS represents an unprecedented level of risk. With a global initiative targeting the caliphate and

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211 See generally Malsin and Cairo, supra note 112.
212 Id.; See generally Dr. Nabeel Fabbour, 10 Reasons Muslims are Eager to Join ISIS, ZWEMER CENTER FOR MUSLIM STUDIES, http://www.zwemercenter.com/sample-post-with-a-title/.
214 Id.
216 Id.
217 Paganini, supra note 54.
218 See generally Center for the Analysis of Terrorism, supra note 55.
219 Brisard & Martinez, supra note 139.
their revenue sources, ISIS has been forced to compensate for a loss of revenue utilizing its population as an adjustment variable. Through extortion and population variables, ISIS is able to compensate for its loss of production of oil due to coalition airstrikes.

As of October 1, 2016 the swaths of territory controlled by the ISIS organization has significantly dwindled. Once deemed unstoppable, the U.S. led air coalition has driven ISIS out of Tikrit, Ramadi, Fallujah, Sargat, and Qayyara. The airstrikes carried out thus far have resulted in a significant loss of leadership. This continuing loss of leadership has weakened the organization, but a pre-planned succession of replacements has long been part of ISIS’s strategic operations.

Since the airstrikes and bombings by the coalition have intensified in the year 2016, ISIS sells the oil it produces to independent traffickers at the oilfields in order to avoid the risks associated with transportation. In the wake of intense airstrikes, ISIS has developed teapot refineries to boost its decreasing oil revenue.

Other adaptable variables of ISIS include: decreased salaries for organization fighters, a tax increase, search for new resources, and the expansion and infiltration of surrounding populations. “While we see our core structure in Iraq and Syria under attack, we have been able

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220 See generally Center for the Analysis of Terrorism, supra note 55.
221 Al Mashhour et al., supra note 102.
225 Id.
226 See generally Center for the Analysis of Terrorism, supra note 55.
228 Al Mashhour et al., supra note 102.
to expand and have shifted some of our command, media and wealth structure to different countries,” said a longtime Islamic State Operative.  

E. SUSTAINABILITY

Hand-in-hand with their adaptability is the success of long-term sustainability. Relying on a loose network of foreign fighters and small militant cells, ISIS sends fighters back to their home state after visiting Syria and Iraq. These fighters are allowed to plan and execute attacks in their home states with the approval of ISIS leaders. With little direction from the central command the attacks have been less detrimental. Attackers are poorly trained and the death tolls from these attacks reflect that. Although not as effective, these attacks are minimal investments that do not cause harm to the organization in the event a plan is foiled. This new and loose approach of self-initiating violence is more expansive than what Al-Qaeda exhibited a decade prior. Lone wolf and low profile attacks make it difficult for counter-terrorism forces to detect them and uncover plans prior to attacks. A collapse of the caliphate would place heavier reliance

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230 See generally Center for the Analysis of Terrorism, supra note 55.


232 Malsin and Cairo, supra note 112.


235 Id.

236 Malsin and Cairo, supra note 112.

237 McDowall, supra note 234.
on foreign fighters. If the caliphate were to collapse, ISIS would surely continue to spread their ideologies on a global level through propaganda, social media, and messages.

IV. CONCLUSION

ISIS has proven to be a very successful and dangerous organization that will continue to spread their extreme ideologies and dangerous activities. They have done so by operating an efficient and well planned business model encompassing adaptability, advanced technology, extensive propaganda, exploitation, internal funding and territory control.

“What most criminal enterprises want and cherish above all is money. Though it may not have been the motivating force at the beginning, it slowly corrupts the organization from within so that radical terrorists become nothing more than corrupt conflict entrepreneurs. Just check out the $7,000 Rolex Oyster on the wrist of the caliphate leader, Abu Bakr Al Baghdadi. Without money, an organization like ISIS cannot sustain operations or spread ideologies. The Rolex on the wrist of the caliphate leader not only symbolizes the success of ISIS operations but also acts as a lucrative draw for potential members.

Disregarding Al-Qaeda’s classic business model of reliance on rich donors and state sponsorship, the Islamic State is a self-funded power house operating as a non-state actor. ISIS has found success in surpassing the one-time exploitation standard of most terrorist organizations


239 See generally Williams, supra note 13.


241 Id.

242 See generally The ISIS Leader Abu Bakr al-Baghdadi Wears The Same Watch As James Bond (It Seems) supra note 207.

243 Council on Foreign Relations, supra note 76.
as they continue to benefit from resources on a long-term scale. With leadership similar to that of a strong corporate board, ISIS places thoughtful consideration in their structure and operations.\textsuperscript{244} Due to this new funding approach, current counter-terrorism financing measures originally targeted at Al-Qaeda do not carry a similar effectiveness against ISIS. “Fighting a sophisticated 21\textsuperscript{st} century enemy is going to take more than mid-20\textsuperscript{th} century tactics.”\textsuperscript{245} New tactics will need to be created and implemented to hamper financial efforts and thwart further organization expansion.

Given ISIS immense success, Al-Qaeda and its affiliates are starting to mirror a business foundation similar to the caliphate. Despite near extinction in the past, special attention should be given to Al-Qaeda. In copying ISIS’s business model, Al-Qaeda has taken a slightly different approach to the people and social services within their control avoiding gruesome and brutality. Absent resistance from local groups, Al-Qaeda’s approach could eventually be more dangerous than that of ISIS. Porous borders and interconnected international systems will continue to permit finance, transit and communications to all areas of the globe.\textsuperscript{246}

Business model expert Alexander Osterwalder once said “In today’s climate, it’s best to assume that most business models, even successful ones, will have a short lifespan.”\textsuperscript{247} As ISIS continues to be at the forefront of international terrorism, they will be required to pivot the goal of their model from seizing territory to launching attacks in-order to ensure success.\textsuperscript{248} Although the long-term fate of these groups is unknown, it has become evident their influence and operations has guaranteed their existence for the near future. Their guaranteed existence in the future will be heavily dependent on the business model in which they operate.


\textsuperscript{245} Kleponis & Creal, \textit{supra} note 240.

\textsuperscript{246} Council on Foreign Relations note 76.

\textsuperscript{247} Scerri, \textit{supra} note 44.

\textsuperscript{248} Engel, \textit{supra} note 224.