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## STAY THE COURSE ON SANCTIONS AGAINST IRAN AND LIBYA

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Congress soon must decide whether to extend the Iran–Libya Sanctions Act (ILSA, P.L. 104–172), which is due to expire on August 5. The sanctions in this law are designed to choke off funding for terrorism and the development of weapons of mass destruction. Specifically, they are designed to deprive these two sponsors of terrorism of the foreign capital they need to expand their oil and gas production and revenues. Though the Bush Administration asked for a two-year extension of the law, on June 20 the House International Relations Committee voted 41 to 3 in favor of extending it for five years. When Members of the House and Senate vote on the measure in the near future, they should bear in mind that Iran and Libya both continue to support terrorism and seek to acquire weapons of mass destruction. Maintaining the law's sanctions is essential to restricting their ability to threaten the United States and its security interests.

**Raising the Cost of State-Sponsored Terrorism.** ILSA was enacted in 1996 to reduce the oil revenues of Iran and Libya, two rogue states with long histories of sponsoring terrorism against the United States and its allies. The law attempts to deter foreign investment in their oil and gas industries by imposing penalties on any foreign company that invests more than \$20 million in one year in Iran's energy sector or more than \$40 million in one year in Libya's. Under ILSA, such a company can be penalized with the following sanctions: (1) denial of Export–Import Bank loans; (2) denial of licenses to export U.S. military technology; (3) denial of

U.S. bank loans; (4) a ban on U.S. government procurement from that company; (5) a restriction on its imports into the United States; and (6) a prohibition on using it as a repository for U.S. government funds or permitting it to act as a primary dealer of U.S. government bonds.

President Bill Clinton remarked at the ILSA signing ceremony in 1996 that “you simply can't do business with people by day who are killing your people at night.” This remains no less true today. According to the most recent State Department report on international terrorism, “Iran remained the most active state sponsor of terrorism in 2000.” It provides funding, training, and logistical support to some of the world's most lethal terrorist groups, including the Lebanon-based Hezbollah and radical Palestinian groups opposed to peace with Israel such as Hamas and Palestine Islamic Jihad. Just last week, Attorney General John Ashcroft charged that Iranian officials had “inspired, supported, and supervised” members of the Saudi Hezbollah terrorist group that

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bombed the Khobar Towers housing complex in Saudi Arabia in June 1996, killing 19 Americans.

Libya also continues to support terrorist groups. Last January, one of two indicted Libyan intelligence agents was convicted by a Scottish court for the 1988 bombing of Pan Am Flight 103 over Lockerbie that killed 270 people. Although Libyan dictator Muammar Qadhafi agreed to surrender two of his agents to Scottish authorities in exchange for the suspension of U.N. economic sanctions against Libya, he has not complied with U.N. Security Council resolutions requiring Libya to accept responsibility for the bombing, disclose what it knows about the bombing, pay compensation to the victims' families, and renounce terrorism. President George W. Bush has been resolute on this issue, stating on April 19 that "We have made it clear to the Libyans that sanctions will remain until such time as they not only compensate for the bombing of the aircraft, but also admit their guilt and express remorse."

**Consequences of Failing to Renew ILSA.** Congress must stay the course. Failing to renew ILSA would undermine U.S. counterterrorism policy by reducing the perceived costs of state-sponsored terrorism. It would also undermine U.S. counterproliferation policy by giving a green light to foreign investment in two hostile states seeking to acquire weapons of mass destruction and the missiles to deliver them. Finally, allowing ILSA to expire would give foreign oil companies a competitive advantage, since U.S. oil companies are precluded from investing in Iran and Libya by separate executive orders.

Opponents of extending ILSA argue that the law has aggravated relations with U.S. allies, particularly in Europe. This may be true, but European-American relations have been disrupted much more by disputes over bananas and "hush-kits" for aircraft, far less important issues than the war against terrorism. Although a multilateral sanctions regime is preferable, if the Europeans continue to drag

their feet on sanctions against Libya and Iran, the United States must go it alone. Weak sanctions are better than none at all.

Some argue that ILSA undermines U.S. energy security by impeding the growth of world oil reserves. But increasing the oil reserves of Iran and Libya, two of OPEC's leading price hawks, will give them additional leverage to ratchet up world oil prices. Moreover, both would channel increased oil revenues into their military buildups, posing additional threats to U.S. national security interests. Iran already has cashed in its earnings from recent high oil prices; last March, it signed agreements with Russia to buy up to \$7 billion in arms. Washington should encourage the expansion of oil reserves in friendly countries, not hostile ones.

**Conclusion.** Discarding ILSA would send the wrong signal to Libya, Iran, and other state sponsors of terrorism. It would reduce pressure on Libya to cooperate with the Lockerbie investigation, accept responsibility for the bombing, pay compensation to the victims' families, and permanently renounce terrorism. It would deflate the incentive for Iran to halt its support of terrorism.

As a unilateral concession by the United States, allowing the law to expire would also undermine the efforts of Iranian reformers to rein in the hardliners who control Iran's terrorist apparatus. Tehran spurned repeated efforts by the Clinton Administration to improve relations through unilateral concessions, such as relaxing sanctions on Iran's exports of nuts, fruit, caviar, and rugs. Terminating ILSA would weaken U.S. leverage and diminish the prospects that Iran will halt its support of terrorism.

Now is not the time to abandon the Iran-Libya Sanctions Act. The need for sanctions against these recalcitrant regimes remains as strong today as it was in 1996. As long as their hostile policies continue, so should the sanctions.

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