

# The Impact of International Coalition Operations on the Economy of "Islamic State" in Syria



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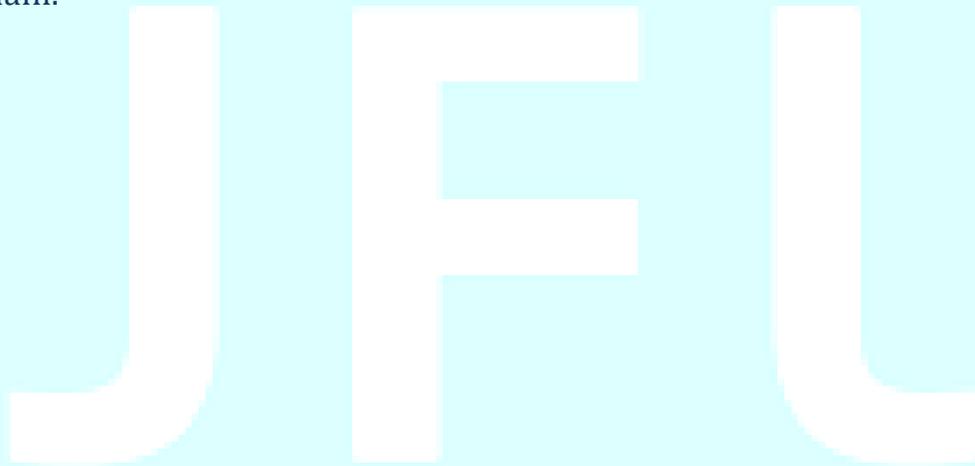


مرصد العدالة من أجل الحياة في دير الزور  
Justice for Life Observatory in Deir EzZor



## **Justice for Life Observatory in Deir Ezzor**

JFL is a civil nongovernmental, non-profit organization that works on promoting the culture of human rights in Syria and based in Deir Ezzor. The Observatory aims to participate in strengthening and promoting the culture of human rights, supporting the activists in this field, familiarizing the citizens – males and females- with their political and civil rights, emphasizing on the concept of rule of law and its role in social development, working on build a foundation for legal work in Syria, and preparing the expertise and personnel to work in this domain.

The image shows the letters 'JFL' in a large, bold, white, sans-serif font. The letters are centered horizontally and vertically within a light blue rectangular background. The 'J' has a curved bottom, the 'F' has a horizontal bar, and the 'L' has a curved bottom. The background is a solid, light blue color.

# The Impact of International Coalition Operations on the Economy of “Islamic State” in Syria

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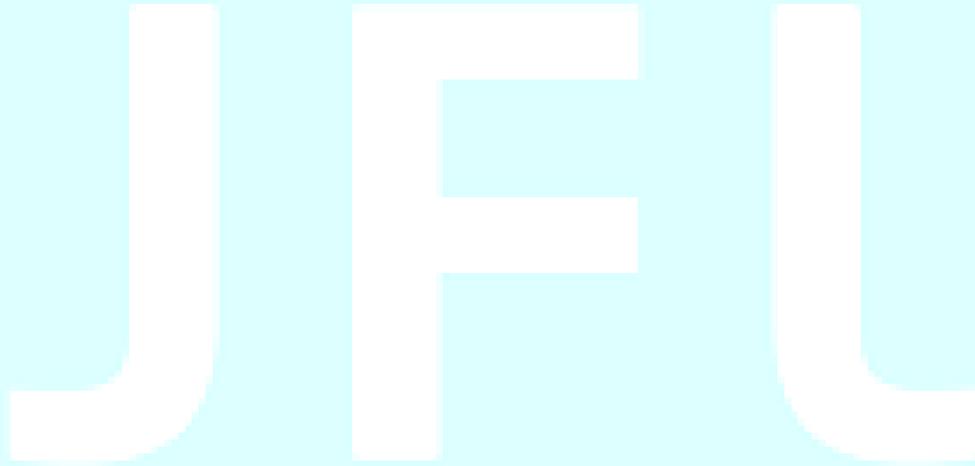
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## Introduction:

"Islamic State" represents a new different form of fundamental organizations that struggle for specific objectives i.e. the radical organization has a long-term strategic vision which is establishing Islamic Khilafa that ruled by the doctrinal vision based on Islamic Shareea and turn it into a reality.

After IS controlled vast areas that include natural resources – oil, gas, and agriculture- in Syria and Iraq, IS became the richest ideological organization in the world where various sources estimated its budget at \$ 2.2 million annually.

IS differs from the rest of other organizations especially Al Qaeda, where it recognized the danger of being dependent on external funds. It sought for creating its own financial resources independently from the traditional funds – donations- that were exposed to be changed due to the political pressures. Those changes affected on the strategies of other organizations. IS worked on controlling the areas which are rich with resources that maintain the self-efficiency in order to build the economy in sustainable and stable form for its desired state on this vast area.

IS considers the controlled areas in Syria as the most important ones, where IS controls 11 oil fields in Deir Ezzor, Al Hasakeh, Al Raqqa, and Homs – the biggest two productive fields are Al Omar and Al Tanak fields in Deir Ezzor- in addition to energy generating stations, grain silos, and very vast areas of wheat, barley and Antiquities.

## The Economy of Islamic State

IS made a qualitative change in the areas out of Assad regime control during IS controlled them. Before its control on these areas – especially Deir Ezzor province- a sort of decentralized economy of war prevailed in these areas where it was administered, at its major part, the military groups that were controlling the oil resources and smuggling paths in order to be employed in the war against Assad regime. The local war traders were going into the orbit of this economy. This led to the flourishing of uncontrolled commercial flow that mainly depends on smuggling; food items, weapons, drugs, and antiquities along with the

donations, military and relief support. In the midst of this scene, Assad regime preserved its minimum economic cycle in those areas<sup>1</sup>.

After IS controlled the eastern area, it worked on controlling this hybrid economic cycle in parallel with establishing its central economic system where it controls on all resources, especially oil, and managing it in conjunction with regulating the trading flow by imposing taxes, mandatory pricing, preventing trafficking in forbidden commodities, and monopolizing smuggling networks in affiliated members, and undisclosed investments.

These various resources in IS-held areas, and the related huge financial revenues facilitated the gradual building, in terms of financial and administrative, its simple economy for its state in a way that serves its military and civil activities. The war conditions in Syria facilitated the attempts of the Islamic State where the non-military costs are too low (Administration and Services). This fact is satisfying according to IS that controls the huge financial resources. This relative stability provided the possibility of making exchange agreements with Assad regime, particularly in oil and gas<sup>2</sup>.

The economic model of IS is considered as the most advanced one comparing to its similar ideological organizations, where it made use of the previous experiences of Al Qaeda which was mainly depending on the bank transfers, as funding sources, from the community clusters – especially for Gulf area, that can be easily encircled stifled. This led IS to change the traditional method of financial transitions by bank transfers through the official financial system into smuggling cash by borders along with using illegal ways in the bank systems. This made it too difficult to trace and undermine the funding sources of IS.

IS developed progressively its economic system in order to reach the self-sufficiency for funding its battles, paying the wages for its members, and providing very humble services to the population (cleaning streets, electricity power, land line telephone, and subsidizing the bread).

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<sup>1</sup> Assad regime kept paying the salaries for the employees who live out of its controlled areas

<sup>2</sup> IS pumps gas to Jandar station by pipelines for generating electricity to Homs city, and there are reports indicating that Assad regime sent maintenance teams to Twainan gas field. The reports indicate as well as the provision of fuel and crude oil by IS to Assad regime.

## The Basic Resources of IS Economy

IS has various resources that fund its newly-emerging economy as follows;

### Energy

The most important sources are oil, gas, and electricity. Oil is considered as the main funding resource and the economic nerve as oil revenues are estimated at \$ 50 million per month<sup>3</sup>. IS sells the crude oil to the neighboring countries and areas like Turkey, Iran, Iraqi Kurdistan, Assad regime, Aleppo and Idleb countryside throughout a mafia group and brokers who supervise and control a regional smuggling network<sup>4</sup> along with being intermediaries between IS and the markets. Moreover, IS sells a part of the oil in the local markets to the traders and the primitive refineries owners along with providing fuel to its vehicles and affiliated members. The average price is \$20-25/ barrel.

IS increased the production of crude oil more than it was when those wells and field were controlled by rebels. IS could bring the spare parts for conducting the maintenance works for filed and pipelines, linking some wells with the generating stations, and operating the silent wells.

IS controls on the most important productive gas plants that produce natural gas which are Conoco gas plant, and Al Shadady one. Likewise, ISIS controls on a number of oil fields that produce gas as well which pumped to Assad regime for operating electricity generating stations. IS sells one gas cylinder at \$1.25.

Moreover, IS controls on vital facilities which are considered as a source of electricity power such as: Euphrates levee, Tishreen levee, the thermal station, and Al Tayem field. IS make use of these facilities for producing electricity and sells it to the population along with making deals with Assad regime for exchanging electricity.

The most important IS-held oil fields in Syria<sup>5</sup>:

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<sup>3</sup> According to JFLDZ estimations

<sup>4</sup> Network established by "Saddam Hussien" for breaking the siege laid on Iraq

<sup>5</sup> According to interviews made by JFLDZ with engineers and technician who left working in this domain in August 2015

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Province	Fields	Average production ( before aerial bombardment)	Average production ( after aerial bombardment)	Remarks
<b>Deir Ezzor</b>	5 <sup>(6)</sup>	44-47k bbl.	26-30k bbl.	
<b>Al Hasakeh</b>	4 <sup>(7)</sup>	11000 bbl.	7500 bbl.	
<b>Al Raqqa</b>	2 <sup>(8)</sup>	1700 bbl.	1000 bbl.	

The most important IS-held gas fields in Syria:

Province	Facility	Average production ( before aerial bombardment)	Average production ( after aerial bombardment)	Remarks
<b>Deir Ezzor</b>	Conoco plant	4700 cyl.	2300 cyl.	
<b>Al Hasakeh</b>	Al Shaddady plant	-	-	
<b>Al Raqqa</b>	Twainan plant	Natural Gas	Natural Gas	
<b>Homs</b>	Al Hail	Natural Gas	Natural Gas	

Antiquities

IS overpowers several ancient monuments such as: ancient city of Palmyra along with ancient sites in Deir Ezzor and al Raqqa provinces.

IS makes excavation works for antiquities in the areas under its control. IS resort to experts in explorations who are related to trafficking networks. No detailed information is available about the antiquities found or the sites spoiled as IS prevents the activists and the citizens to get near to those sites.

IS established a department so-called diwan for ore in its administrative structure that manage the ancient sites. IS allows to people who desire to explore antiquities under the supervision of diwan members after a

<sup>6</sup>The fields of Al Omar, Al Tanak, Al Jafra, Al Tayem, and Al Ward. The stations of Al Kharrata, Deiro, and T2.

<sup>7</sup> The fields of Al chbessa, Kbaiba, Tishreen, and Margada.

<sup>8</sup> The fields of Al Safeeh and Al Habbari

request submitted along with fees. IS imposes 20-25% of what found by explorers.

### Taxes and Tariffs

The system of taxes and tariffs<sup>9</sup> is considered as very important ring in the economic chains of IS as it make use of the controlled network of local trading<sup>10</sup> in these areas. Also, the controlled trading ways from Syria to Iraq and vice versa. IS created a legal system based on Islamic Shareea concerning violations such as “smoking, late prayer, violating the rules of clothes, and gender-desegregation”. Through these rules, IS imposes financial forfeits on those who violate these rules. In fact, IS always enacts regulating laws for taxes from professionals, traders, and citizens.

Furthermore, IS imposes fees for transit<sup>11</sup>, making use of the vast areas it controls in Iraq and Syria. Also, IS manages the unofficial cash transfer offices that owned the citizens of their controlled areas.

Chart for the taxes imposed by IS<sup>12</sup>

<b>Tax</b>	<b>Equivalent calculated before aerial bombardment</b>	<b>Equivalent calculated after aerial bombardment</b>	<b>Remarks</b>
<b>Zakat</b>	%(10-2,5)	%(10-2,5)	From the minimum of cash and possessions
<b>Water bill</b>	\$1	\$ 1,25	Monthly for each house
<b>Landline bill</b>	\$1	\$ 1,25	Monthly for each house
<b>Electricity bill</b>	\$1,5	\$ 2,5	Monthly for each house
<b>Irrigation bill</b>	\$12,5	\$25	For each hectare per season
<b>violations</b>	\$ (400-50)	\$ (500-100)	For each violation
<b>Customs fees</b>	\$ (400-300)	\$ (600-400)	For each truck

<sup>9</sup> Based on doctrines of “ Al Zakat, Al Jezeya, and Sadaqa” according to Islamic Shareea that regulates IS ideology

<sup>10</sup> There are traders who support IS, and traders who are partners to IS members

<sup>11</sup> IS took 25% of wheat quantities that were transferred from Al Hasakeh to Tartous

<sup>12</sup> According to interviews made by JFLDZ with citizens who fled recently from IS controlled areas

The taxes and customs duties differs from province to another according to the estimations of the officials. Although IS established some sort of local administration in these provinces and cities, yet these administrations do not related to central government.

#### Agriculture and livestock:

Agriculture and livestock are considered as supportive sources for the economy of IS that make a great deal of money. IS controls grain silos in Al Hasakeh, Deir Ezzor, Al Raqqa, and Eastern countryside of Aleppo<sup>13</sup>. The estimated quantities of wheat are 1.2 million MT. moreover, IS invests in cultivating vast lands for farming wheat such as Euphrates banks and the public lands, along with smuggling livestock to the Turkish lands.

#### Other sources:

In addition to the previous resources, there are some sources that no accurate information available about them yet such as trafficking in human organs<sup>14</sup>, hostages' ransoms<sup>15</sup>, incomes from expropriated possessions form citizens, and the donations provided from the backers for the idea of establishing "Islamic State".

#### International coalition operations and the impact on IS economy:

Since the US-led coalition announced its war on terror, its strategy focused on two objectives: the first one is to primarily target the top leaders, headquarters, and military convoys by depending on intelligence and monitoring the movements and communications of IS members. The second one is to eliminate the main funding sources of IS and basically oil. The coalition targeted the IS-held oil facilities finitely with no direct target on wells and oil pipelines. The coalition made a drop off Al Omar oil field in Deir Ezzor<sup>16</sup>. Concurrently with the attempt to filling the smuggling gaps by controlling the border strip in the north of Syria, the US-led coalition

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<sup>13</sup> IS controls the grain silos in : 7km area in Deir Ezzor, Al Bu Assi, Ain Issa, Tal Hassel, Deir Haffer, Al Rae, Akhtareen, Al Bab, Manbej, and ( Kafrojoum before withdrawal with wheat storages).

<sup>14</sup> Organs for executed people whose bodies are not delivered to their families.

<sup>15</sup> Like what happened with the Assyrian hostages recently

<sup>16</sup> Huge amounts of money were taken since the field was a center for collecting the money of the province

made an alliance with the Kurdish military forces that could control on “Ain Al Arab –Kobane” in January 2015 and “Tal Abyad” in June 2015.

US-led coalition worked in parallel on training the moderate Syrian opposition forces for fight IS on ground in Aleppo countryside and Palmyra countryside, but this program was smitten with total fiasco.

According to the map of US-led coalition strikes, they focused on targeting the military supplying lines, and intensively the fronts of fights with the Kurdish groups in the north of Syria, and less intensive and inaccurate strikes on the headquarters in the cities that resulted in death of civilians.

After a year of US-led coalition strikes on IS, the statistics indicate the number of killed as follows;

4166 killed including 3712 IS members (most of them were killed in the battles of the north and few were killed by airstrikes). Also, 299 civilian victims including 81 children and 53 women<sup>17</sup> due to the indiscriminate aerial bombardment on the IS-held cities and towns. Moreover, demographic displacement for the Arabs took place in the areas that were controlled by the Kurdish forces along with possessions ravishment.

For its part, IS adapted with those air strikes and carried on producing oil sporadically along with increasing production in the absence time of coalition warplanes without clear impact on oil revenues. IS made use of the population sensitivity towards the American intervention and supporting the Kurds, so it attracted supporters and new fighters.

## The Russian Intervention and the Strategy of US-led Coalition

The Russian direct intervention in Syria under the title of fighting terror<sup>18</sup> has shaped a change in the strategy of the coalition in war on IS especially in what relates to encircling the financial resources. Where more intensive strikes carried out on the outskirts of the wells along with direct strikes targeted the refineries, local oil markets, oil convoys and supply lines, and imposing sanctions on the parties that buy crude oil. Moreover, the expansion of Kurdish military alliance in the north which, later on, formed the “Democratic Forces of Syria<sup>19</sup>” for gaining the oil field in the north for

<sup>17</sup> According to the estimations of SOHR which are close to the estimations of SNHR

<sup>18</sup> This intervention comes in the contest of supporting Assad regime and fighting opposition groups

<sup>19</sup> Consist of : Arab Syrian Coalition, Burkan Al Furat Operation Center, Jaish Al Thwar, Quwat Al Sanadeed, Tajammu Alweyat Al Jazzera, Syriac Military Council, PYD, and Woman Protection Units

IS. This alliance succeeded in controlling on "Ain Issa, Sulouk" in the northern countryside of Al Raqqa, Tishreen oil field in Al Haul in Al Hasakeh countyside, Tishreen levee in the eastern countryside of Aleppo. Furthermore, the establishing of "New Army of Syria" that is formed by fighters from Deir Ezzor to start the military operations against IS from the Syrian Badia.

At the very beginning, both US-led coalition and Russia jostled to recuperate IS-held areas, each for its own interest, but after the advancement made by the "Democratic Forces of Syria", the coordination between the coalition and Russian came to light; the intensity of air attacks was decreased on IS-held areas, whereas it was focused on the battlefronts between the "Democratic Forces of Syria" and the IS in the north. The Russian air strikes were targeting IS-held areas in the eastern countryside of Aleppo and Homs along with Deir Ezzor.

Prominent military advancement was made by IS in the eastern countryside of Aleppo (the outskirts of Kuwaires airport) that made almost encirclement of the power plant in Aleppo. Also, the regime has regained Mheen town in the eastern countryside of Homs and the lost part of Jezel field.

This strategy led to declination of IS ability to produce oil, where the production decreased 35% according to the situation before the Russian intervention specially in Al Omar and Al Tanak fields as the production was 13 and 11k bbl. Per day successively and decreased at 9 and 7.5k bbl. Per day (during the intensive aerial bombardments to 5.5 and 4k bbl. Per day successively). The air strikes caused damages to the essential parts of some oil and gas fields such as: Al Tanak, Al Wared, and Al Omar, especially oil field of Al Omar and gas plant of Conoco. IS has no adequate experience for replacing the damaged parts. Likewise, there were damages in the infrastructure such as public buildings, bridges, factories, and grain silos due to the air strikes of the war jets.

The operations of refining oil has declined as well in the IS-held areas. This was reflected negatively on the standard of living of the citizens who work in the domain of oil, and led to increase the oil derivatives. So, IS had to mobilize Iraqi oil to Syria in order to satisfy the needs of the local market in the controlled areas of Syria<sup>20</sup>.

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<sup>20</sup> JFLDZ documented poisoning cases due to the refining of Iraq oil in Syria

The Russian intervention has resulted in death of 2371 including 655 IS members and 792 civilian victims including 180 children and 116 women.

## The Adaptation of IS with the airstrikes

IS enjoys a sort of flexibility with the recent developments on ground. In the same manner, the emerging-economy of IS is characterized by diversification through which it can adapt with the decreased incomes of oil that resulted by the operations of Coalition and Russia. In the light of the above, IS adopted the following strategies;

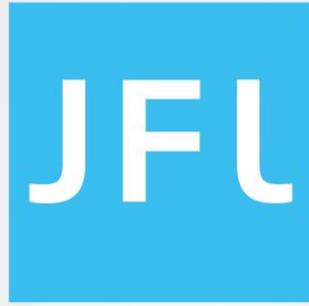
- 1- Infiltration into population: IS changed its headquarters and the places of its military vehicles in order to avoid the airstrikes. Equally, IS changes the locations of cash, wheat, and antiquities to secret places. For this purpose, IS followed land ways through the badia "or desert".
- 2- Raising Taxes: the taxes and fees system which is imposed on the population and traders are considered as a good compensation for what is lost in oil sector. In like manner, IS raised the custom duties and zakat at 10% under the title of "war condition" that faced by the state.
- 3- Decreasing Salaries: IS decreased the expenses on the affiliated fighters and families where gas cylinder was excluded from the free supplies provided to its members. Also, IS decreased their monthly financial receivables at 25-50% during the past two months.
- 4- Compensating fighters: IS works, by its media machine and making use of the social and political contradictions in the region and the current war in Syria, on attracting new fighters. After the operations of the coalition and Russia, IS could gain the support of the population due to their sensitive attitude towards the United States along with the ethnic tension in the region.
- 5- Searching for new resources: by seeking for control on new resources such as the attempt of taking over Jezel oil field, or by stoping subsidizing bread and proposing bakeries for investment, or finding new paths for easy movement such as the attempt of controlling the city of Deir Ezzor.

## Conclusion

In comparison between the abilities of the US-led coalition and the duration since the operations have launched against IS, the results are too humble so far, and have no effective impact on the sustainability of IS. Especially that these operations focus on oil resources only, without any impact on non-oil ones by which IS has the ability to compensate a major part of its oil-based lost. The economic sanctions, that imposed on the parties who deal with IS, have no effect unless those parties are seriously committed to boycott IS, especially Assad regime who is considered as a main resource for IS by the unofficial banking system, and the states that ignoring the business deals with IS.

The action of ignoring IS internal contradictions and depending on the method followed by the coalition will create a fertile soil for extremism and eventually IS will make use of it and keep controlling these areas that are rich with resources and keep its economy strong.

Unless the United States, which lead the coalition, has other political objectives that formulate this manner of dealing with this extremist organization. Until achieving these objectives, who is going to stand the mass destruction?



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