In early June 2014, Islamic State group (ISG) militants conquered the Iraqi city of Mosul, put to flight four Iraqi Army divisions, and continued south to within a few miles of Baghdad. In the process, the ISG wrested control of a contiguous territory comprising much of northwestern Iraq and eastern Syria. These developments understandably focused intense attention on the group and its potential threat to Western interests.

To date, assessments of that threat have mostly been dire. U.S. Secretary of Defense Chuck Hagel described the ISG as “an imminent threat to every interest we have,” a danger “greater than al Qaeda,” and a peril “beyond anything that we’ve seen.” President Obama called the ISG a “savage organization” that poses a “significant threat” to the United States and its allies. British Prime Minister David Cameron has called the group a “mor-
eral threat."4 Nor is this strictly a Western perspective. Iranian Foreign Minister Mohammad Javad Zarif said the ISG is “committing acts of horrendous genocide and crimes against humanity” and “needs to be tackled by the international community and by every country in the region.”5 And the Saudi Grand Mufti called the ISG “the greatest enemy of Islam.”6

The ISG does indeed pose a threat to important Western interests. But the severity of that threat is smaller than one might suppose given the tenor of public debate to date. The fact is that the ISG threat to the West, while real, falls into an awkward middle ground between the vital and the negligible. Real but limited threats of this kind make for unusually difficult policymaking, and the result to date has been a U.S. strategy that has had great difficulty aligning ends and means.

This paper explains the three main Western interests the ISG threatens: homeland security, humanitarian concerns, and the health of the global economy.7 This discussion uses U.S. homeland security and economics as a lens for understanding the ISG threat to the West generally. Though the magnitude of some threats varies across target states, these are differences in degree rather than kind. The overall assessment drawn for the United States below is broadly representative for Western nations as a group. This paper concludes by sketching some of the policy dilemmas created by the real but limited scale of the threat the ISG poses to these interests.

HOMELAND SECURITY

Perhaps the most widely discussed danger the ISG poses is its potential to mount terrorist attacks against the United States or its allies. The ISG is clearly no friend of the West and deploys several thousand foreign fighters in Syria and Iraq. Some hold Western passports and could return as terrorists. The terrorism peril posed by the ISG is real and governments cannot ignore it.

But that danger needs to be kept in context. ISG terrorism is not a threat to any Western nation’s way of life. A major terrorist attack would pose grave political risks for any elected official on whose watch it occurred. And the ISG’s foreign fighters pose a greater threat than many such groups. But without weapons of mass destruction, the risks the ISG poses to life and property outside the Middle East are limited.

7. For actors in the region, the stability of states such as Jordan, Turkey, Iran, Saudi Arabia, and the other members of the GCC is obviously a critical interest in its own right. For others, regional stability’s importance derives chiefly from its instrumental value in promoting underlying interests in homeland security, humanitarian concern, and economic health. Below I consider the danger of contagion by which the conflict with the ISG might spread to other states in the region, but I do so through the lens of these underlying primary concerns.
In fact, terrorism has never posed existential costs to any Western state, nor has terrorism ever been a major contributor to aggregate morbidity-and-mortality in any Western society. Even in 2001, the most lethal year in U.S. history for deaths of U.S. citizens due to terrorist attack, more Americans died of peptic ulcers than died of terrorism; in the years since then, more Americans have been killed by deer than by international terrorists. Even post-1948 Israel has never seen a year in which terrorists killed more citizens than auto accidents did. And for now, the U.S. intelligence community has assessed that the ISG in fact poses no imminent threat of terrorist attacks on U.S. soil. For the foreseeable future, the ISG has its hands full waging its own existential war with its “near enemies”—the governments of Iraq and Syria and a variety of hostile militias and other local non-state actors.

Of course, this does not mean that the ISG could never pose such threats in the future, especially if unchallenged by U.S. or other counterterrorist efforts. The limited damage terrorists have inflicted on the West to date is due in part to Western counterterrorism efforts; limited damage to date does not necessarily mean the U.S. can safely stand down or ignore terrorism altogether. And even a threat with limited objective lethality can pose vexing political problems: classical terrorist strategy is designed to create widespread fear through limited but lurid killing. Managing this fear without overreacting is a major challenge for Western governments. Terrorism thus cannot simply be ignored, and the ISG in particular poses a terrorist threat that U.S. policy must address in some way. But an important component of sound counterterrorism policy is to calm the typically exaggerated fears

---

such threats create and to respond without overreaction that causes the counterterrorist cure to be worse than the disease. The real homeland security challenge in the ISG for the West is thus one of political management. In objective terms, ISG terrorism is not an existential danger to Western societies, and the ISG’s other threats may pose greater perils for Western interests.

HUMANITARIAN CONCERNS
The humanitarian stakes in the Syrian and Iraqi civil wars are enormous. The Iraq war will probably look much like Syria’s soon and may in time look a lot like Iraq itself circa 2006. In Syria more than 50,000 civilians already have died, with no end in sight; in Iraq more than 120,000 were killed between 2003 and 2011.11 Wars of this kind are notoriously difficult to terminate and typically drag on for years. Of 128 civil wars fought between 1945 and 2004, only one-fourth ended within two years. Datasets vary slightly with war definitions and other details, but most put the median duration of such wars at seven to ten years. An important minority of conflicts drags on for a generation or more.12 A renewed Iraq war of seven to ten years’ duration could easily produce another 100,000 innocent lives lost while Syrian fatalities continue apace. The West has not often intervened militarily in civil wars on purely humanitarian grounds. But the scale of potential suffering here is large, and far worse could be in store if the wars in Iraq and Syria spread.

Historically, civil wars of this kind often spill across borders. Of 142 civil wars fought between 1950 and 1999, fully 61 saw major military intervention by neighboring states at some point.13 Even more common is subversion, wherein states weaken rivals by supporting insurgency to kindle civil warfare.14 The wars in Iraq and Syria may be especially vulnerable to such contagion dynamics given the deep Sunni-Shi’ite fault line running throughout the region, the regional proxy war already ongoing between Sunni Saudi Arabia and Shi’ite Iran, and the continuing spillover from Syria into its neighbors. Of course a truly regional war would require many infections; it is not the likeliest outcome.

13. Data are drawn from Stephen Biddle, Jeffrey Friedman, and Stephen Long, “Civil War Intervention and the Problem of Iraq,” International Studies Quarterly 56, no. 1 (March 2012): 85–98; replication files are posted at http://scholar.harvard.edu/files/friedman/files/bfl_isq_data.zip. Note that these data use a less restrictive domain definition than those documented in note 2, thus including a larger number of lower-intensity conflicts as civil wars. This is conservative with respect to the intervention rate cited above, as intervention rates are typically higher in higher-intensity conflicts—hence the less-intense conflicts included in the data underlying the rate above would tend to depress that rate relative to a sample comprising more-intense wars; the sample in note 2 would thus presumably yield a higher intervention rate than the 43 percent figure (61 of 142 wars) cited above.14. Idean Salehyan, “The Delegation of War to Rebel Organizations,” Journal of Conflict Resolution 54, no. 3 (2010): 493–515.
But it cannot safely be excluded, the risk grows the longer the war drags on, and if the conflict does spread, even partially, the consequences multiply accordingly.\textsuperscript{15} It is not beyond the realm of possibility that a region-wide version of today’s Syrian and Iraqi wars could eventually approach the Rwandan genocide in the number of innocent lives lost, albeit over a much longer period.\textsuperscript{16}

\textbf{A region-wide version of today’s Syrian and Iraqi wars could eventually approach the Rwandan genocide in the number of innocent lives lost.}

\textit{ECONOMIC RISK}

Finally, there are economic stakes. Western economic exposure to Gulf oil shocks may be declining as efficiency improves, oil prices fall, and North American shale oil and gas develop. But serious risks will remain for the foreseeable future. Oil is a fungible, globally traded commodity. Regardless of the source of any given state’s consumption, any major reduction in world supply will increase prices to the United States, to the West, and to their trading partners, especially if the change is sudden. A serious reduction in Gulf production would be a globally significant economic threat.

The cost, however, varies with the war’s extent and duration. A seven-year war that cut Iraqi output to 2006 levels but did not spread and did not affect other Gulf exporters’ production would remove one million barrels a day (mbd) from world supply. There are many uncertainties in estimating effects from oil shocks, but the best available analysis suggests that this might increase world oil prices by eight to ten percent. If so, the best available macroeconomic analysis suggests that the result could cut U.S. gross domestic product by four-tenths of a percentage point; effects on other Western economies would vary as a function of their respective energy intensities, but many would be similar.\textsuperscript{17} This would be regrettable, but manageable.

\textsuperscript{15} A statistical analysis conducted before the outbreak of civil war in Syria assessed a greater than 20 percent probability that a renewed war in Iraq would spread beyond its borders to two or more neighboring states if Iraqi warfare lasted five years or more; arguably the current fighting in Iraq represents an initial stage in this process of contagion already, which would imply that the odds of further spread are now higher. See Biddle, Friedman, and Long, “Civil War Intervention and the Problem of Iraq,” at 94–96.

\textsuperscript{16} The 1994 Rwandan genocide killed at least 500,000 Tutsis; for a discussion of casualty estimates, see Alan J. Kuperman, \textit{The Limits of Humanitarian Intervention: Genocide in Rwanda} (Washington, DC: Brookings, 2001).

By contrast, a region-wide war that cut oil production by 50 percent across the Gulf Cooperation Council (GCC) could remove 13 mbd or nearly 15 percent of worldwide production. Such a reduction would be a very different story. It would exceed the largest previous Gulf oil shock (the 1973-1974 OPEC embargo) by nearly a factor of four; the best available analysis suggests this might double world oil prices, cutting U.S. gross domestic product by three to five percentage points. At 2014 levels, this would imply $450-750 billion a year in lost U.S. economic output, which could easily tip the U.S. economy into recession, depending on conditions at the time. With broadly similar effects elsewhere, the effect on the global economy could be severe.

A long civil war in Iraq and Syria would threaten just such a reduction. Insurgents have strong incentives to weaken rivals by targeting their war-supporting economy. Gulf states’ pipelines, pumping stations, and other oil infrastructure offer a natural target. In fact oil’s war-supporting potential is a major incentive for contagion in the Gulf: a classical strategy for weakening rivals in civil warfare is to embroil their external patrons in civil wars of their own by fomenting unrest there. Inasmuch as the Sunni-Shiite fault line that constitutes the primary casus belli in both Iraq and Syria runs throughout the region and across all the GCC’s major oil producers, there are many possible incentives for actors in a long war to strike at war-supporting oil infrastructure beyond their borders.

The United States hopes that the ISG’s radicalism will enable a new, stable, regional coalition to be formed among conservative powers of all sects and ethnicities; perhaps this will succeed, but maintaining such a polyglot alliance will be a major diplomatic challenge. And if it fails, incentives will grow over time to pursue sectarian agendas via proxy warfare that will turn the GCC’s oil infrastructure into an increasingly attractive target. A natural strategy for weakening anti-Bashar al-Assad Sunni rebels in Syria, for example, would be for Assad or Shiite allies of Assad’s to foment unrest in Saudi Arabia’s Eastern Province, embroiling the support base for Sunni rebels in a civil war of its own that would drain resources from Saudi proxies abroad. Or a deepening proxy war could persuade Iran to escalate by closing the Strait of Hormuz to weaken its Sunni foes. Sunnis face similar incentives versus Shiite infrastructure, and such dangers imperil every state in the region to at least some degree.

Even a long war, however, does not imply a certainty of regional contagion and its

---

18. Ibid.
associated economic consequences. The war may not spread, and even a war that spreads might not engulf the entire region. A localized war with a limited effect on Iraqi production would pose much smaller stakes, and if it does spread, Gulf states may be willing to forgo attacks on one another’s oil infrastructure given their mutual vulnerability.

And even the worst case, bad as it would be, would not be another Great Depression. A region-wide war that cost the U.S. economy $450-750 billion a year in lost output would be a setback of major proportions, with real economic suffering throughout the West and beyond. But the normal economic cycle regularly produces output swings in excess of three to five percentage points in GDP: the effects would be bad, but they would not mean the end of today’s way of life in any Western state.

**POLICY IMPLICATIONS**

Taken together, these stakes are thus real—but not existential. Of them, the economic stake poses the most severe direct threat to objective Western hard security interests. And this stake is indeed serious: the worst case scenario of a region-wide Sunni-Shi’a war catalyzed by the ISG could cause widespread economic contraction across the West. But the worst case is not the likeliest one. And even the worst case would fall far short of a new Great Depression. The net result is a war that is too important to ignore, but not important enough to warrant total commitment or unlimited liability.

Given a conflict with real but limited stakes for Westerners, the natural instinct of many elected officials is to seek some real but limited way to wage it. Limited strategies are attractive as reactions to limited Western stakes, but they often fail in wars against faraway enemies for whom the stakes are far higher. For Iraqis, Syrians, Saudis, Iranians, and others in the region, the wars in Iraq and Syria are potentially existential. Humanitarian stakes that Westerners may choose to overlook are catastrophes for the societies who bear them. Conflicts that Westerners may see as potential sources of contagion are actual threats of genocidal warfare to local populations. Potential regime changes may be matters of real but limited consequence to Westerners but are matters of life and death for the regimes themselves and their supporters.

This does not mean that regional powers will opt for total war to protect potentially existential stakes; bet-hedging and partial deal-making are natural strategies for limiting risk. Many in the region will prefer these as initial responses. For many states in the region, the ISG also poses a complex array of often conflicting interests and incentives.
• Turkey sees the ISG as a potential threat but also opposes Assad and is wary of the Syrian Kurdish militias that fight both Assad and the ISG.
• Saudi Arabia opposes the ISG but also Assad and is deeply skeptical about the Iraqi government’s alliance with Iran against the ISG.
• Iran opposes the ISG, favors Assad, and has been locked in a proxy war against the same Saudi Arabia that also opposes the ISG.

These cross-cutting interests, many of them seen as vital by the actors in the region, pose extraordinary challenges for maintaining a unified coalition to share burdens and reduce the cost of action for Western states whose interests are more limited. There are many reasons to be skeptical that limited Western efforts will succeed in any simple or straightforward way in a long conflict involving local actors whose sometimes conflicting interests often outstrip Westerners’.

In fact, the real options open to Western leaders in limited-stakes conflicts of this kind are typically unattractive. Limited efforts seem to fit the stakes, but often fail to secure them. Greater exertions may secure the stake but at a price that often exceeds the value of the interests at risk. Staying out altogether cuts the state’s losses but sacrifices stakes that are real even if they fall short of the existential.

This dilemma underlies much of the incoherence in the U.S. debate. Senior U.S. administration officials describe the ISG’s threat in grave terms that imply serious stakes. Yet the president has precluded any major U.S. ground force deployment. Instead he holds that this grave threat can be met with a limited program of airstrikes, aid, and diplomatic isolation that even he implies cannot do more than shorten a very long war into one perhaps a few years shorter. Conservative critics attack the administration for precluding options such as U.S. ground combat deployments, but many fewer voices call for actually sending a ground force that could destroy the ISG any time soon. Polling suggests the U.S. public supports military action against the ISG. But the same polls suggest that U.S. voters doubt this action will succeed.19 Real but limited stakes tend to create this kind of ambivalence and the cognitive dissonance that often accompanies it. But this is what the ISG challenge presents: the stakes for the West here lie in the awkward middle ground between the vital and the irrelevant. And that is going to continue to make for a difficult series of policy dilemmas for a long time to come.

About the Authors

JON B. ALTERMAN is a senior vice president, holds the Zbigniew Brzezinski Chair in Global Security and Geostrategy, and is director of the Middle East Program at CSIS. Prior to joining CSIS in 2002, he served as a member of the Policy Planning Staff at the U.S. Department of State and as a special assistant to the assistant secretary of state for Near Eastern affairs. He is a member of the Chief of Naval Operations Executive Panel and served as an expert adviser to the Iraq Study Group (also known as the Baker-Hamilton Commission). In addition to his policy work, he teaches Middle Eastern studies at the Johns Hopkins School of Advanced International Studies. Before entering government, he was a scholar at the U.S. Institute of Peace and at the Washington Institute for Near East Policy. He received his Ph.D. in history from Harvard University.

CAROLYN BARNETT is a research fellow with the Middle East Program at CSIS. Her primary research interests are in the politics, economics, and society of North Africa and the Gulf states. She also supports the Middle East Program’s projects related to changing relations between Asia and the Middle East. Prior to joining CSIS, Barnett earned an M.Sc. in Middle East politics and an M.A. in Islamic studies from the School of Oriental and African Studies in London, where she studied as a Marshall scholar. She also spent a year as a graduate fellow in the Center for Arabic Study Abroad program at the American University in Cairo on a Fulbright scholarship. Barnett holds a B.S.F.S. from the School of Foreign Service at Georgetown University and is a former editor-in-chief of the Georgetown Journal of International Affairs.

STEPHEN D. BIDDLE is professor of political science and international affairs at George Washington University (GWU). He is also adjunct senior fellow at the Council on Foreign Relations where he was previously the Roger Hertog Senior Fellow for Defense Policy. He has served on the Defense Policy Board, on General David Petraeus's Joint Strategic Assessment Team in Baghdad in 2007, on General Stanley McChrystal's Initial Strategic Assessment Team in Kabul in 2009, and as a senior advisor to General Petraeus's Central Command Assessment Team in Washington in 2008-2009. Biddle has lectured and written extensively on national security policy, military strategy, and technology in modern warfare, including the award winning book *Military Power: Explaining Victory and Defeat in Modern Battle* (Princeton University Press, 2004). He earned his Ph.D. in public policy from Harvard University.
FARIDEH FARHI is affiliate graduate faculty at the University of Hawaii at Manoa. She has taught comparative politics at the University of Colorado, Boulder, University of Hawaii, University of Tehran, and Shahid Beheshti University, Tehran. Her publications include States and Urban-Based Revolutions in Iran and Nicaragua (University of Illinois Press) and numerous articles and book chapters on comparative analyses of revolutions and Iranian politics and foreign policy. She has been a public policy scholar at the Woodrow Wilson International Center for Scholars and consultant to the World Bank and the International Crisis Group.

HAIM MALKA is a senior fellow and deputy director of the Middle East Program at CSIS, where he oversees the program’s work on the Maghreb. His principal areas of research include religious radicalization, government strategies to combat extremism, violent non-state actors, and North African politics and security. He also covers political Islam and the Arab-Israeli conflict. Before joining CSIS in 2005, he was a research analyst at the Saban Center for Middle East Policy at the Brookings Institution, where he concentrated on U.S. Middle East foreign policy. Malka spent six years living in Jerusalem, where he worked as a television news producer. He is the coauthor of Arab Reform and Foreign Aid: Lessons from Morocco (CSIS, 2006) and the author of Crossroads: The Future of the U.S.-Israel Strategic Partnership (CSIS, 2011). He holds a B.A. from the University of Washington in Seattle and an M.A. from Columbia University’s School of International and Public Affairs.

JOHN MCLAUGHLIN served as deputy director of the Central Intelligence Agency from 2000-2004 and acting director from July-September 2004. He is now distinguished practitioner-in-residence at the Philip Merrill Center for Strategic Studies at the Johns Hopkins School of Advanced International Studies (SAIS), where he teaches and writes on a wide variety of foreign affairs topics. He is also a nonresident senior fellow in the Center for 21st Century Security and Intelligence at the Brookings Institution. He serves on the Central Intelligence Agency's external advisory board. He led a review of counterterrorism "lessons learned" in 2010 at the request of the director of National Intelligence. He has previously held the positions of deputy director for intelligence, vice chairman for estimates, and acting chairman of the National Intelligence Council. He founded the Sherman Kent School for Intelligence Analysis, an institution dedicated to teaching the history, mission, and essential skills of the analytic profession to new CIA employees. He serves on the Board of Trustees at the Noblis Corporation and is a member of the Council on Foreign Relations and the American Academy of Diplomacy. He holds an M.A. in international relations from SAIS.

GHAITH AL-OMARI is a senior fellow at The Washington Institute for Near East Policy and the former executive director of the American Task Force on Palestine. Previously, he served in various positions within the Palestinian Authority, including as advisor to former Prime Minister Mahmoud Abbas and as director of the international relations department in
the Office of the President. He also served as an advisor to the Palestinian negotiating team throughout the permanent status negotiations with Israel from 1999 to 2001. After the breakdown of the peace talks, he was the lead Palestinian drafter of the Geneva Initiative, an unofficial model peace agreement negotiated between leading Palestinian and Israeli public figures. Omari is a lawyer by training and a graduate of Georgetown and Oxford Universities.

ROGER OWEN is the A.J. Meyer Professor of Middle East History, Emeritus at Harvard University and was previously the director of the university’s Center for Middle Eastern Studies. Prior to teaching at Harvard, he was a faculty member at Oxford University, where he served several times as the director of the Saint Antony’s College Middle East Centre. His books include Cotton and the Egyptian Economy, 1820-1914 (1969), The Middle East in the World Economy, 1800-1914 (1981), State, Power and Politics in the Making of the Modern Middle East (1992), Lord Cromer: Victorian Imperialist, Edwardian Proconsul (2004) and, with Sevket Pamuk, A History of the Middle East Economies in the Twentieth Century (1999).

PAUL SALEM is vice president for policy and research at The Middle East Institute (MEI). He focuses on issues of political change, democratic transition, and conflict, with a regional emphasis on the countries of the Levant and Egypt. Salem writes regularly in the Arab and Western press and has been published in numerous journals and newspapers. Prior to joining MEI, Salem was the founding director of the Carnegie Middle East Center in Beirut, Lebanon from 2006-2013. From 1999 to 2006, he was director of the Fares Foundation and in 1989 founded and directed the Lebanese Center for Policy Studies, Lebanon’s leading public policy think tank.