

The Disruptive Effects of ISIS on International Trade in Iraq and Syria: An Analysis of Economic and Political Consequences

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Abstract

The rise of ISIS has profoundly impacted the economies of Iraq and Syria. This research paper examines the severe repercussions on international trade within these nations. By analyzing the economic and political ramifications of ISIS's presence, the study aims to reveal how ISIS disrupts the movement of goods and services across Iraq and Syria. A key focus is the disruption of supply chains. ISIS's presence has caused significant interruptions in production and distribution networks, leading to delays, increased costs, and inefficiencies in trade operations. Additionally, the instability has deterred domestic and foreign investments, resulting in financial losses and economic decline. The paper also addresses the decline in foreign trade. Fear and uncertainty from ISIS's activities have reduced trade volumes, affecting essential goods and services. Furthermore, ISIS's control of oil-rich regions has reduced output and led to illegal trade practices, complicating the economic landscape.

Keywords: Islamic State (ISIS), International Trade, Iraq, Syria.

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1. Introduction

Since 2003, the Middle East has experienced numerous identity conflicts and a surge in violent extremist groups. The most notable among these is the Islamic State in Iraq and Syria (ISIS), which has significantly influenced the political landscape, especially in the post-Arab Spring era (Haji Yousefi and Mahdokht, 2024).

With the declaration of the Islamic State in Iraq and the Levant (ISIS), the Takfiri armed factions have reached a dangerous point. The organization proclaimed the creation of a caliphate state and seized the border between Syria and Iraq in 2014 after capturing sizable portions of both countries. The international system was seriously threatened by this action, which broke with the conventional framework of autonomous nation-states based on the Westphalian paradigm. The group's strength and influence were further bolstered by the rise of new leaders from a variety of Arab and international ethnicities. Because of how serious the threat posed by terrorism is, both international and regional countries are taking it seriously and are thinking about forming an international coalition to fight it (Al-amiri and Hassan, 2023). With the declaration of the Islamic State in Iraq and the Levant (ISIS), the Takfiri armed factions have reached a dangerous point (Wikipedia, 2023). However, analyzing terrorist organizations reveals that while they can cause change, they have little chance of disrupting state function. This raises questions about the efficacy of fighting against them indirectly (Clancy, 2018). The historical, political, and legal analysis of the motivations and actions of ISIS suggests that it is even more ambitious than previous terrorist groups like Al Qaeda, with profound consequences for the survival of the group (Turku, 2018). While ISIS has some characteristics with other extremist groups, it also has some distinctive characteristics. The personality of its founder, Abu Musab al-Zarqawi, the Middle East's geopolitical landscape after the U.S.-led invasion of Iraq, and the (Arab Spring-inspired) uprising against Bashar al Assad's regime in Syria are some of its distinctive circumstances. However, ISIS is also an expression of the wider Salafi fanaticism that led to the creation of Al Qaeda (AQ), and in a sense, it is the continuation of AQ's global dominance agenda using more extreme tactics (Jasko u. a., 2021). The rise and persistence of ISIS have led to significant regional instability that continues even after its territorial collapse. While its precursor, Al Qaeda in Iraq, posed a threat as a

conventional insurgent group, ISIS operates distinctly. Referring to ISIS as an insurgency is challenging due to its highly visible activities. Similarly, categorizing the Islamic State as a messianic religious cult or a mafia-like organization disregards its governing methods and efforts to establish civic institutions in the areas under its control (Clancy,2018). ISIS has employed various tactics to destabilize the infrastructure in Iraq and Syria. These include imposing taxes on businesses and individuals, destroying vital roads and bridges, hindering the movement of goods and people, and targeting electricity, water, and oil infrastructure. These actions have worsened the situation in the region (Alishah and Others,2017). The economic consequences of ISIS's activities have significantly impacted both Iraq and Syria. ISIS generated funds primarily through illicit activities such as extortion, oil smuggling, and robberies in both countries. These funds were used to support its global network of branches and affiliates, receiving financial guidance and support from the group's leadership. Furthermore, during its occupation of Iraq and Syria, ISIS looted hundreds of millions of dollars, stockpiling them for future use (United States Department of State, 2019).

However, counterterrorism operations and airstrikes have disrupted critical financial networks, depleted cash reserves, and hindered the group's exploitation of local resources. ISIS relies on courier networks and money services businesses to transfer its financial resources within and outside of Iraq and Syria. The territorial defeat of ISIS in Syria has significantly reduced its capacity to generate, hold, and transfer financial assets. Despite this defeat, the group still generates revenue through clandestine networks involved in criminal activities in Iraq and Syria. Consequently, ISIS's reliance on illicit activities and its maintenance of a global financial network has had a significant economic impact on international trade in Iraq and Syria. While the defeat of ISIS in Syria has provided some relief, ongoing criminal activities by the group continue to pose concerns for the region's economic stability (United States Department of State,2019).

2. Problem Statement

The deterioration of the economic and political situation in Iraq and Syria due to the control of the terrorist organization ISIS has led to many impacts on international trade in the two countries, and this is what prompts the researcher to identify some of these impacts.

3. Objectives of the Study

We will learn about the impact of ISIS terrorism on international trade in Iraq and Syria through its components:

1. The impact of ISIS on the trade infrastructure in Iraq and Syria.
2. The impact of the terrorist organization ISIS on political and security stability in Iraq and Syria.
3. The impact of ISIS terrorism on investments in Iraq and Syria.

4. Methodology

This study examines the theoretical literature on Islamic State terrorism from an economic and political research perspective. Therefore, this qualitative study uses a literature review as a systematic method to collect and integrate previously published relevant studies and literature, which can lead to best practices and improve the quality of future research (Hampton & Parker 2020).

5. The Importance of the Study

This research is significant as it examines the crucial issue of terrorism, particularly the impact of ISIS, one of the most dangerous terrorist organizations, on international trade in Iraq and Syria.

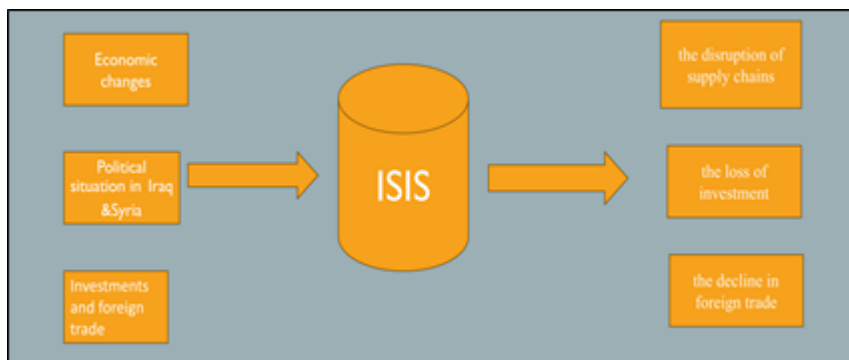


Figure (1): Conceptual Framework of the Research

6. Definition of ISIS (Daesh)

It is a Salafist terrorist group that emerged in June 2014 after the capture of Mosul, the capital of Nineveh Governorate (Dara and Khaki 2017). State of Iraq and Syria (ISIS), the Islamic State of Iraq and ash-Sham, Daesh, or simply the Islamic State (IS), is a Wahhabi/Salafi jihadist extremist militant

group. It is led by and mainly composed of Sunni Arabs from Iraq and Syria. As of March 2015, it controlled territory occupied by 10 million people in Iraq and Syria, and through loyal local groups, had control over small areas of Libya, Nigeria, and Afghanistan. The third and fourth waves of terrorism were followed by the creation of a new wave of terrorism in the Middle East by the terrorist organization ISIS (Shariati and Vazirian, 2023). ISIS is a unique terrorist force because it operates across national, regional, and continental borders. It targets not only economically and culturally marginalized people in colonized countries but also those with marginal identities in central countries. This inclusivity allows ISIS to recruit from diverse regions, including Arabic-speaking countries like Tunisia, Yemen, and Saudi Arabia, as well as from Europe, East Asia, Australia, and Africa. The rapid emergence and expansion of ISIS as a formidable global terrorist threat can be attributed to a confluence of historical and geopolitical factors. The destabilization of Iraq following the US invasion in 2003 created a power vacuum that extremist groups were quick to exploit. The dismantling of the Baathist regime left many Sunni military and government officials unemployed and disenfranchised, attracting them to align with or lead insurgent factions. Concurrently, the regional upheaval catalyzed by the Arab Spring and the chaos of the Syrian civil war provided ISIS with an opportunity to establish and consolidate its stronghold in both Iraq and Syria, utilizing ungoverned spaces as operation bases. Moreover, the deep-rooted Sunni-Shia sectarian divide within Iraq allowed ISIS to rally support and recruit among the marginalized Sunni population, who felt alienated by a predominantly Shia government that failed to address their grievances or share political power effectively. Buzan contends that society will agree on the state and identify with it and that the concept of the state is necessary for a peaceful society. Finding a wide and suitable social agreement about the Iraqi state is challenging in the case of Iraq. For instance, the US watched as the majority of Sunnis boycotted the political process following the fall of Saddam's regime. This resulted in opposition to the US occupation and the Iraqi government, which ultimately gave rise to Sunni insurgents (Rached and Bali, 2019). During a period of regional unrest, ISIS capitalized on the instability that followed the US invasion of Iraq in 2003, which created a power vacuum and fueled sectarian tensions. Additionally, the organization took advantage of the widespread uprisings known as the Arab Spring, which began in 2011 and

led to further chaos and political turmoil in the region. Amidst this environment, ISIS aimed to expand its influence and establish an Islamic caliphate, employing brutal tactics and propaganda to attract recruits and gain support. The repeated chant of "The Islamic State will remain and expand" echoed the organization's ambitions and their determination to extend their control. This slogan became synonymous with their ideology and served as a rallying cry for their followers. Through acts of terrorism, territorial conquest, and a reign of fear, ISIS sought to reshape the political and social landscape of the Middle East, imposing its extreme interpretation of Islamic law and undermining stability in the region. The rise of ISIS posed a significant challenge to regional and international security. Its brutal tactics, including mass killings, beheadings, and the enslavement of women, garnered global attention and condemnation. Efforts to counter and ultimately defeat ISIS involved a coalition of nations, including military operations, intelligence sharing, and measures to disrupt the group's financing and recruitment networks.

7. Concept of International Trade

International trade plays a vital role in the global economy, as it has done for centuries. This exchange of goods and services across international borders leads to economic growth, improved living standards, and strengthened international relations. Over time, the concept of international trade has evolved due to factors such as technological advancements, changes in political and economic systems, and shifts in global demand and supply. At its core, international trade involves the exchange of goods or services between at least two different countries, fostering a complex web of economic activity. However, this process is not just about the physical transfer of commodities; it also encompasses the concept of comparative advantage, where countries trade products and services they can produce more efficiently than others. Comparative advantage is a fundamental principle of international trade theory, suggesting that a nation's opportunity cost of producing a specific good or service is lower compared to other countries, leading to a mutually beneficial exchange network that can elevate a nation's standard of living(CFI).

In contrast, domestic trade refers to transactions that take place within the geographical boundaries of a country or region, also known as intra-regional trade. While international trade involves the exchange of goods and services

between different countries or across political borders, domestic trade focuses on trade within a single country. This form of trade can be referred to as "internal" trade, "intra-regional" trade, or simply "domestic" trade. International trade is the buying and selling of goods and services by companies in other countries. Consumer goods, raw materials, machinery, and food are all bought and sold overseas. Countries can open up new markets and obtain goods and services through trade that might not otherwise be accessible locally. whereas "internal" or "domestic" trade refers to trade that occurs within nations(Catalano,2024).

8. The Economic Impact of ISIS on International Trade

The region has faced significant economic challenges resulting from the instability and insecurity caused by the presence of the terrorist group ISIS. The activities of ISIS have greatly disturbed the economic balance in the eastern Middle East, and their repercussions endure, leaving a lasting impact even today. Terrorism, as a tactic employed to evoke fear globally, has become a widespread issue on a global scale. It has the potential to impact short-term economic growth through multiple channels, including heightened uncertainty that restricts investments and redirects foreign direct investment (FDI), which is crucial for developing nations as a source of savings to support investment (Mahmud,2020). According to the economic theory of war, society bears a variety of (in)direct costs as a result of war. In the first place, wars devastate, which lowers GDP. Second, human capital is lost as a result of war. Thirdly, wars reduce public spending in sectors like health and education and widen budgetary imbalances. Fourth, because of the dwindling capital supply, civil wars impede economic development. And last, the effects of refugee movements have a knock-on effect on adjacent countries(Kešeljević and Spruk,2024). As a result of the conflict and the disintegration of regional trade, Syria and Iraq have faced significant economic consequences. The direct effects of the war reflect the intensity and scope of the conflict as of mid-2014. The findings indicate that both countries have experienced substantial losses in per capita welfare, with Syria losing 14% and Iraq losing 16%. The trade embargo on Syria has played a pivotal role in the country's decline in real GDP, estimated at 30%, which exceeds the per capita output decline of 13%. Violence outbreaks undermine the incentives to engage in productive activities and impede economic activity by lowering investments(Kešeljević and Spruk,2024).

The direct effects of the Levant War provide only a partial understanding of the true economic costs associated with the conflict in the region. It is important to consider that before the outbreak of war, these countries were in the process of regional trade integration. In essence, if the war had not occurred, regional trade integration would have progressed as intended in the Joint Declaration on CNETAC. When accounting for the missed benefits of this integration, particularly those linked to failed services liberalization, the total costs of the war for Syria and Iraq nearly doubled, reaching 23% and 28% respectively. Additionally, Egypt's costs increase to 10% and Jordan's to 9% (Ianchovichina and Ivanic, 2016).

The World Bank's database on trade restrictions (STR) was utilized to analyze trade restrictions. It was anticipated that trade liberalization would decrease the STRI, reaching its minimum level. Table (1) below presents the specific STRI sector indicators related to the trade sector in Iraq and Syria.

Table (1): Trade-Related Productivity Growth (%)

Country	Value Added	Import Augmenting	Value Added
Iraq	21.6	17.9	19.6
Syria	62.5	17.9	19.6

(Source: Ianchovichina and Ivanic, 2016)

9. The Effects of ISIS on Oil Exports in Iraq and Syria

The ongoing conflict in Iraq and Syria has significantly affected their economies, particularly in the realm of oil trade. The emergence of ISIS (Islamic State of Iraq and Syria) has led to disruptions in oil production and transportation, resulting in substantial economic consequences. In Iraq, there have been recurrent attacks on the primary oil export pipeline from Kirkuk to Ceyhan in Turkey. These attacks intensified in March 2014 when the Islamic State seized control of northwest Iraq. As a result, Iraq's oil exports were severely disrupted, impacting the global energy market (Mills, 2016). Additionally, the construction workers on the gas pipeline importing from Iran through Diyala province faced hostile actions. These examples highlight the vulnerability of energy infrastructure in Iraq and the potential for disruptions in the region's energy supply chain (Mills, 2016).

Similarly, the conflict in Syria from 2011 to 2020 had devastating consequences for the energy sector. The change of control over oil fields in the Deir ez-Zor governorate in 2012 resulted in the expansion of ISIS, which gained control of oil and gas fields, providing a source of revenue for

the terrorist group (Seifan and Others, 2021). The war also halted plans for the exploration and development of Syria's offshore Mediterranean oil and gas resources, further delaying potential discoveries and increasing production capacity (Jenkins, 2023). These developments in Iraq and Syria highlight the severe consequences of terrorist activities and conflicts on the energy sectors of these countries. The destruction of infrastructure, loss of productivity, and disruption of exploration and development plans have long-term implications for the affected nations, regional stability, and the global energy market. The strategy employed by ISIS involves increasing oil and gas production, gaining control over new fields, and targeting fuel transport infrastructure to inflict economic damage on their enemies (Tichý, 2017). The jihadists' energy strategy positions oil and, to a limited extent, natural gas as the primary pillars supporting the IS vision. Simultaneously, the IS's shura (council) identifies oil and gas as crucial instruments for the uprising's survival and, more significantly, as tools for financing its ambitions to establish and expand a caliphate. While oil and gas do not feature prominently in the few public speeches and sermons of al-Baghdadi, these addresses indirectly reference the importance of energy resources for the IS. For instance, in a May 2015 message, al-Baghdadi emphatically emphasized the necessity of driving out the "Jews and Crusaders [who] plunder the goods of your lands," asserting that these resources belong to the people and should be utilized by them. In this context, he further stated, "We defend you, your honor, and your wealth (Al-Baghdadi, 2015). Al-Baghdadi affirmed this position in his "Message to the Mujahidin and the Islamic Ummah in the Month of Ramadan" on July 1, 2014. In this message, he outlined the injustices committed by Western states when they "plundered the wealth and resources of the Muslims." Consequently, he advocated for terrorist actions that would demonstrate "the justification of Allah's laws"¹.

The concept also underpins the IS's strategy of terrorist attacks on the energy industry. In his message titled "This Is What Allah and His Messenger Had Promised Us," dated November 2, 2016, al-Baghdadi

1. Abu Bakr al-Baghdadi, Islamic State: Message to the Mujahidin and the Islamic Ummah in the Month of Ramadan, pietervanostaeyen, blog, 1 July 2014, pietervanostaeyen. Co/2014/07/01 Islamic- state- message- to- the- mujahidin- and- the- Islamic- ummah- in- the- month- of- Ramadan/ [5 Feb 2024].

cautioned against the perils of using mineral wealth from the West against Muslims. He highlighted that the "enemies of Allah—Jews, Christians, atheists, and renegade faiths—contributed their wealth (interpreted as oil acquired in the Islamic world) and army vehicles to wage war against Muslims (Al-Baghdadi, 2016). The pivotal role of energy, primarily oil and gas, is also evident in the power structure of the Islamic State (IS). While al-Baghdadi exhibited a willingness to delegate certain responsibilities to subordinates, relying heavily on regional governors (walis) who administer their territories based on rulings from the central shura, this decentralization is not mirrored in the case of mineral resources. The ISIS plan includes terrorism tied to oil and gas, which aligns with the group's energy goals. These can be broken down into three main areas of focus: first, making efficient use of and expanding the oil and gas fields that are already present in Syria and Iraq; second, increasing oil and gas production and sales to raise money for the group; and third, capturing new oil and gas fields and destroying fuel transport infrastructure to penalize and economically degrade Western nations and other IS adversaries. In other words, the IS energy policy views natural gas and oil as the economic backbone of its long-term viability (Tichý, 2019).

The organization's shura (council) recognized oil and gas as vital resources for the uprising's survival and, more significantly, for funding its aspirations to establish and grow a caliphate. The organization's power structure reflects these resources' crucial role. The high command is the only IS authority with the authority to make decisions regarding mineral resources, such as the IS's military and religious operations and its sophisticated media presence, even though al-Baghdadi has given his subordinates many tasks and given his wails (regional governors) a great deal of autonomy (Tichý, 2019).

The importance of energy in the strategy of ISIS is underscored by the consistent mention of oil or gas in all fifteen issues of *Dabiq*. These references often celebrate the capture of oil or gas fields in Iraq or Syria or call for assaults on energy infrastructure. Examples include Iraq, the second-largest oil supplier after Saudi Arabia, faces disruption in oil supply due to IS gains. This highlights ISIS's intention to target and control oil resources to further their objectives and undermine regional stability (*Dabiq*). In another instance, mujahidin attacked Nusayri locations in the Mahar gas field northwest of Tadmur, capturing half of the gas field in clashes that

killed several kuffar (non-believers). This demonstrates the direct involvement of ISIS in targeting energy infrastructure and acquiring control over strategic resources (Dabiq). These examples illustrate the strategic importance of energy resources for ISIS and their deliberate efforts to capture and control oil and gas fields as part of their broader objectives. By gaining control over energy infrastructure, ISIS aims to secure a significant revenue stream, fund their operations, and exert influence over the region's economy. The recognition of the role of energy in the IS power structure and their targeted assaults on energy infrastructure necessitate a comprehensive response from the international community. This includes not only addressing the immediate security threats posed by terrorist groups but also working towards long-term solutions that promote stability, enhance energy security, and address the underlying drivers of extremism and conflict in the region¹. From its inception, ISIS had a strategic vision of gaining control over parts of Iraq and Syria, which would provide access to numerous oil deposits and gas fields. By the end of 2014, IS had secured over 60% of Syrian oil production and nearly 10% of Iraqi oil production, including approximately twenty oil fields with a total capacity of 80,000 – 120,000 barrels of oil per day. The revenue generated from the sale of oil from these fields, estimated at \$2 million to \$4 million per day, contributed to an annual profit of \$730 million to \$1,460 million for (Masood and Others, 2021).

In Iraq, ISIS targets oil and gas fields, refineries, and gas processing plants for two primary reasons: to control Iraq's energy sector and to destabilize the enemy by damaging the energy infrastructure. The seizure of approximately thirty oil fields near Nineveh, Anbar, Saladin, and Kirkuk in 2014 allowed ISIS to maximize oil production and use the proceeds to fund their activities and expand their caliphate. Additionally, ISIS fighters strategically ignite oil wells during retreats as a cover tactic before the advancing Iraqi army (Rasheed, 2016). The motives behind ISIS's attacks on Iraq's energy sector are multifaceted but align with their overarching goal of dominance over Iraq. Firstly, by halting oil production and exports to the West, ISIS aims to raise oil prices and damage the Western economy. Secondly, they seek to undermine Iraq's credibility as a reliable oil supplier

1. "Break the Cross," Dabiq, no. 15 (2016), 61, available through clarionproject.org/Islamic-state-isil-propaganda-magazine-dabiq-50/.

to Western countries. Lastly, these attacks aim to discredit the Iraqi government by highlighting its inability to ensure security, portraying Iraq as an unstable country unsuitable for foreign investments (Tichý,2017).

In Syria, ISIS targets various energy infrastructure, including oil and gas fields, refineries, natural gas processing plants, power plants, and other facilities. They do so for two main reasons: (1) to dominate the Syrian energy sector and (2) to destabilize the regime of President Bashar al-Assad politically and economically. To achieve their goal of controlling the energy sector, ISIS launched multiple offensives on Syrian oil fields between 2013 and 2015 (Solomon and Others,2016).

One notable example occurred in July 2014 when ISIS seized the high-quality Omar oil field, which had a daily capacity of six to nine thousand barrels. By the end of 2015, they successfully captured the main Syrian oil fields concentrated around Dayr al-Zawr, Hasaka, Rakka, and eastern Homs, resulting in a daily output of ninety thousand barrels. However, the effectiveness of US and Russian airstrikes, technological limitations for oil extraction, and the use of outdated mechanisms led to a decline in ISIS's overall oil production in Syria. By the first half of 2016, their daily production centered around Deir ez-Zor had dropped to twenty to thirty thousand barrels (Solomon and Others,2016). According to the Syrian Center for Policy Research (2021) over a decade of conflict has had a profound impact on Syria's energy sector. Over the past ten years, there has been a significant change in energy policies, which has further harmed the infrastructure and governance structure of the state. The economy and society have been significantly damaged by the devastation and harm done to energy infrastructure as well as the international sanctions that have prevented Syria from having enough energy supplies(Syrian Center for Policy Research,2021).

The primary objective of ISIS attacks is to seize control of Syrian oil and gas fields, power plants, refineries, and gas-processing facilities. Their overarching goal is to maximize their energy potential, which includes not only oil but also electricity and gas, crucial for operating strategic assets in the areas under their control. ISIS militants have launched multiple assaults on the energy sector, specifically targeting network wiring to disrupt the supply of gas and electricity, thereby destabilizing President Assad's position. These attacks stem from the Assad regime's attempts to destabilize and fragment the remaining Syrian territory beyond ISIS control. The

fragmented territory provides an opportunity for ISIS to exploit (Tichý,2017). ISIS-directed terrorism against the energy sector extends beyond armed violence to include criminal activities such as extortion, oil theft, and providing support to organizations involved in illicit operations. Energy holds strategic importance for ISIS, not only as a source of financing through oil and natural gas production but also as a means to disrupt supplies and penalize Western countries and their allies (Tichý,2017).

Iraq is estimated to play a key economic role in the future of its region due to several factors(Althabhwai and Zainol,2014). Firstly, Iraq is endowed with significant oil reserves, making it one of the world's largest oil producers. The country possesses vast oil fields, such as the Rumaila and West Qurna fields, which have the potential to contribute significantly to global oil supply. With the increasing global demand for energy, Iraq's abundant oil resources position it as a crucial player in the global energy market and a strategic partner for energy-dependent nations.

Additionally, Iraq's geographical location provides it with a unique advantage for trade and commerce. Situated at the crossroads of the Middle East, Iraq serves as a gateway between the Gulf Cooperation Council (GCC) countries and other neighboring nations. This strategic positioning opens up opportunities for Iraq to become a regional trade hub, facilitating the movement of goods and services between the Gulf countries, Levant, and Central Asia. The development of efficient transportation infrastructure, including ports, roads, and railways, will further enhance Iraq's potential as a key economic player in the region. A new wave of security deterioration has affected the export of oil in northern and central Iraq. The export company, which began using the northern pipeline between Kirkuk and Jihan in early 2014, faced significant challenges. The production of oil in northern Iraq dropped to only 0.06 million sunnglasses daily, a significant decrease from the specialized exports of 0.26 million sunnglasses in 2013. The security situation in western Iraq, which was initially unaffected, began to deteriorate due to the conflict in Syria. This region, lacking proper protection, has seen rebel attacks on the Kirkuk-Ceyhan pipeline since 2012. As a result, the pipeline's export capacity declined, reaching only 0.25 million barrels per day from its previous levels of 0.90 million barrels per day before 2003. The situation worsened in 2013, with more than 50 attacks on the pipeline, ultimately leading to its shutdown in early March 2014. The ongoing violence and repeated attacks prevented workers from completing

repairs, further exacerbating the issue. Adding to the challenges, ISIS occupied large parts of northern and western Iraq, posing a threat to exploration activities conducted by international oil companies in the region. This occupation has also affected exploration projects and temporarily suspended work in the surrounding areas, causing delays in development efforts for future oil fields (International Monetary Fund, 2015). See Figure (2) represents the oil regions in Iraq and Syria controlled by ISIS. The total damages in the sector of infrastructure according to World Bank Group 2018.

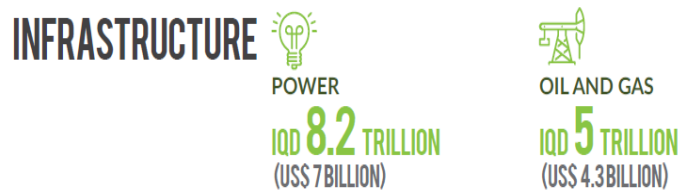


Figure (2): The Total Damages in the Sector of Infrastructure

(Source: World Bank Group 2018)

Despite initial fears, the conflict with ISIS did not spread to the south, which spared the oil sector in this region from harm. ISIS was unable to advance into the areas near the oil fields in the south (refer to Figure 3), and oil production in the southern fields reached 2.72 million barrels per day in 2014 (International Monetary Fund, 2015). Protecting the southern oil facilities from the conflict's reach was crucial for Iraq and the global oil markets. To ensure this, the Iraqi government deployed approximately 100,000 police forces to safeguard these facilities. Additionally, the Iraqi Oil Minister announced the allocation of an additional 27,000 personnel during the OPEC meeting. Their primary objective is to provide security and training, aiming to protect Iraq's oil and energy facilities from terrorist attacks by ISIS (International Monetary Fund, 2015).

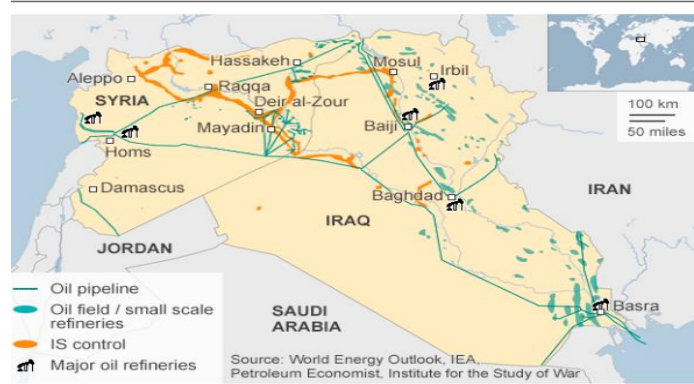


Figure (3): Oil Fields in Iraq and Syria

Table (2): Oil Production and Exports, 2012-2015 (in Millions of Barrels per day).

Oil Production in Northern and Central Iraq	2012	2013	2014	2015
	0.76	0.65	0.40	0.31
Oil Exports in Northern and Central Iraq	0.37	0.26	0.06	0.32

(Source: Iraqi Ministry of Oil)

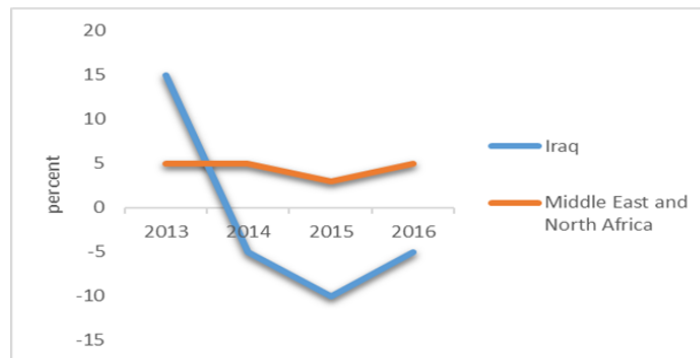


Figure (4): Exporting oil from Iraq and the Middle East and North Africa from 2013 to 2016.

(Source: International Monetary Fund Databases)

9-1. The Political Repercussions of ISIS Terrorism on International Trade

The impact of ISIS on international trade and the global economy has been a longstanding concern. However, it is essential to look beyond individual incidents and consider the broader implications that terrorism poses. Interestingly, there is evidence suggesting that markets are becoming more resilient to the threat of global terrorism. For instance, despite the terrorist attacks in France in 2015, stock market indices did not experience significant decline (Michael J, 2022). The political repercussions of ISIS terrorism have had significant impacts on international trade, particularly in the regions where ISIS has been most active. The kidnapping and subsequent beheadings of American, British, and Japanese hostages by Islamic State terrorists constitute transnational terrorist activities that have contributed to the heightened global security concerns and political instability (Bandyopadhyay and Others, 2018). These events have led to a shift in the focus of various governments towards addressing terrorism, which in turn affects the political environment surrounding international trade. These events have led to a shift in the focus of various governments towards addressing terrorism, which in turn affects the political environment surrounding international trade.

One of the primary consequences of the rise of ISIS has been the disruption of trade routes in the regions where the group has been active, particularly in Iraq and Syria. The oil fields served as battlefields during the war years between elements of the Free Army and regime troops, with the former attempting to hold them until the very end. Oil products became a corrupt source of riches for some faction leaders and investors, and a source of funding and spending in the local community for other factions when the Free Army factions seized control of most fields. Afterward, they became a point of contention with "Jabhat Al-Nusra," who seized control of those fields. Following the expulsion of the Free Army forces, "Al-Nusra" was driven out by ISIS, which subsequently seized control of the fields and used them as a source of income before being driven out by the international coalition (Seifan and Others, 2021).

The instability caused by the presence of ISIS and the broader orientation of the Iraqi jihadists has led to a decrease in the security of the areas where they operate, thereby negatively affecting the flow of goods and services between countries. This has resulted in reduced trade between the affected

countries and their trading partners, ultimately impacting the global economy.

Moreover, the rise of ISIS has led to an increase in military and security spending by affected countries and their allies in an attempt to counter the terrorist threat. This reallocation of resources has had implications for international trade, as countries divert funds away from economic development and trade initiatives to focus on security measures. Such a shift in priorities can lead to a reduction in investments in infrastructure and other essential elements that facilitate international trade. This military intervention has further contributed to the overall political instability in the region, which can adversely impact international trade. Political instability can deter foreign investors and trading partners from engaging in trade with the affected countries, leading to a decline in overall trade volume and economic growth. Additionally, the ISIS terrorism threat has been instrumental in shaping international policies, including those related to trade. Governments have implemented various counter-terrorism measures, such as increased border security, stricter regulations on financial transactions, and enhanced surveillance, which can create barriers to trade. These measures can slow down the movement of goods across borders and increase the cost and complexity of international trade transactions, thus impacting global economic growth.

10. Conclusion

The economic and political consequences of ISIS on international trade in Iraq and Syria have been significant. The research paper highlights that ISIS primarily generated funds through illicit activities such as extortion, oil smuggling, and robberies in both countries. However, counterterrorism operations and airstrikes have disrupted crucial financial networks, depleted cash reserves, and weakened the group's capacity to exploit local resources. The findings of the paper indicate that the disruptive effects of ISIS have adversely impacted international trade in the region. The political instability and insecurity caused by this terrorist organization have resulted in a decline in foreign investment, reduced economic growth, and hindered the development of trade relations with other nations. The study also identifies limitations and research gaps, suggesting future directions for further investigation into the economic and political consequences of ISIS on international trade in Iraq and Syria. Subsequent research should focus on

exploring the impact of international sanctions and embargoes on the economies of these countries and evaluating the effectiveness of counterterrorism measures in curbing the financing of terrorist organizations. Overall, this research paper contributes to the ongoing advancement of knowledge in the field and emphasizes the need for sustained efforts to combat terrorism and mitigate its adverse consequences on international trade and economic growth.

11. Acknowledgment

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