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IRAQ/SYRIA: WORSE NOW THAN BEFORE?

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IRAQ/SYRIA: WORSE NOW THAN BEFORE?

MR. JENKINS: Good afternoon ladies and gentlemen. My name is Brian Michael Jenkins, I am senior advisor to the President at the RAND Corporation and a member of the Aspen Institute Homeland Security Group. And it is my pleasure this afternoon to introduce you to the next panel, Iraq/Syria: Worse now than ever before? Now according to your programs you'll read that this panel will explore ISIL's military successes in Iraq and Syria and even more complicated mess in the other parts of Syria, leading to the overall question, which is whether the admittedly brutal stability of the Saddam Hussain regime in Iraq and the pre-revolutionary Asad regime in Syria were more in line with American interests. Is this the best outcome now? That is a status quo antebellum. I will add to that my personal comment even if we thought so, so what? But I will leave that to the panel, which will be moderated by my friend, Eric Schmitt.

Eric covers terrorism and national security matters for *The New York Times*, he is the coauthor of a terrific book. I bought an extra copy so I can show you, *Counterstrike: The Untold Story of America's Secret Campaign Against Al Qaeda*. Eric has spent two decades now covering military and national security affairs for *The Times* and in that capacity has made dozens of trips to Iraq, Afghanistan, Pakistan and Africa. Eric, it's all yours.

MR. SCHMITT: Thank you very much Brian. I want to thank the Aspen Security Forum for once again allowing me to host or moderate a panel up here. It's a great panel and we've saved the most uplifting news for this mid afternoon, Iraq and Syria.

Anyway the panelists up here, you have the full bios in your program, but just briefly from my left, General John Allen, retired Marine General, who since last September is the President's special envoy for the Global Coalition to Counter ISIL. He is also the former Allied commander in Afghanistan and also served in -- with distinction in Iraq.

On his left is perhaps one of the U.S. government's top sanctions buster cops, this is what he was once described. Probably knows more about countering terrorist finance and (inaudible) Assistant Secretary of Treasury, Daniel Glaser. And on the far left is Ambassador Lukman Faily, who is the current ambassador. Iraq's Ambassador to Washington, he's been in that position for about two years now. He's formerly served as Iraq's ambassador to Japan, and he's a marathon runner, as we learned yesterday. Ran last year's Boston and New York marathons, and so I guess in looking at this kind of topic, you really need to have that kind of duration doing this.

I'm going to start, there was a lot of breaking news on this topic. Today, in a hearing in Washington, Senator John McCain declared that ISIS is winning. Defense Secretary Ash Carter, was in Iraq today and one of his spokesmen said that it will be at least one to eight weeks, before the Iraqi forces outside of Ramadi, they are currently doing shaping operations, will be able to conduct a full offensive. So in many ways, I think it's a very difficult situation clearly on Iraq's side.

And in Syria, there's breaking news at this moment, however, that the Turkish government after months of negotiation, including with one of the panelists here, has agreed to allow U.S. warplanes and drones to fly from at least one of their air bases Incirlik for targets, which seem to be a major shift on the part of Turkey, in the fight against ISIS.

So John, I wanted to turn to you, since you recently returned from a trip to Turkey and obviously have visited more than 30 capitals trying to enlist support against this coalition in your 10-month tenure. Where are we in this fight? And are things just as gloomy as Senator McCain said today in Washington or are there a few bright spots showing up?

MR. ALLEN: Well, first Clarke, thanks again for your patience in inviting me to a -- third year in a row. It's great to be back here, it's great to be on a panel with two dear friends, and Eric, it's great to be with you

today.

Well, we just got back from Turkey, it was our 10th contact with them in a whole series of conversations that have been increasingly productive and increasingly fruitful. We're old friends with Turkey, we've been allies for a very long time, we're both faced with real crises here with regard to I'd like to use the word DAESH. I don't use ISIL unless I have to -- so we're both faced with a real crisis and Turkey has for a very long time dealt with about a 1.5 to 2 million person refugee problem. They deserve a lot of credit for that. So we have seen the evolution of the conversation with Turkey take a very important turn of late and I'll leave to Washington the specific commentary on what the pieces of that are but it is encouraging and it is important.

MR. SCHMITT: But how soon could American war planes begin flying from there, flying as much shorter missions than the Arabian Gulf?

MR. ALLEN: Great question and I'll leave that to Washington to comment on but, you know, if it all works out then I think we'll all be pleased. To your specific point, a year ago today, we were facing the real possibility that Iraq was going to come apart. We were seeing the public execution of thousands literally, about 1,700 or so recruits at Camp Speicher, Christians, Yezidis, others going under the knife. It was really a grim moment, and we weren't sure where this was going to go.

About the 7th or 8th of September, the new prime minister was designated, Haider al-Abadi, who is dramatically different than his predecessor Nouri Al-Maliki and shortly thereafter that the President with Secretary Kerry and a number of others of our close traditional partners, called for the establishment of a coalition. That coalition went to work, was formed relatively quickly. It's at 62 partners today and it went to work pretty quickly.

We operate along five lines of effort, a military line of effort, a countering-finance line of

effort, where Danny is spending a lot of his time, countering the flow of foreign fighters, countering messaging, and ultimately humanitarian assistance and stabilization support. And the coalition is deeply engaged in all of those lines. And the effort of course is intended to achieve our strategic outcome.

Since the coalition was formed, since the effort with respect to DAESH has come into greater focus, we've seen, I think some significant progress. The push against DAESH in a number of areas in Iraq has in fact produced outcomes that we were hoping for. Tikrit has now been cleared. It's not an insignificant city. About 12,000 Iraqi, internally displaced persons have gone home in a government administered program that the coalition is definitely supporting. In that regard, Beiji will be cleared relatively soon. We're beginning to press on Ramadi. Fallujah is encircled. We have a number of training bases that have been established to train the Iraqi security forces to bring them back up on line. And the air campaign has been very effective to this point as well as well as the Kurds in both Iraq and the Kurds in Syria have been successful.

If you were to look at a map at where DAESH was this time, let's say, September of last year and where they are today, the surface area and the amount of the population that is under their direct control has shrunk significantly and is going to continue to shrink. Most of the Turkish border, two thirds of it or so is back in the hands of what I would call friendlies. There is a portion that remains to be taken, but it will be taken and as we continue to close those aspects of the Turkish border, then we can have effect.

So I'm always reluctant to take issue with Senator McCain in public and I can understand how there would be some who feel that DAESH's momentum remains unchecked. I do believe that DAESH's momentum has been checked strategically, operationally and by and large tactically. But it isn't just a military campaign. There is a counter finance campaign, there's a counter messaging campaign, there's a counter foreign fighters campaign and then there's a humanitarian piece and they all have

confluence towards strategic objectives and it's very important that you have that larger strategic perspective, when you consider whether we're having effect or not.

MR. SCHMITT: Danny, talk a little bit about the Islamic State and its finances. This is a group that when it swept into Northern Iraq reports that it took over banks, tens if not hundreds of millions of dollars in assets. Despite the efforts of the allied air coalition, it continues to sell oil in the black market. It seems to be, you know, even with the constraints that have been put on over the last 10 months or so, thriving as an economic entity.

MR. GLASER: Well, thanks Eric, thanks for the question. I should also start as General Allen did by thanking the Aspen Institute for inviting me to this and also to underscore what an honor it is to be here on this panel, with these colleagues, and in particular General Allen. It's been an honor to serve under his leadership in this fight.

What I thought I would do is just run down really quickly what ISIL's sources of revenue are, what we think their financial strength is and then talk very, very briefly about our strategy to counter that. And as I've been listening to the panelists previously, you know, over the course of the day, a lot of people have been coming back to stress that ISIL really has presented us with a new set of challenges, a unique and new set of challenges.

That's certainly the case with the financial aspects of fighting against ISIL and it's -- I don't think we've ever seen a terrorist organization that had the ability to command, to draw from its own internal territory these kind of resources. There have been terrorist organizations in the past and currently that do control territory, Hamas and Gaza, al-Shabaab in Somalia but it's truly unprecedented, the resources that ISIL can derive just from the territory that they control.

And let me run down some numbers on that. I think the most important source of revenue for ISIL, right now, as Eric alluded to, is the money that was in the bank

vaults that was there when ISIL took control of the territory. In particular the bank vaults of the Central Bank of Iraq in Mosul, the two big state-owned banks in Mosul. But there are 90 some odd private banks that had branches in ISIL controlled territory. When you add that all up, the numbers come somewhere between \$500 million and maybe up to close to \$1 billion. And that's just in the bank vaults to start with.

Now, the good news is that that's not renewable. So once they burn through that money, that's not money that will be available to them anymore but it is money that they have at their disposable. Moving on from there though, there are certainly renewable sources of wealth that they have. The most important one of those would be extortion or taxation, the normal way a government extracts wealth from a territory. And ISIL certainly does that to the tune of hundreds of millions of dollars per year. And that will -- they will continue to have access to those resources.

The territory that ISIL controls is highly liquid. Cash continues to be infused into that territory, both in terms of payment of salaries of government employees and just general commerce that continues to go on with respect to those territories and ISIL stands to profit from taxing all of the sources of revenue, as I said, to the tune of hundreds of millions of dollars per year.

And then the third most important source of revenue is the sale of oil, and again there's been a lot of numbers thrown out and I think all the numbers are soft but I can say that we believe that in a 1-month period. Earlier this year ISIL made about \$40 million in one month, off of the sale of oil. So if you want to extrapolate that out, you get to about \$500 million in the course of a year. And this is all internally generated.

Once you start looking at the other sources of wealth, it's much less significant than more classical sources of wealth whether it's kidnapping for ransom, foreign donations from the Gulf. These are sources of wealth for ISIL but they are tiny, a drop in the bucket in

comparison to what they could generate internally. And so that's really how to inform our strategy to combat this because the traditional tools that we have to target, to target a group like al-Qaeda aren't as relevant in this case.

So we have a four-part strategy and I can run through it extremely quickly; first, is to try to cut them off from the sources of income that we can. I mean of course to the extent that they are deriving wealth from foreign donors, we are going to go after that and we have applied sanctions in a certain number of instances in that case. And of course we worked very closely with the Turks, with the Kurdish authorities, on border security, on customs issues to make sure that smuggling is reduced as much as it can and I do think both the Kurds and the Turks have made good progress in that area.

But really the most important element of our strategy I think is the second element; I mean that is isolating ISIL controlled territory from the international financial system. The irony here is, these are the types of methods that we use with respect to when we want to apply broad economic pressure on foreign countries. We are using some of the same methods and the same strategies in this case.

We are working extremely closely with the Iraqi government. I just got back from Iraq a couple of weeks ago. I am going back to Iraq next week to work with the Iraqi authorities on making sure that banks in Iraq can't be used by ISIL. The bank that have branches in ISIL to make sure that those branches are cut off, to work with them, to make sure that exchange houses and money remitters are not available to ISIL. Because if they are going to have this money, we could make that money much less valuable to them if they can't use it, if they can't spend it. If all it can do is circulate within their own territory. And that's I think the most important part of our strategy right now.

And that then of course also includes working with the other countries in the region, UAE, Jordan, Lebanon, Turkey, to work with all of them and then bring it out to the global coalition that General Allen leads, and we work with countries from around the world on these issues.

The third part of the strategy is understanding their internal financial architecture, identifying who the key financiers are within the ISIL structure and targeting them. Both the military targeting and also targeting them with the treasury tools and we are actively engaged in that as well. And then finally fourth is to try to identify their external networks.

As the campaign wages on, they are going to need to access to spare parts, they are going to need access to procurement, they going to need access to a variety of international networks that are going to allow them to bring in the materials that they need and that's where we really -- that's gets back to our more classical authorities and we will have the ability to try to disrupt that.

So that's the strategy. We are still in early days, ISIL has plenty of money. And maybe I should have just said one quick word about their expenses, you know, if you look at the high end of what the estimates on foreign fighters are within ISIL controlled territories, that's 30,000 is the high end. You look at the high end of how much money it's been reported they make. So let's say \$1,000 a month per fighter, that's the high end. So that gets you to \$360 million a year in salaries. That's would presumably be their major expense.

So I'd rattle down to the amount of money that they bring in. So they can cover that, they can cover that now. The challenge that we face is to try to bring -- and it will be great, it will be to bankrupt ISIL. But I think the challenge that we have and our goal is to disrupt their financing and to bring their revenue down to make it more harder for them to meet their costs and I

think that that something that we can do, that's an achievable goal.

MR. SCHMITT: Ambassador, what are the other challenges, obviously there is something that General Allen alluded to the political line of effort and within Iraq, obviously there has been concerns about whether the Iraqi army can muster enough troops to mount the kind of counteroffensive in places like Ramadi and Fallujah and then there is just the fundamental question will the Sunni tribes in the west work with a government they don't trust in Baghdad.

How do you see there is reconciling itself to the point where as the President says, there is going to be a very limited American involvement here. They are not sending in tens of thousands of troops. Again, this is an Iraqi fight and yet the Iraqis don't seem to be able to get along together on this one?

MR. FAILY: Thank you Eric, for the time and thanks for allowing me to first time to participate here. So I will learn a lot. I also like to thank General Allen and his Deputy (inaudible) who has done a tremendous job. I think he's done a lot of more air miles than anybody else, General. I have asked him to be generous and pass that on to me but hasn't taken place.

I think the challenges we face in relation to ISIS is not just the security aspect of it what General Allen alluded to or talked about that. I think it's more to do with political within Iraq and in the region. In Iraq, the new prime minister has been extremely inclusive. He has done an outreach to all whether it's tribes, political entities in Iraq and so on. So I don't think anybody is putting much fault of his outreach, I think he has done tremendous job there.

We have more what you might call legacy challenges in relation to cohesion and social contracts between the communities that's need -- will take some time. But the focus which we are all focusing on, as a

strategy is -- and that's the defeat of ISIS. ISIS can be a good common project for us to enhance our social cohesion plus focus on the commonalities of that threat. It's a threat to our ethnicity, it is a threat to the heritage of Iraq and so on.

In that sense, ISIS strategy is one of attrition. And here we need -- we significantly need international cooperation and what we might call dry well of their attritional attributes. For example, in relation to finance, the oils, that is an international commodity, somebody is purchasing that oil, we need international support there; jihadist transport, here you have a clearer view and Security Council Resolutions 2070 and -- sorry 2170, 2199, which is a Chapter 7, which is a binding order, talks about, stop the jihadist.

Here our neighbors haven't really played their part and we put them at fault and that they need to play a better role and they need to focus more on have a sense of urgency in stopping the flow of jihadists.

In relation to Twitter and others, here we need the U.S. to play a significant role to help us with social media control.

So my point is that, this is international dimension. So we need what I might call sense of urgency internationally and here the challenge General Allen faces is not small and he needs tremendous support from all. The ideology aspect of it, that's a serious aspect coming in from Friday sermons in some of our Gulf neighbors that has to be stopped.

So it's not a -- so I think we have what you might call -- Iraq is a fault line in that sense. We need to get our politics act together and we are working hard on that. I don't think it's an issue of the wealth, we have had a tremendous fight against ISIS, we are continually doing it. We have not asked the U.S. for troops on the ground for a number of reasons, one of them is that we want to go through that painful process for our

own sake, for our long-term process and not at dependence on others. And to that effect, I don't think you can put Iraqis at fault in relation to the will of fighting. They have been doing it tremendously.

Every day now in Anbar where there -- it's two front we have, which is Fallujah and Ramadi, we have that attrition war. We are continuing doing that. We will continue doing by the way. It's bleeding us, it's something we are not looking forward to. But we will continue to because we have no plan B, we cannot coexist with ISIS.

MR. SCHMITT: What additional aid can the United States give you whether it's military aid, in the form of ground spotters, who can help call in air strikes, perhaps additional U.S. Special Forces, what more could --

MR. FAILY: The good news is the U.S. has not given us any red lines and we have not seek those red lines. Whether it's -- it's more to do with operational news and see how we can help. We understand the politics in -- of Washington and we will act accordingly. But what we have asking from the U.S. and others is to push our neighbors to act and be responsible to the challenge. They mentally do get the challenge but physically changing their procedures, controlling their borders, putting a stop to the (inaudible) and so on hasn't taken place. And here we have the question mark against the sense of urgency of others.

MR. SCHMITT: General, you commanded in Anbar, you know the dynamics on the ground with Sunni tribes and all. Is it possible for the Iraqis to pull this off in terms of putting together an Iraqi army that can go into these Sunni cities not relying on these Shia militias that is reporting those will stay outside?

And then secondly, going back to the Turkey issue, obviously the ISIS has been supported greatly by these foreign fighters that continue to go through the border of Turkey. What will this new announcement today mean in

helping cut off that source of military support for ISIS on the ground?

MR. ALLEN: I spent a lot of time, as you know with the tribes, you know, 2007 and 2008 and it was the ability to organize the tribes and motivate them that ultimately was I think the principle and deciding factor in the defeat of al-Qaeda in that part of the war. I still have maintained close contact with many of the sheikhs and they are very committed to the defeat of al-Qaeda, to the defeat of DAESH and I think very importantly while they in 2007 and 2008 were skeptical of the Maliki regime, from the governors that I have spoken to of the Sunni provinces to many of the sheikhs, they have seen a big difference between the sense of attitude from Baghdad and the attitude today.

They do feel that Abadi is willing to support them. He has taken steps to support them. He has made it very clear that the tribal, the training of the tribes to include the opening of the new facility at (inaudible) is something that he supports. In fact, he issued a five-point plan with the unanimous consent of the council of ministers, ultimately to take back Al Anbar as the precursor to the efforts against Mosul.

MR. SCHMITT: Why is it taking so long in to muster a credible Sunni force and supplement the Iraqi army?

MR. ALLEN: We have to understand that the Iraqi security forces took a heck of a beating, frankly, a year ago. And so reconstituting that force from top to bottom and building capacity back into that force through training, especially with focus on leadership is going to take some time. Now that said, they have been in battle, they have fought, they did clear Tikrit and the hardest parts of the clearing of the Tikrit was done by Iraqi security forces what we would call the regular forces where the Shia volunteers, the ones who answered to the fatwa from the Grand Ayatollah Ali al-Sistani, they were

cordon forces. They prevented DAESH from reinforcing or DAESH from escaping. So they played a role as well.

And so it's going to have to be a combination of our training the regular forces, empowering the tribes and managing the role of the popular mobilization force, the Shia elements in combination to achieve our military objectives. And many of those PMF elements, Eric, are scheduled with the intent of the Prime Minister to be the base elements for the National Guard brigades that will be formed over time.

So these tribal elements that are being trained about 1,800 or so in Al Anbar, more every other week, those will be the base elements there and in other provinces of the National Guard brigades as they come along. So there will be a purpose for them over the long-term.

MR. SCHMITT: Meantime, ISIS continues to draw by many accounts of a thousand foreign fighters a month, many have come through Turkey. What will this new deal that apparently is emerging today how will that change this or will they just come in, in other way, in other forms?

MR. ALLEN: Well, I think they are always going to try to get in. And it is no secret that they -- the principle avenue approach into the region not just Syria but into Iraq as well has been through the Turkish border.

The Turks in the last year have really done a substantial -- taken a substantial effort to multiply the capacity of their no entry list, it is well up over 10,000 now, they have worked and reached out to our European partners, many of whom are working the issue of their own foreign fighters, but we didn't perfect the process of sharing information and sharing intelligence until this emergency really exploded on our faces, and so what we have seen is much greater cooperation between our European partners and Turkey over the last year and it's given Turkey the capacity to take greater action both inside Turkey and outside.

The point that needs to be made is the first line of defense against foreign fighters entering Syria isn't the Turkish border. The first line of defense occurs back in the homelands wherever they may be within the coalition. And this is preventive measures that are necessary but also the legal measures taken for accountability that must be imposed as well.

So, foreign fighter -- stopping the foreign fighter flow or impeding the foreign fighter flow isn't what happens at the Turkish border, it's what happens back in the homelands making every effort possible to deal with the issue of radicalization, countering violent extremism and then the measures -- the legal measures that are taken to make it difficult to move from source countries to transit countries.

MR. SCHMITT: Secretary Glaser, you described ISIS now as seemingly in pretty good financial shape, what did the U.S. government learn from the special operations raid in Eastern Syria in May that either gives you even greater pause about this, what was maybe surprise you coming out of that? And what can you tell us about some of the things you've learned that maybe able to exploit in general terms from that operation?

MR. GLASER: Yeah, really that operation was quite important for us and as I alluded to earlier one of the most important things we're doing right now is simply gathering intelligence and collecting information.

MR. SCHMITT: What's the basic knowledge about ISIS and its leadership before that raid and how much did it improve your visibility into that?

MR. GLASER: Well I don't -- I don't know about the basic knowledge about its leadership, but certainly it's been a real treasure trove of information for us in the financial side, and it's information that we're still combing through.

MR. SCHMITT: Like what? What kind of things do you now know?

MR. GLASER: Well, I don't -- I can't get into the specifics of the information that we received but Abu Sayyaf was an important financial figure and in his -- and that raid has given us insights that we are going to be putting to good use.

MR. SCHMITT: But do you now see them as an -- economically and financially a more credible opponent adversary than you say you did before?

MR. GLASER: Our information is getting better and better. That raid is an important part of it. There's been many other intelligence operations that have given us increasing insight into their finances. As I said they have a lot of money, we knew that before the Abu Saif raid, we know that even more after the Abu Saif raid, they have a lot of money.

But the more details we can get, the more individuals that we can understand who are involved, the more that we could understand their networks, the more we're able to going to be able to work with our Iraqi partners in particular on shutting those networks down, and that's something that we're quite interested in doing that we're actively doing in that -- that our Iraqi partners are joining us.

MR. SCHMITT: Ambassador, tell us more about the role that Iran is playing on the ground with the -- it's actual trainers on the ground there are militias that have been trained there economically perhaps what they have been doing. And then if you could give us more of a regional perspective. We've been talking a lot about Iraq right now but what's going on in Syria obviously has direct impact, is things seem to be constricting for the Assad regime there and as Al Nusra and Al Jaish increase their holds on the ground.

MR. FAILY: I mean Iraq is over the -- people need to understand that the importance of the country is not just in relation to recent history, it's a fault line in relation to nationality, Arabs versus non-Arabs. It's a fault line in relation to ethnicity main Shia center. A

fault line in relation to oil countries versus non, the geography of Iraq in itself, the history of cradle of civilization. Through, these are all factors historically played a role and which will continue a role for Iraq to be important.

In relation to Iran it also sees that the threat of ISIS is a threat to its national security. Whether it's Shia shrines, whether it is the borders, the ISIS at the time last year they were 40 kilometers away from the borders. And their approach to it was that more or less to have, what I might call, an open check with Iraq. What do you need and they offered us literally anything we wanted, troops and everything else. Air force usage and everything else and we have been very sort of what you might call, controllable in what we can use, we have with all countries because we think this is primarily an Iraqi driven project, we need supports from others, we cannot do without the support but at the same time we need to go through that painful process.

MR. SCHMITT: That relationship has given many in Washington pause, how is this relation --

MR. FAILY: Well, that's a Washington problem not an Iraqi problem.

MR. SCHMITT: Okay, but how do they -- on the ground, how do they de-conflict? We have Iranian or Iranian backed forces in --

MR. FAILY: I don't there's a -- actually I don't think -- I'm yet to find any single incidence over the last year where the U.S. and Iranian have said we have problems with each other.

MR. SCHMITT: Well, that's because we --

MR. FAILY: Because we in Iraq have been careful in how do we deal with that -- managing that relationship extremely nuances. We understand the extreme nuances of that and we have not asked both parties to be in conflict in relation to Iraq.

MR. SCHMITT: But is there an operations center in Baghdad?

MR. FAILY: So, what you might call commonalities. No, I don't think there is an operational center -- common operations center. We have a common operations center with United States, very significant and with our allies in Baghdad and in the KRG region and that's a very important center for us. We have, what you might -- in the Iranian sense is that they had more, more forward positions, very few advisors if you compare them to the U.S., less than 200 in comparison to 3,000 U.S.

MR. SCHMITT: So, 200 Iranian advisors on the ground?

MR. FAILY: Less than that. But the problem is not that.

MR. SCHMITT: That's it?

MR. FAILY: The problem is that they are literally at the front. They are literally advising us at the front.

MR. SCHMITT: So unlike the Americans who are back in the headquarters.

MR. FAILY: That's, that's --

MR. SCHMITT: Iranians are right on the ground the front lines.

MR. FAILY: Yes, they have different techniques, they have different experience and so on. To that effect we could see commonalities. But as far as the politics is concerned, we are extremely careful not to make parties because we need others. By the way we -- yesterday there was a report in Belgium talking about their support. We don't -- we may not need the Belgium military support but we need the political support. So, in that thought we will have then an outreach to all and we said we need all parties to help us. We see a common threat with -- we have a common threat with other countries including Iran

in the sense of ISIS.

MR. SCHMITT: Uh-huh.

MR. FAILY: And as far as, as much as we can get help to that effect we have no psychological obstacle to the support of any country in our fight including Iran.

MR. SCHMITT: I'm going to ask one more question and turn it over to the audience. I want to have each one of the panelists go down give a quick response because one of the main messages it's come from, starting with director called me last night through Secretary Johnson and it is just this messaging campaign that the strength of the counter, the propaganda machine that ISIS has been generating particularly in recent months according to the director.

John Allen you've said this is -- this can't be, you know, a message that is an American message. Ambassador, I'm sure you've been working hard with your colleagues in Baghdad on this. Let's start with you at this time. What's going in Iraq or working within Arab countries in the Gulf to try and combat this message where presumably you can, may or at least governmental organization or non-governmental organizations may have more credibility?

MR. FAILY: I think the messaging, the primary message we are talking about is that ISIS is a cancer in our body. We need to get rid of it in all methods, whether chemotherapy or other radiation required for it, and we need to deal fast with it. It's a -- that's the key message, is this foreign entity should not hijack the Sunni brand, it should not hijack Islamic brand and certainly it should not be perceived as, what you might call, international jihadist tourism in the sense of Iraq, Syria or any other country. To that effect I think people now do not see -- let me call it, do not see a trendiness of ISIS. And --

MR. SCHMITT: They don't see it?

MR. FAILY: No, overall people, population wise,

no. However, I mean, we've talked about the -- then we've talked about the richness of them, you don't need to be very rich to be destructive because they do not maintain a state. So, therefore, salaries and everything else, they do not pay that and to that affect, you do have a significant destructive force. True, but do they hijack the majority, no. Do we have a silent majority? Yes, we need to make them more awakened and more vocal in the fight against ISIL.

MR. SCHMITT: Well, Secretary Glaser, it sounds like they've got the money to spend, money to burn, they're attracting not just the classic foreign fighters at al-Qaeda but families with women and children coming in being part of this almost a settlement campaign if you will. How do you combat that in a kind of messaging standpoint?

MR. GLASER: Well, you know my specialty certainly is in counter messaging. The message that I have is that we are going to succeed in applying economic and financial pressure on ISIL. And we are going to succeed in depriving them with their ability to use their resources. I've spent -- I've been at the Treasury Department for over 15 years and I've spent that entire time listening to people explaining to me the financial measures don't work and can't work.

I was there in 2006 at the very beginning when we first started to device our own sanctions strategy and the one thing everybody agreed on at the time was that Iran sanctions can't work. And now one thing, the only thing everybody agrees on is that what brought Iran to the table was the economic and financial pressure. We can do this and we know how to do this and we will -- we will succeed in depriving them of their ability to use their resources.

MR. SCHMITT: John Allen, you said in a speech in Washington just last week that this part, the counter messaging part is an uphill battle, for the U.S. coalition. Now, as you go around the world talking to people and as if we've heard today, this message seems to be resonating with young people who are primed to hear it.

How do you counter that?

MR. ALLEN: We're constantly looking at the whole messaging strategy. It's about countering the message but it's also about reinforcing regional, ethnic racial, religious, norms that work the families. The aspects of regional societies that create a strength and, if you will, an ability to be impervious to this message, we're constantly looking for ways both to counter the message and to strengthen the faith of Islam and to strengthen regional norms. And we do that by talking constantly with our regional partners.

For example, within the Middle East and you will hear King Abdullah from Jordan talk about it regularly. First, we must take back our faith, which I think we all agree with him on. But he also has been very clear in saying that in the Middle East, the counter messaging and the importance of the messaging must have an Arab face and a Muslim voice.

When I've been out to South East Asia and I've spoken with the leaders in South East Asia in particular, they are deeply concerned about the potential for the spread of violent extremism and groups that will be destabilizing over the long term. And so we'll probably see, just as recently was opened a counter messaging joint operations centre in Abu Dhabi which will handle the Middle East. We're probably going to see one of those come to fruition in South East Asia and we are looking for them in other places as well so that we can create a regional, an international network of regional messaging centers that we can energize very quickly with localized messaging that can provide the kind of support we need both to target the populations and also to counter the message.

MR. SCHMITT: But none of that role will really have any relevance unless you deal some defeats to ISIL on the ground, right? And there's -- until you change the perception that ISIS is either winning or at least holding their own that you got to create the perception ISIS is losing before you -- anybody will listen to these messages.

MR. ALLEN: And ISIS is losing and when you listen closely to their tactical communications, they've got problems with their morale right now not long after they burnt Captain Kasasbeh, a number of ISIL foreign fighters rebelled against that kind of brutality and they were summarily executed by the central government, the central element within DAESH.

There was during the period of time of Kobane, a moment in the campaign when everyone said that we were going to lose that and it was going to be a great victory for DAESH. DAESH impaled itself on the defenses of Kobane and if you again -- you listen to the telephone and tactical traffic, they were terrified about being sent to Kobane because they knew there was only one outcome for them and that was either to be killed by the defenders or be killed by coalition air.

And recent activities along the border in Syria have rendered other similar very clear messages that there are many places within the DAESH infrastructure where the morale is not good. And as we began to strangle the defenses or the finances it becomes more difficult to sustain their operations and to pay their fighters. That's going to create additional morale problems.

MR. SCHMITT: Okay, real quick follow up from the ambassador.

MR. FAILY: I think -- just to follow on what John Allen talked about. In relation to mainstream Islam it's losing the battle, I don't think that's the name -- mainstream Islam in the sense of countries and the population, in the sense of focused messaging, because that's an issue which we all have to work on to make sure that the vulnerable people are not attracted to it.

That's a global message we have -- that's a global effort we have to put in. I think the other aspect of it is in a sense towards Iraq, that's more manageable and there is a coalition focus on it, Syria is a totally different issue that until Syria is more or less addressed then unfortunately the brand of ISIS will not diminish.

MR. SCHMITT: Okay, I'm going to turn it over now to questions from you, please stand if you could, identify yourselves, and I'll take your questions right down here, Chris.

MR. ISHAM: Thank you, Chris Isham with CBS News. Question for John Allen. Can you describe a little bit whether the discussions and the nature of the discussions with the Turkish government, Prime Minister Erdogan about the possibility of instituting some kind of air exclusion zone in Northern Syria, it's been well known that the Turks have asked for that and would like to see some kind of regime put in place by our air assets in the north, was that in any way part of the discussions to obtain the use of Incirlik?

MR. ALLEN: No.

MR. ISHAM: Is it something that is ongoing in your discussions?

MR. ALLEN: No, it's not part of the conversation.

MR. ISHAM: Not part of the discussion at all?

MR. ALLEN: No.

MR. ISHAM: Okay, thanks.

MR. ISIKOFF: Hi, Mike Isikoff with Yahoo News. Question for Mr. Glaser. There were some conflicting reports after the Iran deal was signed as to whether General Soleimani, the head of the Quds Force in line to have sanctions lifted from him as part of this. Can you clarify is General Soleimani inline to have those sanctions lifted and if so was your office consulted before his name was put on the list?

MR. GLASER: So I'm really not here to talk about the details of the nuclear negotiations with Iran as a general matter as everyone knows the nuclear related sanctions will be lifted at the time that Iran's

compliance with the agreement has been verified but with respect with details on that, I'd really have to go back and get back to you.

I am sorry is he on what list?

General Soleimani, to the extent that he's designated for his involvement in terrorist activities he would remain sanctioned to the extent that the sanctions against him are related to the nuclear program, those sanctions will be lifted when Iran's compliance with the agreement has been verified.

MR. SCHMITT: All the way in the back?

MR. RUFUS: Plato Rufus (phonetic). I would like to have a question to the ambassador. Mr. Ambassador, what is Iraq? Is it Sunni, is it Shiite or is it a group of nationalists as a result of status quo that have banded together to form a new country, where is it going from here and how do you see it today?

MR. FAILY: Okay, this is a geopolitics or history?

MR. SCHMITT: And that's the last question, you got two minutes.

MR. FAILY: Actually that's more than enough I need. I am Kurd and a Shia. So, where do you put me in that regional? So, I think Iraq has evolved as a country, 2003 has given us a new focus, a different project based on democracy, liberalism, market economy and so on, that's different to the previous 50, 60 years of dictatorship command control police state. So, I think we are in an evolving country in a sense of a new project social contract between the communities.

Who is sort of whether -- how do we form, how we're moving forward, I think it's still ongoing, it's up to us communities how much we want to have, what I might call, interdependencies internally to strengthen not just the issue of identity but the issue of interest and the issue of prosperity of that country. It faces challenges,

the region itself faces, so it's not unique to Iraq, it's up to us Iraqis to do something about it, international support is required.

The shape of -- has taken place after the post Arab Spring is taking effect across all regions. To that effect, I think it's in our hand what we can do about it. Does that country exist, has it got an identity? Yes. It's up to us to define that identity moving forward.

MR. SCHMITT: Thank you. Over here in the corner.

MR. DAVISON: Mark Davison (phonetic) ZDF German TV, some European countries are trying a new approach additionally, Denmark for example, is focusing on foreign fighters who are returning to the country trying to find those who might be disillusioned and would be acting as advocates against DAESH, and that is very strong and powerful message as we saw last week on German TV when one returned fighter actually said, this has nothing to do with Islam, this is just a pure slaughter of women and children. So, I was wondering General Allen, is that an approach that we should pursue in the future?

MR. ALLEN: It absolutely is and it's been something that we've spent a lot of time looking at. When foreign fighters come home and they're going to come home one way or the other, when foreign fighters come home how we deal with them is going to be very important. The idea of a single sanction solution, which is long-term detention or imprisonment is probably not going to end up delivering us all where we want to be. And what we have discovered Denmark, in fact is a leader in this area, there are other European states that have as well. Saudi Arabia has with the Bin Nayef Center has been a leader in this. But the country that I have spent a good bit of time studying of late has been Singapore, which is one of the key members of the coalition and they have an active de-radicalization program for the foreign fighters that they have either arrested or have come home with the intention ultimately of not permitting long-term detention or imprisonment to be the single sanction outcome of someone returning.

And the reason for that is if you view the dealing with foreign fighters in a circular way rather than in a linear way, if dealing with foreign fighters begins at the point of radicalization whether it's the social media or it's the imam or it's the family. You can have a very powerful effect upon that moment of radicalization by recruiting the foreign fighters de-radicalizing them, rehabilitating them, reintegrating them so that their voices are prominent in the process at the front end of the establishment or the development of foreign fighters.

The two most important voices that we have heard in this process and something we're watching very closely within the coalition and encouraging states to adapt in their own way a rehabilitation processes has been the foreign fighter who is disillusioned and if he is able to survive to get home is able to tell the message of the horror. This isn't an Islamic Utopia. This is just a nightmare being part of DAESH. So, the one voice, the rehabilitated foreign fighter is very powerful.

The other voice that's very powerful in impeding or preventing radicalization is the mother of a family that has given up someone to be a foreign fighter and they're gone and they're either, they've lost complete contact with them or they're gone and they've been killed. Or they've come back and they're in long-term detention. So, those two factors are very important in de-radicalization and preventive measures at the front-end of the potential for production of foreign fighters.

We are watching it very closely, and we think it's an important dimension of how the coalition can get at this.

MR. SCHMITT: In the yellow.

MS. TEMPLE-RASTON: Dina Temple-Raston from National Public Radio. Following on this gentleman's question and your point about morale, a couple of months ago, we heard that ISIS had decreed that truck drivers weren't to pick up any fighters along the road because

they were concerned that lots of people were deserting. Are you seeing any sort of up tick in desertion from some of the fighters who were there?

MR. ALLEN: We are. Reporting is very sketchy though but the reporting -- the sense of a disillusionment with the reason that they came to begin with, you know, the sense of being empowered from whatever their words, point of origin was, the sense of joining a holy cause to support the caliph and the so-called caliphate, is often dispelled very quickly when they get to the region. And so we have heard about desertions. We have seen some of the foreign fighters who come home that have talked about widespread disaffection in ranks.

But even with those reports, we've also heard there are pretty significant reporting about DAESH summarily executing elements of the foreign fighter community that display any willingness to take a path apart from the caliph, the caliphate or the DAESH internal regulations.

And so the sense that they are monolith, the sense that they are a juggernaut, the sense that they are inevitable, all of that's far from the truth. It's, in fact, it's nowhere near the truth.

MR. SCHMITT: Right here in the middle.

MR. LOTER: Gary Loter (phonetic), it seems that this is mostly a battle for hearts and minds and it's -- as is normal it's being treated mainly as a military type of operation. So the question is to what extent has or should our government be trying to win the hearts and minds insofar as, for example, what's going on within the Mid-East is a perfect example of why there should be a separation of mosque and state.

And the most -- I mean, the fact that Shia and Sunnis are fighting within -- what's happening within Egypt, every country proves the point that the mixture of religion and statehood is a really, really bad idea, and so --

MR. SCHMITT: So, can you get to your question we are almost out of time?

MR. LOTER: So the question is to what -- billions are spent on the military and very little for public diplomacy. Could you comment on how -- what you think should be done in that area?

MR. SCHMITT: Mr. Ambassador, why don't you try that one?

MR. FAILY: I mean there is a military side in the sense of not giving ISIS or DAESH a breathing space and ability to have control beyond the offensive. To that effect Iraq, Syria and other areas requires international focus on the military side. That's inevitable. DAESH had its own with itself has its own destruction, however, until that moment, the trail of destruction in relation to ethnicity, identity, heritage and others and the culture of violence it creates, that's a threat. It's not that DAESH in itself will flourish, no. It has its own destruction but it will take a lot of damage with itself.

That's a -- as far as trying to contain the problem within the Middle East, I don't think it's just the sectarian aspect of it. What you see in Libya has nothing to do with the Sunni versus Shia. It's internal, what you saw in relation to the jihadist who tried to go to France or Belgium or others, they weren't -- that wasn't a Sunni, Shia aspect of it. It's more of a disillusionment which we need to focus on.

To that effect, I think the United States should not leave the message, the anti-Islamic messaging in a sense. It needs to facilitate help and bring parties together. It's the Islamic country's scholars whether it's in Egypt, in Azhar or Najaf or in Saudi Arabia and others, to pass the message of alienation for DAESH as an ideology. That's an Islamic obligation. I don't think you can go and separate the state from the, sort of -- the change from the state aspect of it or the mosque in our region. That's too deeply rooted and it will be, I'll say, a futile project to work on that.

However, for the state to have rule of law, respect of internationals, understanding what it is to have a nation state concept and adhere to that, that's a clear message we have to work on that. That's our obligation.

MR. SCHMITT: That's a great note to end on. I want to thank all the panelists and thank the audience for great questions. Thanks again.

(Applause)

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