

The attacks against Charlie Hebdo represent a new brand of 'unpredictable terrorism'

✘ "I stand with Charlie Hebdo, as we all must, to defend the art of satire, which has always been a force for liberty and against tyranny," said author Salman Rushdie, who better than most, understand what it is like to be the target of religious fanaticism. Mr. Rushdie was the recipient of a 'fatwa', declaring him a 'blasphemer' in 1989 issued by Ayatollah Khomeini over his treatment of the Prophet Muhammad in the novel 'The Satanic Verses'. Twenty-five years later, Mr. Rushdie is still occupying the 'most wanted' files of Islamic radicals. Yesterday, Islamic terrorists attacked the headquarters of the newspaper Charlie Hebdo, in the center of Paris; the provisional toll is 12 dead and a dozen wounded, including five in serious condition. Among the victims, the editor of the weekly, Stephan Charbonnier, aka Charb, and three famous cartoonists: Cabu, Tignous and Georges Wolinski. Two police officers on guard outside the building were also killed, one of them a Muslim. Charbonnier's name was highlighted alongside Mr. Rushdie's name in al-Qaeda's hit lists. The three men who launched commando style attack on Charlie Hebdo's headquarters in Paris, used Kalashnikov automatic guns against people, writers and cartoonists, armed only with their wits, pens and laptops. The terrorists deliberately focused their rage against the harmless civilians; they did not target a CIA station, a military installation or even the office of a racist/supremacist political party (despicable as any of those actions would have been).

No, they shot cartoonists. It's like attacking the Red Cross, it is cowardly. ISIS's advance in Syria and Iraq, last spring, prompted Western intelligence to warn about the possibility of

attacks spreading to the West. Few could have imagined that the best organized and deadliest of these would target the media, striking fear into those who use words and drawings to tell stories and explain the world, even poking fun at it. Of course, the gunmen have failed miserably in their intent. Nothing will change in the world of satire. Cartoonists will not, suddenly, start to censor themselves; it will never happen, because they long to search for truth, mocking fundamentalism and dogmatism, regardless of who is guilty of practicing it. If anything, the Charlie attacks will increase their desire to fight obscurantism. One of the unusual aspects of the attack is that, for the first time, it was directed against the press, against journalists. It also has the risk of inciting Islamophobia, presented as the latest act of war by jihadists in heart of Europe. Far more than satire, the real target of the attack was freedom itself. Perhaps it will wake up the vast majority of Muslims to denounce the very notion of such an attack, clearly and in the strongest terms as did various Communist mainstream parties against their more radical offshoots in the Europe of the 1970's – such as the Italian Communist Party did with the Red Brigades.

Islam must take a clear stance against those comrades who make mistakes, big mistakes. Otherwise, Islamophobia will rise and prosper in Europe, fueling the political vultures who will exploit people's fears of migrants and their children, justifying reactionaries' rants against millions of innocent and Muslim people in France and Europe. There are millions of Muslims, who are just as sick as anyone of seeing the name of Islam being soiled by terrorists shouting its name against people's right to laugh, to dress as they wish and think as they like so long as they do not infringe on anyone's ability to enjoy the values of coexistence and peace on which Europe and western democracies are founded. Ironically, the perpetrators of the raid at Charlie Hebdo represent caricatures themselves; they wear long beards, funny hats and ridiculous outfits deliberately chosen to instill fear...rather

than respect. The well-trained and professional killers who struck Charlie Hebdo want chaos in Europe, one fueled by fear such that citizens start to look for enemies among their neighbors, resulting in their being isolated rather than integrated and co-existing peacefully. In order to avoid drifting into a world defined by the black and white propaganda of 'us against them', France and Europe will find that the very French ideals of the 1789 Revolution, 'liberté', 'égalité' and 'fraternité' are still the best weapons to use against terrorism. Yet, it is essential that Muslims denounce violence done in their name vociferously.

All the outrage over the waste of innocent blood cannot mask the fact that the attacks should have been expected and that they have occurred in a political, religious and cultural context, which in recent months has seen a continuous increase in tension. The success of a book by Eric Zemmour describing the decline of the State and the advance of immigration and another book (to be published today) by Michel Houellebecq, entitled "Submission" (the title – Islam in Arabic means 'submission') of France to the Islamic Brotherhood Islamic are clear signs of a deterioration of Muslims' status in Europe. The killers are two brothers; French citizens of Algerian descent, Said and Kouachi Said. It seems they spent the summer in Syria, but not on the beaches of Latakia or the suq in Aleppo; rather they were fighting alongside ISIS or al-Nusra, against the Syrian – and very secular – government troops in that country's intractable civil war that started in 2011. It was not the first time that Charlie Hebdo attracted Islamic terrorism. In 2006 the newspaper had in fact been threatened by unknown assailants, and denounced by Islamic associations, after the paper chose to publish a caricature of Muhammad wearing a turban shaped like a bomb on his head, first featured in the Danish paper 'Jyllands-Posten'.

Shortly before Christmas France had suffered three attacks within days: On December 20, Bertrand Nzohabonayo, an Islamic

extremist native of Burundi, had attacked a police station in Joué-les-Tours, shouting "Allahu Akbar" and had managed to injuring three police officers before being shot down. On December 21, in Dijon, another assailant in a car had injured 13 people lunging into the crowd shouting "Allahu Akbar". The next day another terrorist had crashed with a van at a Christmas market in Nantes, targeting a table full of spirits shouting "Allahu Akbar", injuring 11 people. The dynamics of the three attacks were the same that characterized other attacks that occurred a few weeks before in Canada and, also in those cases, the assailants used motor vehicles, driven at high speed against passersby. Then there is the propaganda from ISIS's self-proclaimed "Caliph", Abu Bakr al-Baghdadi, who has incited Muslims to hit the "unbelievers" in the West in any way, whether by running them over with cars, attacking them with a knife, or shooting them with a sub-machine gun. Accordingly, last October, a French speaking jihadist incited Muslims in France to attack and kill non-Muslim civilians, threatening that no unbeliever, in any country (one might include recent attacks on buses in Kenya or even the bombings at the Boston Marathon in 2013), must feel safe. French authorities will now have to demonstrate that they have the ability to bring the terrorists to justice and to prevent further attacks.

Many wonder whether all the monitoring and prevention measures implemented by the authorities in Europe are really effective and able to confront the danger of jihadism – rather than merely fueling xenophobia – in a time when the ISIS is ready to take any action necessary, given that it has come under attack by a NATO coalition, including the United States, France, UK and Canada. Yet, aerial attacks, no matter how useful, seem rather weak in addressing radical Islamists' new strategies in an ever more globalized and increasingly uncontrollable world. "If you cannot make it to the battlefield, then bring the battlefield to yourself," advises Aqsa Mahmood, a young British student who had decided to join

ISIS in a clear prelude of the kind of less organized and more unpredictable terrorism seen in the latter half of 2014. 'Terrorism 2.0', as some have termed it, is more spontaneous and less predictable; it does away with the action planned by terrorist cells, whose schemes have a chance of being intercepted. It seems far more spontaneous and able to be practiced by 'lone wolves', catching freedom loving Western societies unprepared – if the principles of freedom, democracy and equality on which they function are to be upheld. The West will have to study again and learn how to deal with a new brand of terrorism, one more convenient and less expensive for organizations such as Al-Qaeda or the ISIS, to run.

Al-Qaeda in the Arabian Peninsula, operating in Yemen, was a precursor, using makeshift bombs, and offering tips in its publications on how to build a homemade bomb, inviting the faithful to hit the aircraft in flight. Moreover, no longer are targets chosen on the basis of historic importance or symbolism such as landmarks, stations or airports. Today, the local Starbucks, or better yet, an anonymous coffee shop in an alley, is a legitimate target. And then there is the matter of weapons availability. Thanks to Internet, the would be terrorist can find all kinds of materiel from weapons to body armor and ammunition, as well as the how-to manuals 'designing a bomb for dummies'. Essentially, terrorists no longer need to be backed up by organizations; they merely need to be aroused by them and ISIS seems to be a major source of inspiration. There is a sad realization that Europe's security can now be compromised by a handful of men, armed with anything from a knife to a gun and without need for major technology. This unorganized and more unpredictable brand of terrorism might be more destabilizing than in the past. It achieves sufficient violence to threaten the moral fabric, triggering socio-religious frictions in the Europe and any country sharing its values by fueling intolerance and mutual fear between cultures and religions.

An effective anti-ISIS strategy must include all regional powers

“We are not at war with Islam, which teaches peace...there are millions of American Muslims who are part of this country. I reject the idea of a clash of civilizations,” said the President of the United States, Barack Obama, addressing the General Assembly of the United Nations. Obama carefully chose this ‘peaceful’ framework to urge international support for action to weaken and destroy the Islamic Caliphate (ISIS). Obama also reassured Americans, most of whom have had become rather weary of US interventions in the Middle East, that he would not be sending American ground troops, limiting the intervention to air raids against ISIS positions. From a military standpoint, the best that such a strategy can achieve is to contain the ISIS offensive and advance in some areas and the advance of militants. The New York Times criticized the recent air strikes in Syria launched by the President of the United States, Barack Obama because he has unleashed the offensive without a public debate and because the attacks indirectly help Syrian president, Bashar al-Assad, who has been confronting Islamist rebels since the start of the so-called ‘Arab Spring’. However, neither Obama nor the NY Times are correct.

The fact that the West’s current anti-ISIS strategies have not included Iran and Syria are more problematic. Iran and Syria have been fighting against ISIS and other radicals for the past three years. ISIS has gained considerable strength over the past few months after returning to Iraq, overwhelming the regular troops and stealing heavy military hardware, a good

deal of which supplied by the United States. ISIS has also taken over oil production facilities, robbed banks and grown into a very wealthy organization that has attracted over 15,000 foreign fighters alone. The US military leadership has expressed skepticism over the probability of a swift military victory against ISIS. The two most senior American military officials, Secretary of Defense Chuck Hagel and Chief of Staff Martin Dempsey presented a rather pessimistic report on the Obama administration's chances of success in the fight against the Islamic Caliphate, listing various obstacles. They expressed doubts about the ability of Iraqi military forces to restore order and to become an effective force against the Islamic State. The military leaders were also concerned about the suggestion to train Syrian armed rebels, who would likely turn their efforts more against the Syrian regime's forces than ISIS. It should be noted that President al-Asad poses no threat to the West while ISIS could be more dangerous than al-Qaida itself. Gen. Dempsey suggested that American ground troops may be deployed after all, namely in the guise of advisers on urban combat to the Iraqi army.

ISIS was not born out of thin air. Some regional governments and Western support for the Syrian rebels have helped ISIS grow tremendously. Now, the West and its Middle Eastern allies, Saudi Arabia in particular, will be bombing the geopolitical 'Frankenstein' that is ISIS; yet the bombing would not be enough to eradicate it. Iran should have been invited to the international conference held Monday in Paris, because it could play a central role in the fight against the jihadists. Moreover, where ISIS is concerned, it is absurd to accuse the Syrian regime in Damascus for turning a blind eye to the abuses of these jihadists in order to weaken "the moderate rebels". The fact is that the moderate rebels are a very small minority; many are not so moderate, having several radicals in their midst. Ultimately, the United States and its allies are playing a double game, in one moment claiming to be acting to achieve the Caliphate's destruction while refusing

to cooperate with the States directly concerned by this threat, which include Iran and Syria – among others. There is also another, more existential problem to the current anti-ISIS strategy.

ISIS did not emerge in isolation. The group expresses one of the fastest growing trends of Islam in the Middle East and beyond. ISIS must be fought by the local and regional powers, militarily and ideologically, if the goal is There is an existential struggle between different strands of Islam in the Middle East, today. As Thomas Friedman of the New York Times has suggested “the US intervention against the Islamic state is to change the soul of Islam and leaves the states concerned time to do nothing and let the fight continue”.

US military intervention against ISIS will anger many Sunnis, even moderates, in Iraq who feel that the excessive Shiite domination in the Iraqi parliament and society have paved the way for the ‘Caliphate’. It would be as if the United States intervened in to fight the mafia in Italy by bombing Sicily, leaving out any responsibility for Italy itself. ISIS’s menace is now largely directed toward Syria and Iraq. The neighboring states, Saudi Arabia, Turkey and Iran, are the ones for which ISIS is most threatening. The more ISIS advances the more chaos it creates for the regional powers – most of which are too Western dependent. Meanwhile, the House of Saud has financed the war against ISIS as well as the Islamist ideology that has fed it. Meanwhile, the US Air Force has carried out 12 attacks against ISIS oil installations used to illegally extract and trade oil, generating funds of over a million dollars per day.

British Prime Minister Cameron has better understood the regional implications, meeting Iranian President Hassan Rohani for what are the first direct Anglo-Iranian talks at a high level since the Iranian revolution of 1979. “We disagree on many things,” Cameron said in his speech at the UN. “Iran supports terrorist organizations...but Iran’s leaders can help

defeat ISIS and to ensure greater stability in Iraq and Syria.” How long will it be before the United States will do the same? It is rather inevitable.

President Obama’s strategy against Islamic State is highly flawed

✘ President Obama’s plan to destroy the Islamic State (IS, former ISIS) is ineffective at best. Rather, NATO allies should aim toward forcing the terrorist organization that is destabilizing the territories of Iraq and Syria to implode from within. Beyond the White House’s valid intentions, there is little solidarity within the coalition that has been assembled to take action. With the exception of the United Kingdom, the United States had not secured any solid assurances from the ‘allies’ forming the ‘Atlantic Alliance’ to back up its overly military focused strategy; it may even have obtained some rejection. Most of all, the Atlantic Alliance cannot work because it has excluded Syria’s Bashar al-Assad, which is as much an omission as it is a contradiction in terms.

The inception of IS was largely favored by the fact that some of the West’s allies – namely Saudi Arabia and Qatar – have promoted the armed opposition against the regime of President Bashar al-Asad, which, as dictatorial it may be, has yet to find any credible – or reasonable – alternative. Obama’s strategy was conceived and delivered far more to respond to internal pressures from Republicans and ‘hawks’ rather than to actually resolve the IS problem. Perhaps, that is the weakness

of his foreign policy. Obama wants to disengage from many international crisis situations but he has been forced to succumb to internal pressure rather than seeking alternative solutions. Meanwhile, the West wants American leadership and it is just getting the same old tired solutions to problems in the Middle East, Ukraine and China with which relations have deteriorated.

The fact that President Obama has remained reluctant to intervene militarily in Syria to influence the outcome of the civil war over the past three years suggests that he has realized that working with the Syrian regime offers the only real chance of eradicating IS the terrorist group. Moreover, the Atlantic Alliance is fully aware that the Syrian army, the Kurdish Peshmerga and units of the Iranian Revolutionary Guard are the ones performing the actual "dirty work" (i.e. combat) on the ground; and this very important latter part is exactly what the allies will not be doing. Meanwhile, inasmuch as Obama has framed the strategy as a war against ISIS rather than against Islam, it will be a difficult sell for some of the Arab governments called to participate. In fact, some of the West's most reliable regional allies, Jordan and Turkey, will offer only minor logistical support. This is because, IS's goal of creating a large Islamic state and converting the West are concepts well rooted in the Qur'an and constitutes an attraction for some of the 'allied' states. While, none of these would ever engage in messianic wars, their military participation in the anti-ISIS alliance, would only serve to exacerbate the conflict within the Islamic world between Sunnis and Shiites. From a strictly military point of view, Obama's offensive against IS will be largely based on air raids. Air raids are not sufficient.

The problem is not whether to send drones or fighter jets; surely, they will be all be used. Rather, such a conflict as one targeting a well rooted, armed and financed militant group as Islamic State, which controls an area the size of the

United Kingdom (including Scotland) requires the kind of massive commitment that nobody can assure, neither the Americans and especially not the Arab allies. Obama is promoting a war by half measures and this cannot work. IS has appropriated many armored vehicles, tanks, guns, ammunition during their numerous raids against the Iraqi and Syrian armies. Yes, the allies can bomb them successfully out in the open using aircraft but the terrorists would then seek refuge in the cities, starting a guerrilla war that can only be addressed with troops on the ground. This is exactly what the rebels have done in Syria, increasing civilian casualties and destruction to property. The West – especially the United States – has little appetite to get involved in such a war again. No, IS cannot be defeated by air strikes, bombs and bullets aimed at hitting the infrastructure and the strategic objectives of the organization.

IS has enjoyed operational and tactical successes on the ground while it is clear that it has an important nerve center in the West, especially the USA and the UK. No war against IS can be won without stopping its rise and its propaganda to recruit members in the West – members who come from Muslim and non-Muslim backgrounds alike. In addition, Western governments should borrow from the anti-Mafia and anti-drug cartel struggles playbook to tackle IS: target its funding and wealth. The military strategy should focus on driving IS away from the oil fields they are controlling. IS also has an actual public administration, provinces, a judicial system, tax collection and, of course, an army, which the CIA has estimated at being over 30,000 troops strong (but according to other estimates it might be as high as 50,000). The air strikes must be part of an offensive conducted simultaneously from multiple directions with Syrian and Iraqi ground forces backed by the air forces of the United States or any other Western countries.

IS should be treated in the same way as a rogue State; it

should be made bankrupt and force to self implode. Without funds, IS will not be able to provide the kinds of benefits it has promised its backers. It will prove incapable of governing a well-defined territory for quite a long time such that its leadership would emerge discredited beyond repair. The actions proposed by the West, in contrast, may only increase the global popularity of IS.

Islamic State must be fought in the West and the Middle East

✘ Islamic State ('IS', former ISIS), a terrifying and terrorist organization, brandishing an especially intolerant version of Sunni Islam and waging a war of conquest in Iraq and Syria, has attracted many fighters from Europe and the West. The latter have been involved in gruesome displays of violence, mostly intended for western spectators. Indeed, such episodes as the execution of American journalists James Foley and, today, Steven Sotloff have been marked by sickening rituals dedicated that are more about the audience than the poor victims themselves. The videos are professionally produced to make the message as chilling as possible from crucifixion to beheadings. The displays are so effective in their horror that even al-Qaida has repudiated IS's tactics. In 2005, Ayman al-Zawairi, the current leader of Al Qaeda (he replaced Bin Laden) reportedly wrote a letter to Abu Musab al-Zarqawi, IS's 'ancestor' to advise against using such violence because "Muslims will never find things like that palatable". Gengis Khan himself would not find 'things like that' palatable; yet, westerners enrolled in IS, have been the most

enthusiastic perpetrators.

The practice of Westerners who have moved to Syria to fight alongside local rebels against the Shiite/Alawite dominated regime of Bashar al-Asad is not new. However, in the first few years of the Syrian civil war (it is estimated that the Civil War, so far, has killed 191,000 people), Western governments, especially those of the United States and United Kingdom, were willing to turn a blind eye to this phenomenon; indeed, they worked under the logic that Asad is hated in the west as a tyrant who kills his own people and that the civil war would somehow replace dictatorship with democracy. Surely, Asad has not earned a candidacy to sainthood, and he faced widespread criticism (even from ally Iran) during the early days of the revolt when his artillery was pounding the rebels in Homs. Western governments have also arrived late to the realization that IS extremely dangerous. Iran was the first to deliver Russian type ammunition to the Peshmerga while the US and UK dropped bottled water and blankets! Much of the West, ignoring warnings from experienced analysts and from Asad himself, fooled itself into believing that the Syrian civil war would be contained within Syrian borders. Even, now, they refuse to read the evidence, obstinate in their compartmentalization of Syria from Iraq into the Manichean formula: i.e. Syrian government BAD; Iraq government GOOD; Kurds Good; Alawites BAD.

Apart from oversimplifying the Syrian civil war, the phenomenon of Western Jihadists is very significant and worrisome because it subverts the cliché that religious fanaticism and its violent consequences is exclusive to economically backward countries. Clearly, it can develop in London, UK as in London, Ontario, Canada (the origin of two Jihadists – both of them from Christian families – who participated in a deadly attack against a gas plant in Algeria in 2012). Moreover, governments are now concerned by the eventual return of battle trained religious radicals to their

countries of origin, ready to carry out terrorist acts. These thoughts are likely keeping many US security officials awake at night as the anniversary of the 9/11 attacks approaches. Sociologically, according to a synopsis of various statistics, 'The Economist' suggests that most Western Jihadists appear to be less than 40-year old men and that there are even women (10-15%) from countries of central and northern Europe. As many as 12,000 westerners were fighting in Syria, including about three thousand Westerners, most of whom have joined the IS ranks. Mike Rogers, Republican congressman and president of the United States Secret Service Committee of the House of Representatives, said that hundreds of people with American citizenship, British and Canadian that have been trained with fighters in Iraq and ISIS in Syria pose "a very serious threat" to the United States, especially the Americans who have passports and have the opportunity to enter the country without a visa. The UK appears to be the 'centre of gravity' for European jihadist networks.

It is not very difficult to get to Syria. Turkey, despite tighter controls, is the main gateway. The first stop for many aspiring fighters is Istanbul, where they can board several domestic flights to cities near the Syrian border (what some local residents have dubbed the jihadi express"). From there, they wait for the opportunity to enter Syria secretly, or by using false Syrian identity cards. Clearly, the IS has well established links inside Turkey. The combatants' motivations for joining are the key to understanding the desire to join the Jihad. They are neither poor nor marginalized. Many are middle class; for example, some recently identified fighters were found to have been accepted to study medicine or to have worked in a High Street shops with parents running a restaurant. According to the Economist, the very religious fanaticism one would expect to be at the heart of the problem is missing from several fighters. There was recent news that two apprentice jihadists from Birmingham, England, bought "Islam for Dummies" books on Amazon. These are hardly what

one would describe as Islamic scholars. Therefore, many fighters are simply attracted to those places because their life is not very interesting.

They seem to think that jihad is a kind of vacation: Club Med ('Club Ak47' perhaps?) without the alcohol perhaps. Sociologists can easily understand how a middle class bored youth in a dead-end job in a gray town can suddenly find some worth by joining and feeling part of a group which gives him access to fame and weapons. And the real extremists understand this better than Coca Cola marketing gurus, recruiting the most boring people from the most boring towns (Belgium was the most prolific supplier of jihadists in proportion to population). Never since the days of Osama Bin Laden and the Twin Towers, has any radical group been as successful as Isis at recruitment. They are far better at attracting young Muslims (and non-Muslims) living in European and American cities than al-Qaida. Social and personal frustration, lack of integration, finding a strong identity, the need to find an existential role are the reasons that led these young Westerners to join IS.

This formula is not much different from the Hashashin, a radical Shiite sect, active in the 11th– 13th centuries. They murdered high-profile political figures in broad daylight under the alleged influence of drugs such as hasheesh (hence their name). Some governments are turning to 're-education' or 'deprogramming' methods to dissuade youth intent on joining the international Jihad. The methods are similar to those aimed at young people involved in criminal organizations. The United States has taken note; even Senator John McCain, who urged arming the Syrian rebellion and its struggle against Assad not two years ago, has advocated President Obama to take deeper military action against IS. President Obama will attend a UN Security Council summit to be held in the coming weeks, dedicated to the phenomenon of Foreign Fighters and the Islamic State. As much as the West will be forced to take

direct action in Iraq either covertly or overtly helping Asad's fight against the radicals by bombing IS outposts in Syria and Iraq.

Access to oil makes 'Islamic State' a greater threat than al-Qaeda

✘ Iran, the Arab States of the Persian Gulf region and North Africa discovered oil in the first half of the 20th century. They used the proceeds of oil sales – boosted by the 1973 oil embargo and various nationalizations – to advance their societies. Governments from Libya to Iraq to Saudi Arabia and Oman have used oil to fund education, healthcare and social welfare programs. Oil has vastly changed the social landscape in the Gulf region, turning Bedouins and pearl fishermen into oil sheikhs and desert tents into the grandiose skyscrapers that dot the shorelines of Kuwait, Saudi Arabia and Dubai. However, oil States, monarchies and republics alike have also used oil wealth to pursue covert regional and international political agendas. Libya's defunct dictator Mo'ammr al-Qadhafi financed Palestinian nationalists as well as pet rebellion projects in Africa and the Philippines. The Saudis have used the oil wealth to back Arab monarchs and strategic allies; they also used it to finance the anti-Soviet mujahedin in Afghanistan in the 1980's setting the stage for the Taliban and for al-Qaida. Recently, the Saudi royals have used oil proceeds to 'buy' their population out of the socio-political phenomenon known as the 'Arab Spring' thanks to USD\$ 100/barrel oil.

The Iraqi government seems to have no doubts and believes that Saudi Arabia has been Islamic States main financial sponsor. In June, the Iraqi Prime Minister Nouri al-Maliki declared it openly: "We believe Saudi Arabia responsible for the moral and financial support provided to ISIS". This is a rather 'hot potato' for the United States, (the Saudis' main political and military ally). Washington has rejected al-Maliki's allegations. There may be some truth to them in that private wealthy Saudis, as in the case of al-Qaida, may well have financed IS or ISIS in the context of the deepening divide between Shiite and Sunni Muslims, a struggle that is has come to define the geopolitical calculations of the entire Middle East. The problem is that IS is far too wealthy for it to be funded through 'gifts'. It has regular income. The fact that IS, which professes as similar 'salafist' interpretation of Islam as the Saudi Wahabbism has raised the concerns of the Saudi monarchy (deploying several thousand troops along its entire northern border with Iraq, Jordan and Kuwait) suggests that even if they had some influence over IS, they are now afraid of it.

It comes as no surprise, therefore, that the terrorist group Islamic State ('IS', formerly known as Islamic State in Iraq and Syria or ISIS) has also financed itself through oil. IS has been fighting to control the Baiji refinery, which accounts for one-third of Iraq's total oil production. In Syria, where IS gained strength by fighting against the Asad regime and other rebels, IS gained control of oil fields in eastern Syria. It then went back to Iraq and gained more oil fields along with two refineries, which turned IS into a virtual oil power in its own right. Some analysts have described it as the wealthiest terrorist group in history and its fortune amounts to an estimated USD\$ 2 billion with revenues of over USD\$ 2 million per day when oil proceeds are added to the 'taxes', extortion and kidnapping. In this sense, Islamic State is much more sophisticated and dangerous to the region than al-Qaida, which relied on the personal

wealth of Osama bin-Laden and other wealthy patrons – whose funds could be eventually controlled and checked by authorities. IS's funds come from oil and revenues from local businesses that are difficult to identify.

The group's ability to raise funds is closely linked to the territory it controls, which makes it impervious to sanctions, anti-money laundering laws and banking regulations. Gaining access to oil fields and refineries is clearly IS's main tactic, boosted by its gains in the loosely controlled regions of post-Saddam Hussein Iraq. Surely, ISIS benefited from the (western encouraged) funds originating in Turkey, Saudi Arabia, Qatar or Kuwait at the time of the first uprisings against the Syrian regime of Bashar al-Asad. Moreover, several organizations took advantage of the humanitarian emergency and have used the Syrian crisis as a cover to donate large sums of money to extremist Islamist groups, using funds coming mainly from mosques and social media. IS has also relied on such income sources as extortion, kidnappings and the Jizya tax that Shari'a law imposes on non-Muslim communities. All of these contribute vast sums and groups like al-Qaida and the various offshoots have more or less worked along similar lines. What makes IS so different and so dangerous is crude oil, which no doubt accounts for the largest share of the Group's revenues.

IS has robbed some USD\$ 400 million from banks in Mosul but it also controls wells with a production capacity of over 80,000 barrels per day, which is then sold vastly below cost – between USD\$ 25 and 60 dollars per barrel according to reports – to buyers that share no part of Islamic State's medieval and brutal political and social ideas. Oil has become simply too expensive for governments in the region to pass up the opportunity to buy oil at bargain basement prices. Intermediaries arrange for the oil to 'flow' from ISIS controlled regions and wells in Iraqi Kurdistan and Syria to Jordan and Turkey. The official Syrian government led by al-

Asad has also been accused of buying oil from ISIS – leading some analysts to suggest that al-Asad has cooperated with ISIS. Indeed, the intermediaries, given that the oil producing region in question is in and around Mosul, are none other than Kurds – the very Kurds who have also been the targets of atrocious attacks by IS itself. Kurdish traders in the border regions straddling Iraq, Iran and Syria buy oil from IS and then ship it to Pakistan where it is sold “for less than half its original price,” according to a captured IS fighter. Given, the difficult social and infrastructure reconstruction process in Iraq, many oilfields and refineries in the country remained outside government control.

Control of regular oil income gives IS the ability to hire and to use funds to govern, pay salaries and even extend ‘largesse’ in the same way that other States continue to do. It is just a question of scale. IS has the power and funds to build infrastructure, pay for social services and recruit new ‘staff’. IS cannot simply be fought as a terrorist group. It is a State in its own right as the name suggests and it has much more money than al-Qaida, which, supposedly pent little more than a million dollars to fund the 9/11 attacks against New York and Washington. Even, if IS had access to a fraction of its alleged USD 2 billion fortune, the Middle East and the world face a very dangerous foe. Perhaps that is why President Obama and other world leaders are so confused about how to deal with IS. They can use drones and send special forces to win individual battles, scoring temporary victories, but they won’t be able to stop IS until they break their stranglehold on their independent source of oil. Indeed, the strategy to defeat IS – short of defeating the internal combustion engine and converting the world energy system to alternative or nuclear power – is to target the intermediary smugglers of crude oil – and its buyers. In other words, it’s a case of the war on terror borrowing from the ‘war on drugs’ playbook.

The Iraqi Government has already made it illegal to buy oil in

Iraq without official authorization. Iraq's Oil Ministry said: "International purchasers [of crude oil] and other market participants should be aware that any oil exports made without the authorization of the Ministry of Oil may contain crude oil originating from fields under the control of [ISIS]. The only seller of Iraqi crude oil authorized by the Ministry of Oil is [Iraq's state-owned oil company] SOMO." IS has merely exploited already existing smuggling networks, which escalated last May when Kurdish smugglers began exporting oil via the Turkish port of Ceyhan. The Iraqi government accused the Kurds of engaging in "smuggling" blocking public sector salaries in Erbil – leaving them vulnerable to IS offers.

The nightmare scenario – and well within the realm of the possible if not probable – would see IS take over much of Iraq and extend its advance toward the Gulf region causing a major problem to oil supplies and production. In other words, turning Iraq into the perceived threat that led the world to coalesce against Saddam Hussein in 1990 after his forces invaded Kuwait. President Obama will be hard pressed to avoid re-deploying ground troops in Iraq or even of effectively helping Asad deal with IS in Syria...

Iraq crisis to impact “the sovereign of all sovereigns” – gold prices

The markets have shown their sensitivity to the situation in Iraq and the effect it could have on the world oil market. Last week the U.S. index of crude rose to USD\$ 107 a barrel after the Al-Qaeda militants invaded two key Iraqi cities and

announced their intention to attack in Baghdad. Inevitably, the outlook of higher crude oil and energy prices will impact North European and especially North American securities, which, after reaching record highs this year, have been deemed overvalued by some analysts. The Iraqi tensions have heightened just as Russia's Gazprom has announced that it has cut off gas supplies to Ukraine keeping tension high in Eastern Europe as well.

As investors consider the impact of renewed fighting and the possibility of a renewed full scale sectarian civil war in Iraq, they may be tempted away from equities and toward traditional safe-haven currencies and especially gold and precious metals – apart from oil which reached a nine-month high on Monday. The rising geopolitical tensions come just as the US Federal Reserve will announce, on Wednesday, whether or not it will press on with its stimulus withdrawal plans. The markets will continue to be sensitive to developments in Iraq, which may or may not include a resumption of US air strikes, even as they watch for any sign that the Fed will start to raise interest rates.

Ultimately, the rapid pace of the rebel jihadists in Iraq and its impact on oil prices has reduced investors' appetite for risk. European exchanges saw drops on Monday, given the already high price of energy in Western Europe. Investors have been tempted to cash in their profits as new geopolitical risk factors have resurfaced in Iraq, adding to those in Ukraine. The crisis in Iraq has already caused an oil shock, with energy prices spiking as the ISIS Jihadists have advanced their march toward Baghdad. Surely, as the crisis continues, everyone will have to pay more for gas. But the impact extends beyond the pump.

The jihadist rebellion could cause oil production drop to the levels of the period following the US led invasion in 2004, which could lead to a very sharp spike in the price of a barrel – a spike measured in dollars rather than cents.

Evidently, such an increase in energy costs would hurt consumers and deal a blow against the slow economic recovery in the West, stalling it and recreating the conditions for a recession in the wake of lower demand. The markets could suffer an extreme 'spooky' effect given that the intensifying Iraqi crisis is but one of the conflicts already proceeding at an intractable pace in the Middle East. For one, the crisis will surely add to the already dramatic refugee situation in Syria, spilling into Turkey and beyond, generating enough international uncertainty that it will easily translate to geopolitical uncertainty.

"Gold is the sovereign of all sovereigns" said the Greek pre-Socratic philosopher Democritus. And if his maxim made sense in the V century, investing in gold and precious metals will suddenly make more sense now. On Monday, gold did reach a 14-session high in overseas trading, piggybacking on the problems in Iraq – and Ukraine. Gold did not break the crucial USD\$1300 level but the geopolitical issues are not showing any sign of being resolved in the short term, which means the likelihood of gold moving beyond that price, even in the short term, is very good. Gold is the geopolitical metal; it is real money without counterparty risk, which keeps its value in time. The price of gold is influenced by political events, especially those that have an international impact. That is why it is part of the reserves of most central banks and it cannot be devalued by inflation, (which is one of the main effects of higher oil prices) unlike currencies.

Oil prices – and oil juniors

– gain from deepening crisis in Iraq

☒ Last week, oil prices increased sharply as the WTI Light Crude price rose 5% (it is now above USD 107/barrel) and North Sea crude rose by almost 6% (now above USD 113/barrel). The strong upward pressures on gold black are linked to geopolitical tensions in the Middle East; more specifically, in Iraq, which is the second largest oil producer in OPEC.

The oil price spike has benefited many oil juniors and none more so than oil juniors that have already been able to raise production revenues and volumes in 2014. Tuscany Energy Ltd. (TSXV: TUS) is one of these and at the end of May it reported improved quarterly (first quarter) results compared to a year ago. Revenues increased to \$4.1 million in 2014 from \$1.3 million in 2013 while cash flow reached USD\$1.8 million up from USD\$0.3 million in 2013. Tuscany is a horizontal drilling specialist. Tuscany intends to start development of the newly acquired prospects because of their very promising potential around the middle of the summer thanks also to the fact that the area has a productive gas well that will be able to fuel generators reducing the operational costs of developing the new pools and those already underway at the Macklin site.

While 2014 suggests Tuscany is improving – and the geopolitical climate of uncertainty in the Middle East will continue for some time – it is important to note that Tuscany showed strong performance in 2013 with record sales, more than double those of 2012. The fact that Tuscany has improved on such optimal results should only add further confidence. Tuscany has a 100% working interest in nine producing horizontal heavy oil wells and four other – closed – wells which will reopen when infrastructure is implemented to connect the wells to water facilities this year. Horizontal drilling is one of the keys of Tuscany's future growth. The

technique is relatively new in the oil sector and it allows producing reservoir rocks at greater length and thus producing a greater amount of oil at the same time.

Oil prices are not likely to stop rising and could set new records because neither the Iraqi government nor the rest of the world powers with interests in Iraq, including the United States and Iran have any effective solution to stop ISIS, which is edging ever closer to Baghdad. ISIS wants to establish a caliphate in a swath of territory between Iraq and Syria. It will be difficult in the short term to ease tensions in the wake of meek U.S. response. President Barack Obama has, in fact, ruled out deploying US troops, urging the Iraqi government to use more drones instead. Meanwhile, as if the refugee problem had not become untenable enough in Syria, more than 500 thousand Iraqis have fled their homes to reach safer areas. Should the United States or NATO respond – unlikely – more firmly, getting involved into what is a sectarian conflict, which could have repercussions from Lebanon to Saudi Arabia and Bahrain, oil prices will not halt their climb; indeed, they may rise even more sharply.

ISIS, a Sunni jihadist militia (Islamic State of Iraq and Syria – also often called ISIL) is marching towards the capital Baghdad, seemingly unhindered by either the official Iraqi army or by Shiite militias organized 'on the fly'. ISIS has already managed to occupy parts of north-western Iraq, including Mosul, one of Iraq's largest cities, which is close to the large gasoline refinery in Baiji. ISIS's invasion of northern Iraq has also blocked repairs to the pipeline running from the oil fields of Kirkuk to the Turkish port of Ceyhan on the Mediterranean.

The root cause of the problem lies in the fact that militias have been allowed or even encouraged to arm themselves indiscriminately in Syria while the post-Saddam Iraq has failed to develop a democracy with enduring power. The G.W. Bush administration, and especially its advisors and host of

armchair generals, severely underestimated the significant differences of the Iraqi population in religious matters (Sunni and Shiite, which have often fought over influence and power in the Islamic world). The Shiite dominated government and American backed Prime Minister Nouri al-Maliki (who also runs four key ministries and was re-elected last month with a narrow minority) has failed to reach out to the Sunni majority population living of the north-western oil producing regions. Taking into account the already difficult situation in Syria that is hard to normalize, we believe that diplomacy in Iraq will have little room to move and the military confrontation will become more tempting. Alternatively, Obama will have to take the very courageous step of entertaining an offer of cooperation from Iran's president Rowhani, which will be very hard to swallow among Washington's Republican pundits, who have urged the US to get more directly involved.

In early May, Iraqis held their first parliamentary elections of the post-American era. The 'Rule of Law' block headed by Prime Minister Nouri al-Maliki won a small minority victory, which means that the re-confirmed PM will likely spend the better part of a year in forming a government. In the previous election, it took nine months for al-Maliki to form a government. Oddly, in this strange brew that is the Middle East of the post US/NATO liberated Iraq, Prime Minister Nouri al-Maliki is backed by both the United States and Iran, which are, of course, at odds in Syria. Maliki has not managed delivered the 'promised land' in Iraq but he probably earned his latest victory because war weary Iraqis are seeking some kind of constancy in the face of continued interfaith violence and terrorism. Since last December, some Sunni tribes in the al-Anbar region have allied with al-Qaida against the Shiites who hold the majority in Baghdad. Over 2,700 people have been killed in sectarian violence in Iraq since the start of 2013.

The violence in Iraq fuels the fighting in Syria and vice versa. The Sunni insurgency in Anbar province is fueled by the

war in Syria while the extreme fringes of the rebellion against al-Asad stem from Iraq. ISIS considers Syria and Iraq to be a single battleground where to establish a Caliphate according to the ideology of al-Qaida. Moreover, Saudi Arabia – and Qatar – is worried about the risk of losing out in oil production, as Shiite ruled and Iranian supported Iraq has been pumping more oil barrels per day than at any time in recent memory. After helping to arm the Syrian rebellion – though this has no doubt been drastically reduced in the past year – the United States has accelerated the delivery of 36 F-16 fighters, 24 Apache helicopters and 500 Hellfire missiles to Iraq to help it deal with ISIS. Terrorism has been one of the flagships of al-Maliki's election campaign, but the prime minister has been accused of marginalizing Sunnis causing the unhealthy alliance between tribes and terrorists in Anbar province. Having earned a narrow victory, he will have to form a much broader coalition engaging Arabs, Kurds, Turkmen, Shiites and Sunnis in order to preserve unity in Iraq and hope to break the Jihadi caliphate nightmare being pondered by ISIS.

ISIS was established in 2003, in the context of the war of Iraq. It has aimed to impose Shari'a in the territories controlled and achieve a great Islamic caliphate, uniting Syria and Iraq in a single state. The final rupture of relations with Al-Qaeda took place in April of 2013 when Ayman al-Zawahiri refuted it, preferring to recognize the Nusra Front. ISIS could even be about to exceed in strength and importance of the mother group of al-Qaeda. ISIS has gained fighters and territory, becoming ever more a reference point for jihadists around the world. ISIS control almost 20 percent of Syrian territory and in particular the oil fields of Hasaka and Raqqa that allow it to smuggle oil, gaining economic and military strength.