

# The Islamic State: More than a Terrorist Group?

Written by Felipe Umaña

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FELIPE UMAÑA, APR 3 2015

The self-proclaimed Islamic State (IS) is a Sunni extremist jihadist group engaging in a pernicious insurgency campaign against the internationally recognized, though heavily debilitated, governments of Iraq and Syria. Established in late October 2006 as the Islamic State in Iraq and then transformed into the Islamic State of Iraq and the Levant (ISIL) in 2013,[1] IS has seized vast swathes of territory in both Iraq and Syria through brutal means. The group has consolidated its control over parts of Iraq and Syria and has slowly imposed its vision of an Islamic state that melds its extremist interpretation of Islam with the “practicalities of governance.”[2] IS attracted worldwide concern and opprobrium on June 29, 2014, after it captured Iraq’s second largest city of Mosul. Soon thereafter, it declared the restoration of an Islamic caliphate.[3]

IS is broadly labeled as a terrorist group due to its use of terrorist tactics, while clearly demonstrating insurgent characteristics by engaging militarily against government authorities. However, like Hezbollah in Lebanon and Afghanistan’s Taliban, IS has demonstrated signs of a robust revisionist state-building capacity in the midst of the chaos it has created, thus showing the vibrant appearance of de facto proto-state. Regardless of how international state actors characterize IS, the population living in IS-controlled territory is slowly growing dependent on the group’s provision of critical goods and services. This is gradually cementing IS’s authority and legitimacy over the regimes in Baghdad and Damascus and likewise eating away at the borders borne out of the 1916 Sykes-Picot accord.

This essay will explore IS’s militancy under the “terrorist” nomenclature umbrella, and argue that the group has pushed beyond these ambits. Indeed, the group has demonstrated the hybrid aspects of a militia, an efficient enterprise, and an organized criminal syndicate; more salient, however, is the group’s ability to symbolically and physically establish the *dawla* (state, in Arabic)[4] its name suggests, provide goods and services to a population under its control, and make moves to sustain its continuity as a proto-state entity. Ultimately, the essay will conclude that the group is a hybrid organization with the characteristics of various non-state actors, while also demonstrating signs of a nascent de facto state. In essence, it can serve as an exemplar of an “intermediary body” that blurs the lines between the limitations of a non-state actor and the trappings of an emergent state in the international community.[5]

### Pushing Past the Militant Label: Simply a Terrorist Group?

IS is widely regarded as a terrorist group by international actors due to its adherence to the threat and use of violent tactics—ranging from kidnappings and enslavement, to beheadings, crucifixion, and its use of improvised explosive devices, among other methods—deliberately conducted against civilian non-combatants and government entities for the sake of its political aims to establish its Islamic *dawla*. Though it appears to want a permanent population to preside over, it continues to target non-combatants, mostly non-Sunnis, and expunge all those who refuse its orders. Moreover, the group’s ideology is largely driven by Salafist idealists who are interested in reviving past practices of statesmen and Muslim warriors, many of which would be deemed barbaric by today’s standards, but were commonplace and accepted in antiquity.[6]

IS’s terror goals can be broadly divided into two categories, as stated above. The first is a casualty campaign against civilians, especially Shia, Alawites, and other Muslim minority groups in residential and urban areas. As Charles Lister from the Brookings Institution elaborates:

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“These attacks ... see IS operate as a typical terrorist organization, managing small, covert, largely urban cells linked to a larger militant infrastructure capable of providing funding and equipment.”[7]

Notwithstanding, the group has also conducted attacks in Sunni-majority municipalities against groups hostile to IS for retribution and intimidation purposes. The second category in the group’s militant strategy is its goal to attrite its military opponents’ armies, capabilities, and overall morale.[8] By coupling its overall insurgent goals with tremendous brutality, Lister argues that IS “is able to acquire the leverage” needed to enforce local and regional authority.[9] Importantly, while IS is primarily focused on its local threats and objectives, it has been vocal about its ambitions to strike its Western enemies.[10]

In spite of its violence, or perhaps because of, IS is said to be reaping the benefits of its terrorist activity with a recruitment windfall, seeing as its brutal tactics have led to many military successes.[11] Its violent tactics and military successes, many of which can be seen by video online as a result of the group’s stalwart communications and propaganda wing, have resonated with radical support groups worldwide. Indeed, its violence and terroristic victories make IS “look [ten] feet tall in the eyes of extremists,” as IS demonstrates its ability to stand defiantly against a superpower and its allies’ air incursions, while also globally intimidating those it deems apostates.[12]

Yet, as Charles Tilly famously pointed out, “bandits, piracy, gangland rivalry, policing, and war making all belong on the same continuum,” with the continuum culminating in the making of a state that protects, extracts, and can make war.[13] And in many ways, IS manifests signs of different types of political actors on its way to state-making. Not discounting its use of terrorist tactics, IS over the last several years has pushed beyond the “terrorist” label. It presently exhibits characteristics of a hybrid organization not unlike Hezbollah or the Taliban in Afghanistan, but with larger coffers and territory. In many ways, the organization functions primarily as an insurgent outfit, but also like a well-oiled organized criminal syndicate-like business, and, as the paper will focus later on, a state-building actor. To only focus on IS’s terrorist ambitions is to provide an incomplete look at the organization, and is greatly detrimental to policies aimed at countering its pernicious advances.

IS at its very core represents an insurgent militant group that is tactically and operationally attempting to wrest control of Iraq and Syria from its respective security forces and political authorities. The Institute for the Study of War, for instance, notes that IS’s military plan resembles the “Clear, Hold, Build” approach common in insurgency dogma. It first aims to engage with and defeat government security forces through various methods, followed by a strategy of repulsion, which involves the penetration of a territory and maintaining control over it against attack. IS then implements its form of governance, and coerces civilians to follow the group’s rules and ideology.[14] It has conducted several insurgent missions, which the group has named Operation Breaking the Walls (July 2012–2013), Operation Soldiers Harvest (July 2013–July 2014), and its current military mission to consolidate territory under the caliphate name (July 2014–present).[15] In addition, the group’s English-language magazine *Dabiq* reportedly lays out IS’s three-stage insurgency plans influenced by Maoism, 20th century primarily left-wing insurrections, and contemporary jihadism.[16] IS’s brand of violence combines terrorism, urban guerrilla warfare, and more conventional tactics, discussed below.[17]

The group’s military configuration and fighters are critical to its goals of seizing lands and eliminating government security forces, also giving it the form of a powerful militia or army. IS has reportedly long-implemented policies designed to professionalize its army, highlighting its attention to its long-run objectives. Instead of viewing its fighters as “throw-away drones,” Lister says IS is thinking like a state actor and professionalizing its military for future operations.[18] Emphasizing its military goals, it has been said that IS “may be less a state with an army than an army with a state.”[19]

Similarly, IS has demonstrated adept management as an entity that is part organized crime syndicate, part business enterprise. Many have likened the group to a criminal organization, like a mafia gang, due to its prowess in fencing,[20] racketeering, and smuggling, as well as its ability to practice skimming (i.e. concealing profits made in areas not under its control). Howard J. Shatz from the RAND Corporation, for example, dismisses IS’s religious inspirations and likens it more to an “organized criminal cult.”[21] The group, even before its takeover of Mosul in June 2014, had allegedly extracted up to (and likely more than) \$8 million from local businesses, much like a mafia

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with racketeering experience would.[22]

In a similar vein, IS also resembles a company-like enterprise. Louise Shelley, a scholar on transnational crime and terrorism, compares IS to a legitimate business: “[IS] has diverse revenue sources, seeks and develops new profit lines, and focuses on its most successful products and competitive advantages.”[23] In addition to longer-term financial planning more shallowly done than other militant organizations, IS also publishes a 410-page annual report on its activities—like corporations do—providing detailed metrics on assassinations, armed attacks, different kinds of bombings, and the numbers of prisoners freed, among other data.[24] The reports provide an “intra-organizational overview of operations and strategy” for organizational consumption, though the style and presentation suggest that they are also meant to attract external financial backing.[25] Reports and other information collected by coalition and Iraqi forces between 2005 and 2010 on IS’s precursors al-Qaeda in Iraq and the Islamic State of Iraq (ISI) indicate a lengthy history of detailed spreadsheets and record keeping. Among the information analyzed are lists of qualifications and training of hundreds of IS operatives, salary payments for the fighters and their families, and sizable lists of itemized expenditures.[26]

State-building scholar Ariel Ahram from the University of Oklahoma agrees that IS is more than simply a terrorist group, as other monikers—described in detail above—fit it well. However, they are “incomplete,” he says, “as they overlook [IS]’s ambition to be a state.”[27] IS has—since at least April 2013, when it changed its name from ISI to ISIL—nominally thought like and pretended to be a state.[28] This is symbolically important. This allows its leadership to project lofty goals of territorial expansion and governance, and seek to create “ministries” that administer numerous facets of state life—such as civil, financial, political, and military obligations.[29] By reviving the notion of an Islamic caliphate, Abu Bakr al-Baghdadi, as the self-appointed caliph of IS, has made the group’s capacity to govern a “determinant of success.”[30] At worst, these offices mimic those of actual states with greater resources and population support. At best, however, they are products of an ersatz form of state building that sustains its pretense of establishing a *de facto* state entity in lands formerly governed by Baghdad and Damascus.[31] While not a state in the conventional sense, nor is it likely to ever receive the international recognition that most state polities enjoy today, some argue that IS has “its own notion of a state and all the functions of such a state.”[32] At the very least, as Thanassis Cambanis has elaborated, IS “has created a clear—and to some, compelling—idea of citizenship and state-building in a region almost completely bereft of either.”[33] Indeed, for many civilians, IS’s *dawla* may leave some people, mostly Sunnis, better off than in the hands of transient militant groups or a vindictive government firm on exacting wanton punishment.[34]

This makes IS particularly dangerous to its opponents. David Kilcullen, a counterinsurgency expert and former aide to General David Petraeus, argues that the group is the most dangerous terrorist outfit in the world due to it combining the “fighting capabilities of al-Qaeda with the administrative capabilities of Hezbollah.” IS, Kilcullen continues, applies its coercive apparatus efficiently, but also understands the importance of effective governance as a key component to its state-building goal.[35] IS is no longer composed of small terrorist cells, like core al-Qaeda. It now presents itself as a nascent proto-state actor arguably with some *de facto* state characteristics.[36] Moreover, as mentioned above, it is bent on sustaining control over its seized territories, as evidenced by the professionalization of its soldiers, its robust record-keeping, and its notion of state-building. If it succeeds in winning the hearts and minds of its newfound citizenry—or if it successfully intimidates them into following its diktats—IS will prove to be an even harder actor to counter in the future. As Scott Atran from Oxford University recently put it: “If it gets governance right, it wins the ball game.”[37]

## Evidence of State-Building

Though the established *dawla* under IS control scarcely parallels the realities extant in most recognized states in the world, it is useful to provide a brief review of the criteria for statehood under international law and compare it to the characteristics of the *dawla* to measure the effectiveness of IS’s state-building means. The most comprehensive list of basic statehood criteria is enumerated in Article 1 of the 1933 Montevideo Convention. The article says that states need to possess “a permanent population, a defined territory, government, and [a] capacity to enter into relations with other States.”[38] Following this definition, the putative “Islamic State” does not really exist as such. IS may have some Sunni support in its controlled territory, but it is in direct violation of Iraq and Syria’s state sovereignties; it also

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fails in the latter two categories, especially given its universal lack of international recognition.[39] Though one can try to argue in line with the declaratory theory on international law—which broadly argues that if a state exists in fact, the law has to recognize this reality (as opposed to the constitutive theory, which relies on recognition as the defining factor)—there are a myriad of factors that can disqualify IS for statehood, not least that contemporary state recognition eschews taking territory by force, especially by a non-state entity routinely condemned for its crimes, human rights abuses, and ideology.

However, IS does demonstrate *other* elements of a state, however inchoate they may be. For instance, K. J. Holsti in *Taming the Sovereigns* discusses other more modern aspects of statehood, such as multifunctionality, the promotion of a sense of “national culture” within an established political community, and a type of moral or ethical leadership, which includes the regulation of public and private life—e.g., the regulation of almost every quotidian activity under totalitarian states like North Korea. Multifunctionality, for example, encompasses the provision of education, healthcare, science and technology, public welfare, infrastructures of various kinds, economic regulations, disaster relief, and even sports.[40] The following section will provide a non-exhaustive review of some aspects of statehood IS may possess, that, while not granting it statehood in the legal sense, may still illustrate elements of IS’s de facto “statehood” as an “intermediary” and hybrid body.

## *Symbolic State Trappings*

IS has some state appurtenances, mostly icons or symbolic items, such as a flag or motto, that help prop up its state-building objectives. One of the group’s most visible symbols is its jihadist Black Standard flag, which features an inscribed shahada in white script over the Prophet Muhammad’s seal on a black background. The flag is flown ubiquitously around IS-held territory and much like state flags from around the world, represent a national identity for those who raise it. In addition to its flag, which it shares, with some variation, with al-Shabaab, IS also has what may arguably be termed an unofficial “national anthem.” Philip Smyth, a Middle Eastern affairs researcher at the University of Maryland, says that while the IS core would not call this *nasheed*[41] “Dawlat al-Islam Qamat” the group’s official song, “it is recognized by the fighters and supporters as kind of their anthem.”[42] A third symbol is its supposed motto, “*baqiya wa tatamaddad*,” which means “remaining and expanding” in Arabic. Roman Caillet, a French security analyst, suggests that the slogan and its components words have deep religious symbolism and importance, and have become a rallying cry for IS sympathizers.[43] Lastly, IS’s most emblematic city, Raqqa, may also qualify as a nominal capital and fourth symbol for the group. The city served as the Abbasid Caliphate’s seat of power and holds a deeply symbolic importance for the core IS, due to its profound history and legacy.[44] The point of all these state symbols is to promote the *dawla*’s identity—a sense of national power and pride. This could provide the glue that bolsters the following aspects of citizenship and multifunctionality in governance. Following Benedict Anderson’s well-known thesis in *Imagined Communities*—specifically that communities create their existence by “imagining” national cohesion[45]—IS forges its own identity in opposition to the world around it. In tandem with its more tangible state-building goals, this national unity bolsters attracts followers and bolsters legitimacy.

## *Citizenship*

For many civilians, especially Sunnis, IS offers a rare opportunity for greater agency in a region where post-colonial governments have routinely failed to establish hardened national identities enough to reduce the insularity or supremacy of other identities. Cambanis, for instance, argues that most Middle Eastern governments have governed more through “force than persuasion,” resulting in “only shallow loyalty from their people.” IS, however, offers Sunnis the unusual chance to be citizens, making the point that “even the smallest call to action can be appealing.”[46] This is especially true in Iraq under and after Nouri al-Maliki’s rule, as many say his administration’s policies were implemented at the expense of Sunnis and other non-Shias.[47] Additionally, IS reportedly made moves in July 2014 to issue passport prototypes. The form of identification, if actually distributed, would ostensibly denote citizenship to the *dawla*, and is likely more a symbolic gesture to boost legitimacy.[48]

## *Multifunctionality*

Multifunctionality represents the versatility of a state, and encompasses numerous activities aimed at the day-to-day

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continuity of the political structure in power. For IS as an intermediary state-like polity, this includes numerous political, economic, and public-minded activities and services.

## *Political Bureaucracy*

IS is reportedly composed of three primary echelons. The first grouping is the core leadership cadre, led by al-Baghdadi and two of his deputies. Joining them are the Shura and Sharia Councils, which represent the direct governing and religious law and punishment authorities, respectively. According to the Soufan Group, there are six other councils under the aforementioned two that handle different scopes of IS's governance structure; they are: Finance, Media, Military, Provincial, Religious Affairs, and Security and Intelligence.[49] The second grouping is comprised of the majority of members who engage in military or administrative responsibilities. Lastly, the third group consists of foreign fighters from over 80 countries around the world. The organization of IS is said to be very structured, with various administrative levels; for instance, there is a *wali* (governor) per governorate (termed *wilayat*), as well as multiple lower geographical administrative levels under the *wali*. [50] Substantial political autonomy exists for higher-level commanders and civil administrators, indicating that IS functions as a multidivisional and decentralized hierarchy.[51] IS therefore functions much like a federal bureaucracy would, though with obvious limitations.[52]

## *Rule of Law*

IS has quickly established a robust judicial authority over its *dawla* based on its hardline interpretation of Islam and particularly sharia law. This branch regulates the daily lives of all civilians living under IS rule. In the *VICE News* in-depth documentary on the organization, one of IS's administrators highlighted the scope of the group's penetration into civil life by stating that "[IS] is a state and not a group. We aim to build an Islamic State to cover every aspect of life." [53] Under its judicial system, there are various courts that redress minor and major crimes, including more mundane neighbor disputes. There are also special judges for different kinds of cases, and numerous legal bodies, committees, and directorates [54] have been established at various levels comprising a sophisticated judicial system. The system even has an office that handles non-Muslim affairs.[55] Under the Islamic doctrine of *hisbah* (accountability), punishments deemed cruel and unusual by most other rule of law systems in the world are doled out to offenders.[56]

## *Law Enforcement and IS's Military Wing*

In order to enforce its laws and mete out punishment, IS has established squads of morality police to ensure that the *hisbah* is strictly observed. This force patrols markets and other public spaces to observe if prices in stores are fair and to enforce the dress codes for men and women.[57] An all-woman brigade called *al-Khansa* also monitors women's coverings to ensure they are in line with laws.[58] Additionally, the *assas* ("night watchmen") primarily serve to protect individuals in public spaces. They also work in police stations and assist the populace with a number of issues. People with problems are later referred to courts.[59] Little is known about the extent and capacity of its intelligence apparatus, however, though the group—while unable to monitor lines controlled by Damascus—does collect data through phone lines (including doing spot checks).[60] It is unclear what IS's level of Internet penetration is for intelligence gathering on its own civilians.

Moving past the domestic, IS also boasts a sophisticated military apparatus to bolster its ideological and political state-building components. When analyzing IS's known internal makeup, it has been said that IS's military is not so dissimilar from an actual state army. As mentioned before, IS has taken steps to professionalize its members. In the battlefield, units rotate between "active frontline duty, days off in 'liberated' areas[,] and other deployments 'on base.'" [61] Moreover, much like some states, it has enforced drafting.[62] IS has from 10,000 (according to U.S. intelligence estimates[63]) to as many as 50,000–100,000 fighters.[64] Taking the 50,000 estimate, IS's figure is comparable to the active military manpower numbers of Serbia and the Netherlands, according to GlobalFirepower.com.[65] Many of these operatives have been trained to handle state-of-the-art weapons, including materiel as powerful as anti-aircraft and anti-tank missiles and tanks. Pervasively low economic prospects for young men, coupled with a robust communications and propaganda system, are likely to increase these numbers in the

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short-term.

### *Public Ministries, and Civil Services and Provision*

IS has reportedly organized a myriad of ministries that oversee and regulate numerous facets of life in the *dawla*. Though many ministries were specifically created by IS leadership, IS assumed control of most of properties and services previously run by the governments of Iraq and Syria. In some ways, IS is filling a vacuum exacerbated by internal conflict in Iraq and Syria by combining municipal administration and aid-based and welfare services for its population.[66] Perhaps because of this vacuum, some local citizens have voiced their support for local IS administration, calling it “‘fast and efficient’ with everything ... coordinated [in that all] parts of the administration are linked, [they] share information and in general seem good at working together.”[67]

First, IS controls various forms of food production, which it uses as a strategic tool to win over Sunnis and garner profit.[68] Wheat, for example, is one of its most important crops. IS is said to control of up to 40% of Iraq’s wheat production.[69] By controlling a substantial portion of wheat production in the region, the group is able to ensure at least nominal support by providing for hungry mouths. Moreover, because about half of Iraq’s wheat provisions are imports, and because much of the IS-held territory is landlocked and constrained by opposing forces, it is even more important for IS to control some methods of food production.[70] IS also is said to run bread factories and hand out fruit and vegetable packages as part of welfare provision.[71]

Second, IS manages relief and charity organizations that assist the poor civilians under its rule, as well as social services such as health care, emergency assistance, and education. Continuing with food services mentioned above, IS has established food kitchens in its de facto capital Raqqa in Syria to feed the needy, and has also established an Office for Orphans that reportedly pairs orphaned children with families.[72] It has also established municipal bureaus for the distribution of zakat, a form of charitable donation that many Muslims consider to be a religious obligation.[73] Presumably, this money is later redistributed to the poor.

The so-called Islamic Administration of Public Services bridges the gap between relief provision and social services by providing fire department-like services, in tandem with welfare assistance, and maintenance of community infrastructures. Its Twitter handle “@ServicesIslamic,” for instance, purports to “provide basic services ... and the general needs of water, electricity, and flour, and maintain public facilities, hygiene, the environment, and secure communications.”[74] IS also appears to run what numerous sources indicate to be a relatively strong provision of health care. Unlike the Taliban, IS oversees large health campaigns, such as those countering polio, by offering vaccination to its citizens.[75] In a similar vein, the organization reportedly gives patients suffering from cancer or infectious diseases “grants to purchase medicine.” And in some cases, IS has even funded trips for those who require greater medical attention to go to the Mosul hospital, said to be one of the most important cancer treatment centers in the Middle East.[76] Lastly, the group assiduously micromanages the provision of education (for boys and girls[77]) by ensuring that the school curricula is appropriate and reinforces IS’s interpretation of the Qur’an. Changes made to past curricula include the purging of many scientific subjects, poetry, and any topics focusing on non-*dawla* nationalistic topics, such as the study of Iraqi or Syrian history, law, or political systems.[78] IS is also thought to run a postal service in some areas.[79]

Third, in addition to health and emergency services, IS is also known to furnish critical public infrastructure services, such as roadways and general utilities. Maintenance of these services is highly visible and is therefore crucial for greater popular appeal. For instance, there have been accounts of IS building new roads, repairing old ones (including fixing potholes and rehabilitating medians), and boosting public transportation lines to improve mobility in large urban centers.[80] Moreover, IS views its role as provider of electricity, water, and other utilities as particularly beneficial to its overall mission. This increases IS’s incentive to seize dam and power plant facilities as it demonstrates power and authority.[81] The group reportedly runs an “electricity office” that observes power consumption levels, installs new power lines, and hosts community outreach programs that teach civilians how to repair damaged power structures in their communities. IS has been said to have improved the city of Deir Ezzor’s access to electricity after taking over the region. In fact, “electricity came back on for at least [ten] hours a day,” according to a local activist.[82] Additionally, water services in some areas were also similarly upgraded. Members of

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IS have allegedly transported water to more remote villages with nonexistent water infrastructure, such as those in Syria's eastern countryside. Water channels deactivated since the beginning of the Syrian civil conflict have been repaired.[83] U.S. intelligence officials have even said that the organization has devoted an extensive amount of human and financial capital to fix and maintain sewage systems.[84] As Lister states, "IS attempts to provide the same services that a nation-state offers to its citizens, but, according to the group, in a more ethical manner." [85]

## *Finance and Currency*

IS's finance council oversees a multitude of IS's financial and economic activities. One of the more important institutions it oversees is the *dawla's* central banks, one of which is called the Muslim Financial House. From there, the Finance Council manages the so-called caliphate's economy.[86] This council also administers the collection of taxes from the *dawla's* citizens. In Raqqa, the main Credit Bank is now functioning as Raqqa's tax authority. The bank's tax collectors—under orders from the Finance Council—collect approximately \$20 every two months from business owners in exchange for utilities and security. The fees are purportedly lower than the bribes civilians paid for electricity, water, and security under the Syrian government's control.[87] Some other functions of IS's financial authority include contacts with banks and other financial institutions outside of IS-controlled territory,[88] the payment of civilian employee and fighter salaries, and general price control.[89]

Interestingly, on November 13, 2014, IS's "treasury department" announced that it would begin minting coins (called the Islamic dinar) in order to launch the "Islamic State Financial System." [90] The motivations behind the creation of a "new" currency are apparently two-fold: it would not only free the jihadist outfit from the "satanic usury-based global economic system" it despises,[91] but more importantly, the creation of the *dawla's* own coin could serve as a strong advertisement venture—as a way for it to "call attention to its desire to be a recognized state" and as a means of further bolstering IS's claims of legitimacy.[92] Once more, the organization imagines itself as a de facto state. By putting thought into the designs and symbols, it illustrates its plans to continue the survival of its putative state.[93] To reinforce the caliphate theme, the designs include Islamic imagery such as the crescent and a sword representing jihad, as well as renderings of the Umayyad mosque in Damascus and the al-Aqsa mosque in Jerusalem.[94] It is worth noting that for trade purposes conducted informally across its borders, IS allegedly uses the U.S. dollar. Alessandria Masi from the *International Business Times* posits that this means IS is "well-versed in international trade for its survival and propagation." [95]

## *Methods of Funding*

IS is the richest militant organization in the world.[96] Its reported revenue is thought to have exceeded \$1 million per day, matching or surpassing the yearly revenue of state entities like the Vatican.[97] Thomson Reuters Accelus estimated in December 2014 that its annual earnings may in fact exceeded \$2.9 billion, and that it reportedly controls assets possibly worth *over \$2 trillion*. [98] Indeed, because it presents itself as a state, and so as to preserve this image it has cultivated for its citizens, IS is compelled to maintain a diversified portfolio of sustainable sources of income to fund its activities and services.[99] Notwithstanding, IS's strongly disputed and polemical nature as a despised insurgent non-state actor, as well as its ideological rejection of the global economic system, means that it makes ample use of various illicit economies to fund its activities. Below are some of the more prominent black markets and illicit activities IS partakes in:

### 1. Looted Antiquities

The sale of ancient archaeological artifacts is a very lucrative black market for IS due to their potential prices, increasing demand, and the difficulty in tracking pieces.[100] The antiquities trafficking that IS is alleged to control is said to be worth \$1 billion.[101] Other Black Markets

### 2. Oil and Other Fossil Fuels

The sale of oil and other fossil fuels make up the largest portion of IS's funding resources—some 38% of IS's income is thought to be oil earnings and 17% gas.[102] UN experts estimate that IS garners about \$846,000 to \$1,645,000 a

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day from oil revenues.[103] The group uses third-party tankers and pipelines,[104] and is also reported to employ part-time smugglers, including Kurds.[105] For comparison, IS's alleged oil production in barrels per day is thought to rival Bahrain's.[106]

### 3. Other Black Markets

Still, other capital comes from the sale of counterfeit cigarettes (despite a law against them in the *dawla*), pharmaceuticals, cell phones, and foreign passports.[107] IS has also boasted about trafficking women and children in *Dabiq*.<sup>[108]</sup>

### 4. Kidnapping and Ransom

Both of these activities are believed to comprise just 4% of IS's earnings.[109] Nonetheless, IS has received approximately \$35–\$45 million over the past year in ransom payments, according to the UN.<sup>[110]</sup> The vast majority of those kidnapped were Iraqi and Syrian nationals.<sup>[111]</sup>

### 5. Arbitrary Taxes and Extortion

As ISIL made its transition to IS, its revenue extraction from the civilian population grew to be more sophisticated, likely due to its subsequent attempts to consolidate territory and implement authority and control.<sup>[112]</sup> IS has several forms of taxation aside from the fees extracted for the provision of utilities. Shopkeepers in Raqqa, for instance, reportedly hand over 2.5% of their revenue as zakat and pay an additional 1,500 Syrian pounds (SYP) monthly fee. Telephone lines for business owners also cost 400 SYP, despite the Assad regime continuing to bear the cost.<sup>[113]</sup> The *New York Times* has reported on IS enforcing taxes on telecommunications companies with relay towers in IS-held territories. The group has apparently threatened employees to death in the event that they refused to pay. Business owners regularly receive official receipts stamped with IS's logo, indicating forms of standardization or professionalization seen in regularized tax collection.<sup>[114]</sup> Notably, in areas controlled by Sunni tribes, like in western Iraq and eastern Syria, IS has developed a system to buy in Sunni locals: it emphasizes the dual focus of earning revenue and exerting control for core IS, but also offering tribal guarantors the opportunity to take a cut in the earnings.<sup>[115]</sup> Regarding extortion, IS is said to raise as much as several million dollars through racketeering practices. Extortion is applied on residents and business owners of all religious confessions.<sup>[116]</sup> Prior to its June 2014 Mosul takeover, it had reportedly extracted about \$8 million from local businesses in protection rackets.<sup>[117]</sup>

### *Shortcomings*

Despite these and other state-like actions and services, IS is more an “intermediary body” with a fusion of characteristics found in other non-state actors than it is a state as broadly defined by the international legal community. Its state-building ambitions as discussed in this paper, while robust, are exceptionally unsustainable. Indeed, its public relations attraction relies on the strength it exudes by seizing and controlling territory, but its military advances are not impervious to external curtailments by local, regional, and international forces, as evidenced by current U.S.-led airstrikes. Furthermore, its multiple methods of financing its activities lean heavily on its full control over key territory, and more specifically, on the trade and smuggling lines inherent in black markets. It is also unclear how recent fluctuations in the regional and global oil market will affect IS's funding in the medium-run. Similarly, its supposed currency faces a myriad of challenges if it is actually ever minted, not least because of its purchasing power being tied to its actual weight in gold, silver, and copper.<sup>[118]</sup>

Adding to this point is that while IS has attracted expertise from abroad to its *dawla*, there remains a critical absence of knowledge, affecting engineering and other key scientific prospects and services in areas outside of large municipalities. This means that the provision of services to win the hearts and minds is likely uneven under IS, and low in some areas. A former Raqqa resident, for instance, has complained about electricity blackouts, which has forced many to use generators. This affects water provision, she said, as power is required for the pumps to function. Medical care, moreover, has reportedly failed to improve under IS and most schools remain shuttered.<sup>[119]</sup> Just like its rapid state-building activities since the June 2014 blitz expansion into Iraq,<sup>[120]</sup> IS could quickly crumble under



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the weight of its self-imposed “state” responsibilities.

## Conclusion

IS’s state-building efforts have largely resulted in a de facto proto-state in Iraq and Syria. The group demonstrates one of the most sophisticated forms of governance by an organization typically considered to be a non-state actor, rivaling that of similarly minded groups. It has demonstrated that it thinks beyond the simpler trappings of a state by exhibiting various functions found in recognized contemporary states. Indeed, there is evidence that portrays IS as a nascent government-like structure with a complex political bureaucracy replete with multiple levels of administration divided primarily by councils and geographical divisions. The group, moreover, has a clear, though extreme, rule of law in mind, backed by an equally suppressive law enforcement and pernicious military apparatus. Its multifunctionality is indeed most articulated in the myriad of civil, public, and social services it offers. This provision of services complements the political and coercive facets of IS, and proffers some form of order and stability to civilians largely bereft of it. While many indubitably support IS, these services also make the populations dependent on the group. Finally, IS’s inchoate financial authority demonstrates its impressive management over the *dawla*’s financial needs. Its earnings from illicit activities purportedly rakes in *billions*, making it the richest terrorist group in the world.[121]

However, it is important to not overstate IS’s “statehood.” IS fundamentally represents an insurgent movement that employs terrorism at a tactical and operational level. Yet, many of IS’s activities mirror those found in armies or militias, criminal organizations, and companies or financial enterprises. Classifying IS as *only* a terrorist group risks obscuring the group’s nature, which is deleterious to policymaking aimed at countering them. A fitting way to observe IS is to view it as a hybrid movement that encompasses all of the above characteristics, including aspects of state-building. It can serve as an example of an “intermediary body” that bridges the exemplars of state and non-state actors[122]—one a few steps above the garden-variety militant group and perhaps a few steps below an internationally recognized failed state. As Stuart Gottlieb mentioned in an interview on IS’s state-building capacities, the group is “not trying to build a state in the classic sense—not like the Kosovars, for instance. They are not trying to get into the UN.” IS’s state-building, Gottlieb says, is more extreme, “more revisionist [than that of a Westphalian state].”[123] Ultimately, IS believes it is a state and behaves like one. Its services are shoddy in some areas, its military is far from impervious, and it is likely to never get any form of the international recognition it is so keenly indifferent about. But in reviewing its goals of establishing its *dawla*-caliphate, IS appears to have already won half of the battle.

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*Written by: Felipe Umaña*  
*Written at: Columbia University*  
*Written for: Dipali Mukhopadhyay*  
*Date written: December 2014*