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KOREAN INTERDICTION AND MODERNIZATION OF SANCTIONS ACT

APRIL 28, 2017.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ROYCE, from the Committee on Foreign Affairs, submitted the following

REPORT

[To accompany H.R. 1644]

[Including cost estimate of the Congressional Budget Office]

The Committee on Foreign Affairs, to whom was referred the bill (H.R. 1644) to enhance sanctions with respect to transactions relating to North Korea, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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THE AMENDMENT

The amendment is as follows:

Strike all after the enacting clause and insert the following:

69–006

SECTION 1. SHORT TITLE.

This Act may be cited as the "Korean Interdiction and Modernization of Sanctions Act".

SEC. 2. TABLE OF CONTENTS.

The table of contents for this Act is as follows:

Sec. 1. Short title.
Sec. 2. Table of contents.
Sec. 3. Definitions.

TITLE I—SANCTIONS TO ENFORCE AND IMPLEMENT UNITED NATIONS SECURITY COUNCIL SANCTIONS AGAINST NORTH KOREA

Sec. 101. Modification and expansion of requirements for the designation of persons.
Sec. 102. Prohibition on indirect correspondent accounts.
Sec. 103. Limitations on foreign assistance to noncompliant governments.
Sec. 104. Amendments to enhance inspection authorities.
Sec. 105. Enforcing compliance with United Nations shipping sanctions against North Korea.
Sec. 106. Report on cooperation between North Korea and Iran.
Sec. 107. Report on implementation of United Nations Security Council resolutions by other governments.
Sec. 108. Briefing on measures to deny specialized financial messaging services to designated North Korean financial institutions.

TITLE II—SANCTIONS WITH RESPECT TO HUMAN RIGHTS ABUSES BY THE GOVERNMENT OF NORTH KOREA

Sec. 201. Sanctions for forced labor and slavery overseas of North Koreans.
Sec. 202. Modifications to sanctions suspension and waiver authorities.
Sec. 203. Reward for informants.
Sec. 204. Determination on designation of North Korea as a state sponsor of terrorism.

TITLE III—GENERAL AUTHORITIES

Sec. 301. Authority to consolidate reports.
Sec. 302. Rule of construction.
Sec. 303. Regulatory authority.
Sec. 304. Limitation on funds.

SEC. 3. DEFINITIONS.

(a) AMENDMENTS TO DEFINITIONS IN THE NORTH KOREA SANCTIONS AND POLICY ENHANCEMENT ACT OF 2016.—

(1) APPLICABLE EXECUTIVE ORDER.—Section 3(1)(A) of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9202(1)(A)) is amended—

(A) by striking "or Executive Order 13694" and inserting "Executive Order 13694"; and

(B) by inserting "or Executive Order 13722 (50 U.S.C. 1701 note; relating to blocking the property of the Government of North Korea and the Workers' Party of Korea, and Prohibiting Certain Transactions With Respect to North Korea)," before "to the extent".

(2) APPLICABLE UNITED NATIONS SECURITY COUNCIL RESOLUTION.—Section 3(2)(A) of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9202(2)(A)) is amended by striking "or 2094 (2013)" and inserting "2094 (2013), 2270 (2016), or 2321 (2016)".

(3) FOREIGN PERSON.—Section 3 of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9202) is amended—

(A) by redesignating paragraphs (5) through (14) as paragraphs (6) through (15), respectively; and

(B) by inserting after paragraph (4) the following new paragraph:

"(5) FOREIGN PERSON.—The term 'foreign person' means—

"(A) an individual who is not a United States citizen or an alien lawfully admitted for permanent residence to the United States; or

"(B) an entity that is not a United States person.".

(4) LUXURY GOODS.—Paragraph (9) of section 3 of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9202), as redesignated by paragraph (3) of this subsection, is amended—

(A) in subparagraph (A), by striking "and" at the end;

(B) in subparagraph (B), by striking the period at the end and inserting "; and"; and

(C) by adding at the end the following new subparagraph:

"(C) also includes any items so designated under an applicable United Nations Security Council resolution.".

(5) NORTH KOREAN PERSON.—Section 3 of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9202), as amended by paragraph (3) of this subsection, is further amended—

(A) by redesignating paragraphs (13) through (15) as paragraphs (14) through (16), respectively; and

(B) by inserting after paragraph (12) the following new paragraph:

"(13) NORTH KOREAN PERSON.—The term 'North Korean person' means—

"(A) a North Korean citizen or national; or

"(B) an entity owned or controlled by the Government of North Korea or by a North Korean citizen or national.".

(b) DEFINITIONS FOR PURPOSES OF THIS ACT.—In this Act:

(1) APPLICABLE UNITED NATIONS SECURITY COUNCIL RESOLUTION; LUXURY GOODS.—The terms "applicable United Nations Security Council resolution" and "luxury goods" have the meanings given those terms, respectively, in section 3 of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9202), as amended by subsection (a).

(2) APPROPRIATE CONGRESSIONAL COMMITTEES; GOVERNMENT OF NORTH KOREA; UNITED STATES PERSON.—The terms "appropriate congressional committees", "Government of North Korea", and "United States person" have the meanings given those terms, respectively, in section 3 of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9202).

(3) FOREIGN PERSON; NORTH KOREAN PERSON.—The terms "foreign person" and "North Korean person" have the meanings given those terms, respectively, in paragraph (5) and paragraph (13) of section 3 of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9202(5) and 9202(13)), as added by subsection (a).

(4) PROHIBITED WEAPONS PROGRAM.—The term "prohibited weapons program" means—

(A) any program related to the development of nuclear, chemical, or biological weapons, and their means of delivery, including ballistic missiles; and

(B) any program to develop any related materials with respect to a program described in subparagraph (A).

TITLE I—SANCTIONS TO ENFORCE AND IMPLEMENT UNITED NATIONS SECURITY COUNCIL SANCTIONS AGAINST NORTH KOREA

SEC. 101. MODIFICATION AND EXPANSION OF REQUIREMENTS FOR THE DESIGNATION OF PERSONS.

(a) EXPANSION OF MANDATORY DESIGNATIONS.—Section 104(a) of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9214(a)) is amended—

(1) in paragraph (9), by striking "; or" and inserting "or any defense article or defense service (as such terms are defined in section 47 of the Arms Export Control Act (22 U.S.C. 2794));";

(2) by redesignating paragraph (10) as paragraph (15);

(3) by inserting after paragraph (9) the following new paragraphs:

"(10) knowingly, directly or indirectly, purchases or otherwise acquires from North Korea any significant amounts of gold, titanium ore, vanadium ore, copper, silver, nickel, zinc, or rare earth minerals;

"(11) knowingly, directly or indirectly, sells or transfers to North Korea any significant amounts of rocket, aviation, or jet fuel (except for use by a civilian passenger aircraft outside North Korea, exclusively for consumption during its flight to North Korea or its return flight);

"(12) knowingly, directly or indirectly, provides fuel, supplies, or bunkering services to, or facilitates a significant transaction or transactions to operate or maintain, a vessel or aircraft that is designated under an applicable Executive order or an applicable United Nations Security Council resolution, or that is owned or controlled by a person designated under an applicable Executive order or applicable United Nations Security Council resolution;

"(13) knowingly, directly or indirectly, insures, registers, facilitates the registration of, or maintains insurance or a registration for, a vessel owned or controlled by the Government of North Korea, except as specifically approved by the United Nations Security Council;

"(14) knowingly, directly or indirectly, maintains a correspondent account (as defined in section 201A(d)(1)) with any North Korean financial institution, except as specifically approved by the United Nations Security Council; or"; and

(4) in paragraph (15), as so redesignated, by striking "(9)" and inserting "(14)".

(b) EXPANSION OF ADDITIONAL DISCRETIONARY DESIGNATIONS.—Section 104(b)(1) of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9214(b)(1)) is amended—

(1) in subparagraph (A), by striking "pursuant to an applicable United Nations Security Council resolution;" and inserting the following: "pursuant to—

"(i) an applicable United Nations Security Council resolution;
"(ii) any regulation promulgated under section 404; or
"(iii) any applicable Executive order;";

(2) in subparagraph (B)(iii), by striking "or" at the end;

(3) in subparagraph (C), by striking the period at the end and inserting a semicolon; and

(4) by adding at the end the following new subparagraphs:

"(D) knowingly, directly or indirectly, purchased or otherwise acquired from the Government of North Korea significant quantities of coal, iron, or iron ore, in excess of the limitations provided in applicable United Nations Security Council resolutions;

"(E) knowingly, directly or indirectly, purchased or otherwise acquired significant types or amounts of textiles from the Government of North Korea;

"(F) knowingly facilitated any transfer of funds or property of the Government of North Korea that materially contributes to any violation of an applicable United National Security Council resolution;

"(G) knowingly, directly or indirectly, facilitated a significant transfer to or from the Government of North Korea of bulk cash, precious metals, gemstones, or other stores of value not described under subsection (a)(10);

"(H) knowingly, directly or indirectly, sold, transferred, or otherwise provided significant amounts of crude oil, condensates, refined petroleum, other types of petroleum or petroleum byproducts, liquified natural gas, or other natural gas resources to the Government of North Korea (except for heavy fuel oil, gasoline, or diesel fuel for humanitarian use or as excepted under subsection (a)(11));

"(I) knowingly, directly or indirectly, engaged in, facilitated, or was responsible for the online commercial activities of the Government of North Korea, including online gambling;

"(J) knowingly, directly or indirectly, purchased or otherwise acquired fishing rights from the Government of North Korea;

"(K) knowingly, directly or indirectly, provided significant telephonic, telegraphic, telecommunications or other data services, in whole or in part, into or out of North Korea, in excess of services needed for humanitarian or diplomatic purposes (other than services that are excepted under section 203(b)(1) of the International Emergency Economic Powers Act (50 U.S.C. 1702(b)(1)));

"(L) knowingly, directly or indirectly, purchased or otherwise acquired significant types or amounts of food or agricultural products from the Government of North Korea;

"(M) knowingly, directly or indirectly, engaged in, facilitated, or was responsible for the exportation of workers from North Korea in a manner intended to generate significant revenue, directly or indirectly, for use by the Government of North Korea or by the Workers' Party of Korea;

"(N) knowingly conducted a significant transaction or transactions in North Korea's transportation, mining, energy, or financial services industries; or

"(O) except as specifically approved by the United Nations Security Council, and other than through a correspondent account as described in subsection (a)(14), knowingly facilitated the operation of any branch, subsidiary, or office of a North Korean financial institution.".

(c) MANDATORY AND DISCRETIONARY ASSET BLOCKING.—Section 104(c) of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9214(c)) is amended—

(1) by striking "of a designated person" and inserting "of a person designated under subsection (a)";

(2) by striking "The President" and inserting the following:

"(1) MANDATORY ASSET BLOCKING.—The President"; and

(3) by adding at the end the following new paragraph:

"(2) DISCRETIONARY ASSET BLOCKING.—The President may also exercise such powers, in the same manner and to the same extent described in paragraph (1), with respect to a person designated under subsection (b).".

(d) DESIGNATION OF ADDITIONAL PERSONS.—

(1) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the President shall submit to the appropriate congressional committees a report including a determination as to whether reasonable grounds exist, and an explanation of the reasons for any determination that such grounds do not exist, to designate, pursuant to section 104 of the North Korea Sanctions and

Policy Enhancement Act of 2016 (22 U.S.C. 9214), as amended by this section, each of the following:

(A) The Korea Shipowners' Protection and Indemnity Association, a North Korean insurance company, with respect to facilitating imports, exports, and reexports of arms and related materiel to and from North Korea, or for other activities prohibited by such section 104.

(B) Chinpo Shipping Company (Private) Limited, a Singapore corporation, with respect to facilitating imports, exports, and reexports of arms and related materiel to and from North Korea.

(C) The Central Bank of the Democratic People's Republic of Korea, with respect to the sale of gold to, the receipt of gold from, or the import or export of gold by the Government of North Korea.

(D) Kumgang Economic Development Corporation (KKG), with respect to being an entity controlled by Bureau 39 of the Workers' Party of the Government of North Korea.

(E) Sam Pa, also known as Xu Jinghua, Xu Songhua, Sa Muxu, Samo, Sampa, or Sam King, and any entities owned or controlled by such individual, with respect to transactions with KKG.

(F) The Chamber of Commerce of the Democratic People's Republic of Korea, with respect to the exportation of workers in violation of section 104(a)(5) or of section 104(b)(1)(M) of such Act, as amended by subsection (b) of this section.

(2) FORM.—The report submitted under paragraph (1) may contain a classified annex.

SEC. 102. PROHIBITION ON INDIRECT CORRESPONDENT ACCOUNTS.

(a) IN GENERAL.—Title II of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9221 et seq.) is amended by inserting after section 201 the following new section:

"SEC. 201A. PROHIBITION ON INDIRECT CORRESPONDENT ACCOUNTS.

"(a) IN GENERAL.—Except as provided in subsection (b), if a United States financial institution has or obtains knowledge that a correspondent account established, maintained, administered, or managed by that institution for a foreign financial institution is being used by the foreign financial institution to provide financial services indirectly to any person, foreign government, or financial institution designated under section 104, the United States financial institution shall ensure that such correspondent account is no longer used to provide such services.

"(b) EXCEPTION.—A United States financial institution is authorized to process transfers of funds to or from North Korea, or for the direct or indirect benefit of any person, foreign government, or financial institution that is designated under section 104, only if the transfer—

"(1) arises from, and is ordinarily incident and necessary to give effect to, an underlying transaction that has been authorized by a specific or general license issued by the Secretary of the Treasury; and

"(2) does not involve debiting or crediting a North Korean account.

"(c) DEFINITIONS.—In this section:

"(1) CORRESPONDENT ACCOUNT.—The term 'correspondent account' has the meaning given that term in section 5318A of title 31, United States Code.

"(2) UNITED STATES FINANCIAL INSTITUTION.—The term 'United States financial institution' means has the meaning given that term in section 510.310 of title 31, Code of Federal Regulations, as in effect on the date of the enactment of this section.

"(3) FOREIGN FINANCIAL INSTITUTION.—The term 'foreign financial institution' has the meaning given that term in section 1010.605 of title 31, Code of Federal Regulations, as in effect on the date of the enactment of this section.".

(b) CLERICAL AMENDMENT.—The table of contents in section 1(b) of the North Korea Sanctions and Policy Enhancement Act of 2016 is amended by inserting after the item relating to section 201 the following new item:

"Sec. 201A. Prohibition on indirect correspondent accounts.".

SEC. 103. LIMITATIONS ON FOREIGN ASSISTANCE TO NONCOMPLIANT GOVERNMENTS.

Section 203 of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9223) is amended—

(1) in subsection (b)—

(A) in the heading, by striking "TRANSACTIONS IN LETHAL MILITARY EQUIPMENT" and inserting "TRANSACTIONS IN DEFENSE ARTICLES OR DEFENSE SERVICES";

(B) in paragraph (1), by striking "that provides lethal military equipment to the Government of North Korea" and inserting "that provides to or re-

ceives from the Government of North Korea a defense article or defense service, as such terms are defined in section 47 of the Arms Export Control Act (22 U.S.C. 2794)"; and

(C) in paragraph (2), by striking "1 year" and inserting "2 years";

(2) in subsection (d), by striking "or emergency" and inserting "maternal and child health, disease prevention and response, or"; and

(3) by adding at the end the following new subsection:

"(e) REPORT ON ARMS TRAFFICKING INVOLVING NORTH KOREA.—

"(1) IN GENERAL.—Not later than 180 days after the date of the enactment of this subsection, and every 180 days thereafter for 5 years, the Secretary of State shall submit to the appropriate congressional committees a report that specifically describes the compliance of foreign countries and other foreign jurisdictions with the requirement to curtail the trade described in subsection (b)(1).

"(2) FORM.—The report required under paragraph (1) shall be submitted in unclassified form but may contain a classified annex.".

SEC. 104. AMENDMENTS TO ENHANCE INSPECTION AUTHORITIES.

Title II of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9221 et seq.), as amended by section 102 of this Act, is further amended by striking section 205 and inserting the following:

"SEC. 205. ENHANCED INSPECTION AUTHORITIES.

"(a) REPORT REQUIRED.—

"(1) IN GENERAL.—Not later than 180 days after the date of the enactment of this section, and annually thereafter for 5 years, the President shall submit to the appropriate congressional committees a report—

"(A) identifying the operators of foreign sea ports and airports that have knowingly—

"(i) failed to implement or enforce regulations to inspect ships, aircraft, cargo, or conveyances in transit to or from North Korea, as required by applicable United Nations Security Council resolutions;

"(ii) facilitated the transfer, transshipment, or conveyance of significant types or quantities of cargo, vessels, or aircraft owned or controlled by persons designated under applicable United Nations Security Council resolutions; or

"(iii) facilitated any of the activities described in section 104(a);

"(B) describing the extent to which the requirements of applicable United Nations Security Council resolutions to de-register any vessel owned, controlled, or operated by the Government of North Korea have been implemented by other foreign countries;

"(C) describing the compliance of the Islamic Republic of Iran with the sanctions mandated in applicable United Nations Security Council resolutions;

"(D) identifying vessels, aircraft, and conveyances owned or controlled by the Reconnaissance General Bureau of the Workers' Party of Korea; and

"(E) describing the diplomatic and enforcement efforts by the President to secure the full implementation of the applicable United Nations Security Council resolutions, as described in subparagraphs (A) through (C).

"(2) FORM.—The report required under paragraph (1) shall be submitted in unclassified form but may contain a classified annex.

"(b) SPECIFIC FINDINGS.—Each report required under subsection (a) shall include specific findings with respect to the following ports and airports:

"(1) The ports of Dandong, Dalian, and any other port in the People's Republic of China that the President deems appropriate.

"(2) The ports of Abadan, Bandar-e-Abbas, Chabahar, Bandar-e-Khomeini, Bushehr Port, Asaluyeh Port, Kish, Kharg Island, Bandar-e-Lenge, and Khorramshahr, and Tehran Imam Khomeini International Airport, in the Islamic Republic of Iran.

"(3) The ports of Nakhodka, Vanino, and Vladivostok, in the Russian Federation.

"(4) The ports of Latakia, Banias, and Tartous, and Damascus International Airport, in the Syrian Arab Republic.

"(c) ENHANCED SECURITY TARGETING REQUIREMENTS.—

"(1) IN GENERAL.—Except as provided in paragraph (2), the Secretary of Homeland Security may, using the Automated Targeting System operated by the National Targeting Center of U.S. Customs and Border Protection, require enhanced screening procedures to determine whether physical inspections are warranted of any cargo bound for or landed in the United States that—

"(A) has been transported through a sea port or airport the operator of which has been identified by the President in accordance with subsection

(a)(1) as having repeatedly failed to comply with applicable United Nations Security Council resolutions;

"(B) is aboard a vessel or aircraft, or within a conveyance that has, within the last 365 days, entered the territory, waters, or airspace of North Korea, or landed in any of the sea ports or airports of North Korea; or

"(C) is registered by a country or jurisdiction whose compliance has been identified by the President as deficient pursuant to subsection (a)(2).

"(2) EXCEPTION FOR FOOD, MEDICINE, AND HUMANITARIAN SHIPMENTS.—Paragraph (1) shall not apply to any vessel, aircraft, or conveyance that has entered the territory, waters, or airspace of North Korea, or landed in any of the sea ports or airports of North Korea, exclusively for the purposes described in section 208(b)(3)(B), or to import food, medicine, or supplies into North Korea to meet the humanitarian needs of the North Korean people.

"(d) SEIZURE AND FORFEITURE.—A vessel, aircraft, or conveyance used to facilitate any of the activities described in section 104(a) under the jurisdiction of the United States may be seized and forfeited under—

"(1) chapter 46 of title 18, United States Code; or

"(2) part V of title IV of the Tariff Act of 1930 (19 U.S.C. 1581 et seq.).".

SEC. 105. ENFORCING COMPLIANCE WITH UNITED NATIONS SHIPPING SANCTIONS AGAINST NORTH KOREA.

(a) IN GENERAL.—The Ports and Waterways Safety Act (33 U.S.C. 1221 et seq.) is amended by adding at the end the following new section:

"SEC. 16. PROHIBITION ON ENTRY AND OPERATION.

"(a) PROHIBITION.—

"(1) IN GENERAL.—Except as otherwise provided in this section, no vessel described in subsection (b) may enter or operate in the navigable waters of the United States or transfer cargo in any port or place under the jurisdiction of the United States.

"(2) LIMITATION ON APPLICATION.—

"(A) DETERMINATION BY SECRETARY OF STATE.—Paragraph (1) shall not apply with respect to a vessel described in subsection (b)(2) if the Secretary of State determines that the vessel is no longer registered as described in that subsection.

"(B) NOTICE.—The Secretary of State shall publish a notice in the Federal Register of each determination made under subparagraph (A).

"(b) VESSELS DESCRIBED.—A vessel referred to in subsection (a) is a foreign vessel for which a notice of arrival is required to be filed under section 4(a)(5), and that—

"(1) is on the most recent list of vessels published in Federal Register under subsection (c)(2); or

"(2) more than 180 days after the publication of such list, is knowingly registered, pursuant to the 1958 Convention on the High Seas entered into force on September 30, 1962, by a government the agents or instrumentalities of which are maintaining a registration of a vessel that is included on such list.

"(c) INFORMATION AND PUBLICATION.—The Secretary of the department in which the Coast Guard is operating, in consultation with the Secretary of State, shall—

"(1) maintain timely information on the registrations of all foreign vessels over 300 gross tons that are—

"(A) owned or operated by or on behalf of the Government of North Korea or a North Korean person;

"(B) owned or operated by or on behalf of any country in which a sea port or airport is located, the operator of which the President has identified in the most recent report submitted under section 205(a)(1) of the North Korea Sanctions and Policy Enhancement Act of 2016; or

"(C) owned or operated by or on behalf of any country identified by the President as a country that has not complied with the applicable United Nations Security Council resolutions (as such term is defined in section 3 of such Act); and

"(2) not later than 180 days after the date of the enactment of this section, and periodically thereafter, publish in the Federal Register a list of the vessels described in paragraph (1).

"(d) NOTIFICATION OF GOVERNMENTS.—

"(1) IN GENERAL.—The Secretary of State shall notify each government, the agents or instrumentalities of which are maintaining a registration of a foreign vessel that is included on a list published under subsection (c)(2), not later than 30 days after such publication, that all vessels registered under such government's authority are subject to the prohibition under subsection (a).

"(2) ADDITIONAL NOTIFICATION.—In the case of a government that continues to maintain a registration for a vessel that is included on such list after receiv-

ing an initial notification under paragraph (1), the Secretary shall issue an additional notification to such government not later than 120 days after the publication of a list under subsection (c)(2).

"(e) NOTIFICATION OF VESSELS.—Upon receiving a notice of arrival under section 4(a)(5) from a vessel described in subsection (b), the Secretary of the department in which the Coast Guard is operating shall notify the master of such vessel that the vessel may not enter or operate in the navigable waters of the United States or transfer cargo in any port or place under the jurisdiction of the United States, unless—

"(1) the Secretary of State has made a determination under subsection (a)(2); or

"(2) the Secretary of the department in which the Coast Guard is operating allows provisional entry of the vessel, or transfer of cargo from the vessel, under subsection (f).

"(f) PROVISIONAL ENTRY OR CARGO TRANSFER.—Notwithstanding any other provision of this section, the Secretary of the department in which the Coast Guard is operating may allow provisional entry of, or transfer of cargo from, a vessel, if such entry or transfer is necessary for the safety of the vessel or persons aboard.

"(g) RIGHT OF INNOCENT PASSAGE.—This section shall not be construed as authority to restrict the right of innocent passage as recognized under international law.

"(h) FOREIGN VESSEL DEFINED.—In this section, the term 'foreign vessel' has the meaning given that term in section 110 of title 46, United States Code.".

(b) CONFORMING AMENDMENTS.—

(1) SPECIAL POWERS.—Section 4(b)(2) of the Ports and Waterways Safety Act (33 U.S.C. 1223(b)(2)) is amended by inserting "or 16" after "section 9".

(2) DENIAL OF ENTRY.—Section 13(e) of the Ports and Waterways Safety Act (33 U.S.C. 1232(e)) is amended by striking "section 9" and inserting "section 9 or 16".

SEC. 106. REPORT ON COOPERATION BETWEEN NORTH KOREA AND IRAN.

(a) IN GENERAL.—Not later than 90 days after the date of the enactment of this Act, and annually thereafter for 5 years, the President shall submit to the appropriate congressional committees a report that includes—

(1) an assessment of the extent of cooperation (including through the transfer of goods, services, or technology) between North Korea and Iran relating to their respective nuclear, ballistic missile development, chemical or biological weapons development, or conventional weapons programs;

(2) the names of any Iranian or North Korean persons that have knowingly engaged in or directed—

(A) the provision of material support to such programs; or

(B) the exchange of information between North Korea and Iran with respect to such programs; and

(3) a determination whether any of the activities described in paragraphs (1) and (2) violate United Nations Security Council Resolution 2231 (2015).

(b) FORM.—The report required under subsection (a) shall be submitted in unclassified form but may contain a classified annex.

SEC. 107. REPORT ON IMPLEMENTATION OF UNITED NATIONS SECURITY COUNCIL RESOLUTIONS BY OTHER GOVERNMENTS.

(a) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, and every 180 days thereafter for 5 years, the President shall submit to the appropriate congressional committees a report that evaluates the degree to which the governments of other countries have knowingly failed to—

(1) close the representative offices of persons designated under applicable United Nations Security Council resolutions;

(2) expel any North Korean nationals, including diplomats, working on behalf of such persons;

(3) prohibit the opening of new branches, subsidiaries, or representative offices of North Korean financial institutions within the jurisdictions of such governments; or

(4) expel any representatives of North Korean financial institutions.

(b) FORM.—The report required under subsection (a) shall be submitted in unclassified form but may contain a classified annex.

SEC. 108. BRIEFING ON MEASURES TO DENY SPECIALIZED FINANCIAL MESSAGING SERVICES TO DESIGNATED NORTH KOREAN FINANCIAL INSTITUTIONS.

(a) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, and every 180 days thereafter for 5 years, the President shall provide to the appropriate congressional committees a briefing that includes the following information:

(1) A list of each person or foreign government the President has identified that directly provides specialized financial messaging services to, or enables or facilitates direct or indirect access to such messaging services for, any North Korean financial institution (as such term is defined in section 3 of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9202)) designated under an applicable United Nations Security Council resolution.

(2) A detailed assessment of the status of efforts by the Secretary of the Treasury to work with the relevant authorities in the home jurisdictions of such specialized financial messaging providers to end such provision or access.

(b) FORM.—The briefing required under subsection (a) may be classified.

TITLE II—SANCTIONS WITH RESPECT TO HUMAN RIGHTS ABUSES BY THE GOVERNMENT OF NORTH KOREA

SEC. 201. SANCTIONS FOR FORCED LABOR AND SLAVERY OVERSEAS OF NORTH KOREANS.

(a) SANCTIONS FOR TRAFFICKING IN PERSONS.—

(1) IN GENERAL.—Section 302(b) of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9241(b)) is amended—

(A) in paragraph (1), by striking "and" at the end;

(B) in paragraph (2), by striking the period at the end and inserting "; and"; and

(C) by adding at the end the following new paragraph:

"(3) a list of foreign persons that employ North Korean laborers.".

(2) ADDITIONAL DETERMINATIONS; REPORTS.—With respect to any country identified in section 302(b)(2) of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9241(b)(2)), as amended by paragraph (1), the report required under section 302(a) of such Act shall—

(A) include a determination whether each person identified in section 302(b)(3) of such Act (as amended by paragraph (1)) who is a national or a citizen of such identified country meets the criteria for sanctions under—

(i) section 111 of the Trafficking Victims Protection Act of 2000 (22 U.S.C. 7108) (relating to the prevention of trafficking in persons); or

(ii) section 104(a) or 104(b)(1) of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9214(a)), as amended by section 101 of this Act;

(B) be included in the report required under section 110(b) of the Trafficking Victims Protection Act of 2000 (22 U.S.C. 7107(b)) (relating to the annual report on trafficking in persons); and

(C) be considered in any determination that the government of such country has made serious and sustained efforts to eliminate severe forms of trafficking in persons, as such term is defined for purposes of the Trafficking Victims Protection Act of 2000.

(b) SANCTIONS ON FOREIGN PERSONS THAT EMPLOY NORTH KOREAN LABOR.—

(1) IN GENERAL.—Title III of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9241 et seq.) is amended by inserting after section 302 the following new sections:

"SEC. 302A. REBUTTABLE PRESUMPTION APPLICABLE TO GOODS MADE WITH NORTH KOREAN LABOR.

"(a) IN GENERAL.—Except as provided in subsection (b), any goods, wares, articles, and merchandise mined, produced, or manufactured wholly or in part by the labor of North Korean nationals or citizens shall be deemed to be prohibited under section 307 of the Tariff Act of 1930 (19 U.S.C. 1307) and shall not be entitled to entry at any of the ports of the United States.

"(b) EXCEPTION.—The prohibition described in subsection (a) shall not apply if the Commissioner of U.S. Customs and Border Protection finds, by clear and convincing evidence, that the goods, wares, articles, or merchandise described in such paragraph were not produced with convict labor, forced labor, or indentured labor under penal sanctions.

"SEC. 302B. SANCTIONS ON FOREIGN PERSONS EMPLOYING NORTH KOREAN LABOR.

"(a) IN GENERAL.—Except as provided in subsection (c), the President shall designate any person identified under section 302(b)(3) for the imposition of sanctions under subsection (b).

"(b) IMPOSITION OF SANCTIONS.—

"(1) IN GENERAL.—The President shall impose the sanctions described in paragraph (2) with respect to any person designated under subsection (a).

"(2) SANCTIONS DESCRIBED.—The sanctions described in this paragraph are sanctions pursuant to the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.) to block and prohibit all transactions in property and interests in property of a person designated under subsection (a), if such property and interests in property are in the United States, come within the United States, or are or come within the possession or control of a United States person.

"(c) EXCEPTION.—

"(1) IN GENERAL.—A person may not be designated under subsection (a) if the President certifies to the appropriate congressional committees that the President has received reliable assurances from such person that—

"(A) the employment of North Korean laborers does not result in the direct or indirect transfer of convertible currency, luxury goods, or other stores of value to the Government of North Korea;

"(B) all wages and benefits are provided directly to the laborers, and are held, as applicable, in accounts within the jurisdiction in which they reside in locally denominated currency; and

"(C) the laborers are subject to working conditions consistent with international standards.

"(2) RECERTIFICATION.—Not later than 180 days after the date on which the President transmits to the appropriate congressional committees an initial certification under paragraph (1), and every 180 days thereafter, the President shall—

"(A) transmit a recertification stating that the conditions described in such paragraph continue to be met; or

"(B) if such recertification cannot be transmitted, impose the sanctions described in subsection (b) beginning on the date on which the President determines that such recertification cannot be transmitted.".

(2) CLERICAL AMENDMENT.—The table of contents in section 1(b) of the North Korea Sanctions and Policy Enhancement Act of 2016 is amended by inserting after the item relating to section 302 the following new items:

"Sec. 302A. Rebuttable presumption applicable to goods made with North Korean labor.
"Sec. 302B. Sanctions on foreign persons employing North Korean labor.".

SEC. 202. MODIFICATIONS TO SANCTIONS SUSPENSION AND WAIVER AUTHORITIES.

(a) EXEMPTIONS, WAIVERS, AND REMOVALS OF DESIGNATION.—

(1) EXEMPTIONS.—Section 208(a) of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9228(a)) is amended in the matter preceding paragraph (1)—

(A) by inserting "201A," after "104,"; and

(B) by inserting "302A, 302B," after "209,".

(2) HUMANITARIAN WAIVER.—Section 208(b) of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9228(b)(1)) is amended—

(A) by inserting "201A," after "104," in each place it appears; and

(B) by inserting "302A, 302B," after "209(b)," in each place it appears.

(3) WAIVER.—Section 208(c) of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9228(c)) is amended in the matter preceding paragraph (1)—

(A) by inserting "201A," after "104,"; and

(B) by inserting "302A, 302B," after "209(b),".

(b) SUPPORT FOR FAMILY REUNIFICATION FOR KOREAN-AMERICANS.—Section 402(2) of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9252(2)) is amended—

(1) in subparagraph (D), by striking "and" at the end;

(2) in subparagraph (E), by striking the period at the end and inserting "; and"; and

(3) by adding at the end the following new subparagraph:

"(F) planning for unrestricted family reunification meetings, including for those individuals in the Korean-American community who maintain family ties with relatives in North Korea.".

SEC. 203. REWARD FOR INFORMANTS.

Section 36(b) of the State Department Basic Authorities Act of 1956 (22 U.S.C. 2708(b)), is amended—

(1) in paragraph (9), by striking "or" at the end;

(2) in paragraph (10), by striking the period at the end and inserting a semicolon; and

(3) by adding at the end the following new paragraphs:

"(11) the identification or location of any person who, while acting at the direction of or under the control of a foreign government, aids or abets a violation of section 1030 of title 18, United States Code; or

"(12) the disruption of financial mechanisms of any person who has engaged in the conduct described in sections 104(a) or 104(b)(1) of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 2914(a) or (b)(1)).".

SEC. 204. DETERMINATION ON DESIGNATION OF NORTH KOREA AS A STATE SPONSOR OF TERRORISM.

(a) DETERMINATION.—

(1) IN GENERAL.—Not later than 90 days after the date of the enactment of this Act, the Secretary of State shall submit to the appropriate congressional committees a determination whether North Korea meets the criteria for designation as a state sponsor of terrorism.

(2) FORM.—The determination required by paragraph (1) shall be submitted in unclassified form but may include a classified annex, if appropriate.

(b) STATE SPONSOR OF TERRORISM DEFINED.—For purposes of this section, the term "state sponsor of terrorism" means a country the government of which the Secretary of State has determined, for purposes of section 6(j) of the Export Administration Act of 1979 (50 U.S.C. 4605(j)) (as in effect pursuant to the International Emergency Economic Powers Act), section 620A of the Foreign Assistance Act of 1961 (22 U.S.C. 2371), section 40 of the Arms Export Control Act (22 U.S.C. 2780), or any other provision of law, is a government that has repeatedly provided support for acts of international terrorism.

TITLE III—GENERAL AUTHORITIES

SEC. 301. AUTHORITY TO CONSOLIDATE REPORTS.

Any reports required to be submitted to the appropriate congressional committees under this Act or any amendment made by this Act that are subject to deadlines for submission consisting of similar units of time may be consolidated into a single report that is submitted to appropriate congressional committees pursuant to the earlier of such deadlines. The consolidated reports must contain all information required under this Act or any amendment made by this Act, in addition to all other elements mandated by previous law.

SEC. 302. RULE OF CONSTRUCTION.

Nothing in this Act shall be construed to limit the authority or obligation of the President to apply the sanctions described in section 104 of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 9214), as amended by section 101 of this Act, with regard to persons who meet the criteria for designation under such section, or in any other provision of law.

SEC. 303. REGULATORY AUTHORITY.

(a) IN GENERAL.—The President shall, not later than 180 days after the date of the enactment of this Act, promulgate regulations as necessary for the implementation of this Act and the amendments made by this Act.

(b) NOTIFICATION TO CONGRESS.—Not fewer than 10 days before the promulgation of a regulation under subsection (a), the President shall notify and provide to the appropriate congressional committees the proposed regulation, specifying the provisions of this Act or the amendments made by this Act that the regulation is implementing.

SEC. 304. LIMITATION ON FUNDS.

No additional funds are authorized to carry out the requirements of this Act or of the amendments made by this Act. Such requirements shall be carried out using amounts otherwise authorized.

SUMMARY AND PURPOSE OF LEGISLATION

H.R. 1644, the "Korean Interdiction and Modernization of Sanctions Act," is a response to the urgent threat North Korea poses to the United States and its allies. The legislation builds upon the "North Korea Sanctions and Policy Enhancement Act" (P.L. 114–122) to further restrict Pyongyang's access to revenue which funds the regime's nuclear and missile programs to protect the national security of the United States.

Experts believe that North Korea is developing an intercontinental ballistic missile that could strike the United States with a nuclear warhead. North Korea continues to produce fissile material for nuclear weapons. Some non-governmental studies have estimated that North Korea will accumulate enough nuclear material to build up to 100 warheads over the next few years. North Korea conducted two nuclear weapons tests and launched a record 26 ballistic missiles in 2016. These actions violate multiple U.N. Security Council resolutions.

In response the "North Korea Sanctions and Policy Enhancement Act" was passed and signed into law last Congress. P.L. 114–122 provides the executive branch with basis to target North Korea's money laundering and other illicit activities including arms and narcotics trafficking, and counterfeiting of U.S. currency. This has helped to restrict the regime's access to hard currency. The law's passage and signature into law was followed by two comprehensive U.N. Security Council resolutions being put into place.

Yet North Korea has worked over the past year to evade international sanctions with the help of a vast network of front companies and governments that span the globe. H.R. 1644, the "Korean Interdiction and Modernization of Sanctions Act" works to counter these developments by deterring those who continue to do business with North Korea and depriving North Korea of the resources it requires to develop weapons that threaten the United States. It enhances U.S. sanctions against North Korea in order to end the regime's misuse of global shipping to transport illicit materials; its exploitation of the financial system to launder money; its severe human rights abuses including the use of forced labor; and other activities that violate applicable U.N. Security Council resolutions.

BACKGROUND AND NEED FOR LEGISLATION

North Korea's Escalating Threat to the United States

North Korea continues to threaten the United States and its allies by rapidly developing its nuclear and ballistic missile program in violation of numerous U.N. Security Council resolutions. As of January 2017, Kim Jong Un has tested more missiles than the two previous dictators of North Korea, Kim Jong Il and Kim Il Sung, combined. North Korea conducted two nuclear weapons tests and launched a record 26 ballistic missiles in 2016. It most recently conducted a missile test on April 4, 2017, its fourth missile test in 2017. North Korea has tested a nuclear explosive device four other times since 2006. These actions violate multiple U.N. Security Council resolutions, pose a direct threat to U.S. allies and U.S. forces stationed in Northeast Asia and left unchecked, will soon pose a direct threat to the homeland of the United States.

The North Korean Government publicly acknowledges it continues to develop nuclear weapons and has stated it is willing to conduct preemptive strikes against the United States and its allies as a means of self-defense. The North Korean Government announcement of a September 9, 2016, nuclear test claimed that North Korea has "standardized" its nuclear warhead and would continue to advance the quality and quantity of its "nuclear force." The announcement stated "the standardization of the nuclear warhead will enable the DPRK to produce at will . . . a variety of

smaller, lighter and diversified nuclear warheads of higher strike power." In his 2017 New Year's address, North Korean leader Kim Jong Un stated that North Korea had "achieved the status of a nuclear power" and pledged to continue to "build up our self-defense capability . . . and the capability for preemptive strike . . . to defend the peace and security of our state." Thae Yong Ho, a high-ranking North Korean official who defected to Seoul last year, has publicly stated Kim Jong Un is determined to complete development of his nuclear weapons program by the end of 2017.

The speed with which North Korea's ballistic missile program is advancing poses an immediate threat to our national security. If left unchecked, North Korea will soon be able to target all 50 States and our Asian allies with a nuclear warhead. This poses a direct threat to the American people and has a significant destabilizing effect on the world.

On February 7, 2016, North Korea used a modified version of the Taepodong-2 ballistic missile to launch a satellite into space. On August 24, 2016, North Korea successfully tested a submarine-launched ballistic missile, firing the missile over 300 miles from a submerged submarine. In the wake of these and other tests of their missile technology, the North Korean Government announced on January 8, 2017, that it is ready to test-launch an intercontinental ballistic missile capable of striking the United States.

Legislative Response

The collapse of North Korea's industrial economy in the early 1990s left it highly dependent on external sources of hard currency to sustain a population of approximately 23 million, a mechanized military of 1 million men and women, the military-industrial sector that supplies it, its weapons of mass destruction programs, and luxury items imported for senior regime officials. Because of the impracticality of transferring large sums of cash in bulk, North Korea continues to rely on the international financial system, and maintains large offshore foreign exchange reserves and other assets in China and Europe.

In September 2005, the Department of the Treasury invoked the authority of Section 311 of the USA PATRIOT Act of 2001, (P.L.107–56), and blocked the accounts of Banco Delta Asia, a small Macau-based bank. According to the Treasury Department, Banco Delta Asia acted as "a willing pawn" of North Korean agents laundering the proceeds of illicit activity, including the counterfeiting of U.S. currency. Treasury's designation disconnected Banco Delta Asia from the international dollar-based financial system and caused a run on the bank. The Government of Macau intervened and blocked $25 million in North Korean deposits to prevent the bank from collapse. Indirectly, the action caused other banks to block other North Korean accounts, or to reject North Korean transactions.

The effect on the regime's finances was devastating. Seventeen months after the sanction was imposed on Banco Delta Asia, North Korea agreed to dismantle its nuclear weapons program, but first insisted that the United States return the $25 million in blocked North Korean funds, effectively nullifying the Section 311 sanction as it applied to North Korea. Of course, North Korea reneged on its commitments.

Congress passed the "North Korea Sanctions and Policy Enhancement Act of 2016" in an effort to replicate the impact of Banco Delta Asia-like sanctions. The Act, the only comprehensive North Korean sanctions bill to be signed into law, provided the administration with tools to begin seriously tackling this threat.

It has helped to constrain the regime's access to hard currency. Since the enactment of the law, the Obama administration sanctioned North Korean leader Kim Jong Un and at least 10 other regime officials and five North Korean state-run entities for human rights abuses against the North Korean people. This was the first time the United States had sanctioned Kim Jong Un personally. On March 16, 2016, the Department of the Treasury formally determined that the transportation, mining, energy, and financial services industries in the North Korean economy shall be subject to U.S. sanctions. Pursuant to a requirement in P.L. 114–122, in June 2016, the Department of the Treasury designated North Korea a "primary money laundering concern" under the Patriot Act. That designation will require U.S. banks to "implement additional due diligence measures" to make sure North Korean banks don't get access—even through third parties.

Countering North Korea's Evasion of Sanctions

A February 2017 report by the United Nations Panel of Experts stated that the Government of North Korea is using "increasingly sophisticated" techniques to evade existing sanctions, including through dealings with middlemen and other countries that are willing to trade in money, arms, and slave labor that in turn funds the North Korean regime. That report highlighted evidence of North Korea's ability to manufacture and trade in sophisticated military technologies using overseas networks and to mask the identity of ships to gain access to restricted ports. It noted how "designated entities and banks have continued to operate in the sanctioned environment by using agents who are highly experienced and well trained in moving money, people and goods . . . across borders." House Committee on Foreign Affairs Report 114–392 documented previous efforts by North Korea to evade sanctions. This legislation will provide additional tools to target the North Korean regime's efforts to evade sanctions.

Specifically, this legislation further restricts North Korea's access to money and materials for its weapons programs by significantly expanding existing sanctions against the regime. It mandates sanctions against any foreign person who buys certain metals or minerals from the country or provides certain types of military use fuel or insurance or reinsurance to vessels sanctioned under a U.N. Security Council resolution for engaging in illicit trade with North Korea.

The bill also expands the ability to sanction those who import North Korean coal, iron, or iron ore above the limits imposed by U.N. Security Council resolutions, buy textiles or fishing rights from North Korea, facilitate the online business activities of the regime, or fail to comply with U.N. Security Council Resolutions targeting the country.

It also provides tools to target those involved in the export or use of North Korean forced labor, which is both a significant human rights abuse and another source of hard currency for the regime.

Targeting Vital North Korean Commodities

Targeting exports of North Korean coal could deprive the Kim regime of critical hard currency. With China amounting to 90 percent of all trade with North Korea, coal has long been its top export. Some analysts believe that North Korea's economy is 35 percent reliant on coal exports. With such a heavy reliance on one country and commodity, many believed that China's Ministry of Commerce announcement that China would suspend all coal trading until the end of 2017 would deal a significant blow to the North Korean economy. However, it has been reported that coal trading has continued in Rizao Port, in Shandong Province. A critical aspect of this legislation targets this vital North Korean commodity.

Cracking Down on Overseas North Korean Slave Labor

According to United Nations reporting, tens of thousands of North Koreans are sent to work abroad, earning the regime up to $2.3 billion in foreign currency annually. Many of these workers toil in extreme and dangerous conditions and only receive a small fraction of their wages. Instead, the vast majority of their earnings are paid directly to Pyongyang, which uses this source of hard currency to advance development of its nuclear weapons and intercontinental ballistic missiles. Building on reporting requirements in the "North Korea Sanctions and Policy Enhancement Act of 2016," which required the State Department to report to Congress the list of countries where North Korean workers are employed, this legislation prohibits goods produced in whole or part by North Korean forced labor from entering the United States. It also sanctions foreign persons that employ North Koreans who are forced to labor in inhumane conditions and are denied access to wages and benefits, and will deny Pyongyang a crucial source of revenue.

North Korea and International Shipping

North Korea continues to violate sanctions against its use of international shipping to further its weapons programs. This legislation cracks down on North Korean shipping and port access that violate existing U.N. Security Council Resolutions. It prohibits any ships owned by the Government of North Korea or those owned or operated on behalf of any country not complying with U.N. Security Council resolutions from operating in U.S. waters or landing at any U.S. port. It also authorizes the Department of Homeland Security to conduct enhanced screening for any cargo originating from ports that enable North Korea to circumvent the search and seizure of vessels that violate applicable sanctions.

North Korea and State Sponsor of Terrorism Designation

This legislation requires the Secretary of State to determine whether North Korea meets the criteria to be designated as a State Sponsor of Terrorism (SSOT). In 2008 the Bush administration delisted North Korea from the SSOT list in a failed attempt to curb the Kim regimes illegal weapons program. Since then, Pyongyang has continued to engage in deeply concerning activity with the public assassination of Kim Jong Un's brother, Kim Jong Nam, the use of malicious and sophisticated cyber-attacks, and the intent to ship weapons to Iran. Undertaking an assessment of North Korea's behavior and, if warranted, relisting North Korea as a State Sponsor

of Terrorism would open Pyongyang up to an array of sanctions, including a ban on arms-related exports and sales, controls over dual-use items, prohibitions on economic assistance, and imposition of financial restrictions. In addition to sanctions, this designation would send a message to the international community that Pyongyang is a pariah state, dissuading entities from engaging in activity that continues to facilitate North Korea's illegal weapons program.

HEARINGS/BRIEFINGS

During the present Congress, the committee has continued its active oversight regarding North Korea policy, including one Full Committee and one Asia and the Pacific Subcommittee hearing related to the content of H.R. 1644:

February 7, 2017, Full Committee hearing on "Countering the North Korean Threat: New Steps in U.S. Policy" (Victor Cha, Ph.D., Senior Adviser and Korea Chair, Center for Strategic and International Studies; Sue Mi Terry, Ph.D., Managing Director, Bower Group Asia; Mr. Anthony Ruggiero, Senior Fellow, Foundation for Defense of Democracies; The Honorable Robert L. Galluci, Distinguished Professor in the Practice of Diplomacy, Walsh School of Foreign Service, Georgetown University).

March 21, 2017, Subcommittee on Asia and the Pacific hearing on "Pressuring North Korea: Evaluating Options" (Mr. Bruce Klingner, Senior Research Fellow for Northeast Asia, The Heritage Foundation; Sung-Yoon Lee, Ph.D., Kim Koo-Korea Foundation Professor in Korean Studies and Assistant Professor, The Fletcher School of Law and Diplomacy, Tufts University; Mr. Anthony Ruggiero, Senior Fellow, Foundation for Defense of Democracies).

COMMITTEE CONSIDERATION

On March 29, 2017, the Committee on Foreign Affairs marked up H.R. 1644 in open session, pursuant to notice. An amendment in the nature of a substitute (offered by the chairman) and two amendments to that amendment in the nature of a substitute (offered by Mr. Yoho and Mr. Connolly) were considered *en bloc* with the underlying bill, and were agreed to by voice vote.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of Rule XIII of Rules of the House of Representatives, the committee reports that findings and recommendations of the committee, based on oversight activities under clause 2(b)(1) of House Rule X, are incorporated in the descriptive portions of this report, particularly in the "Background and Purpose of Legislation" and "Section-by-Section Analysis" sections.

NEW BUDGET AUTHORITY, TAX EXPENDITURES, AND FEDERAL MANDATES

In compliance with clause 3(c)(2) of House Rule XIII and the Unfunded Mandates Reform Act (P.L. 104–4), the committee adopts as its own the estimate of new budget authority, entitlement authority, tax expenditure or revenues, and Federal mandates contained

in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, April 24, 2017.

Hon. EDWARD R. ROYCE, *Chairman,*
Committee on Foreign Affairs,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1644, the Korean Interdiction and Modernization of Sanctions Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Sunita D'Monte, who can be reached at 226-2840.

Sincerely,

KEITH HALL.

Enclosure

cc: Honorable Eliot L. Engel
Ranking Member

H.R. 1644—Korean Interdiction and Modernization of Sanctions Act.

As ordered reported by the House Committee on Foreign Affairs on March 29, 2017

SUMMARY

H.R. 1644 would require the President to expand existing sanctions and impose new sanctions against North Korea. The bill also would authorize the Department of State to provide rewards for information on violations of certain sanctions. Finally, the legislation would require preparation of several reports to the Congress on the implementation of the bill.

CBO estimates that implementing H.R. 1644 would cost $10 million over the 2017–2022 period, assuming appropriation of the estimated amounts. In addition, enacting the bill would increase revenues by $8 million and have insignificant effects on direct spending over the 2017–2027 period. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues.

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 1644 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

H.R. 1644 contains private-sector mandates, as defined in UMRA, by imposing requirements related to certain transactions associated with the new and expanded sanctions against North Korea. Because of the broad scope of existing U.S. sanctions against North Korea, CBO expects the number of domestic entities

that would be affected by the incremental requirements in the bill would be small. Therefore, CBO estimates that the aggregate cost of the mandates in the bill would fall below the annual threshold established in UMRA for private-sector mandates ($156 million in 2017, adjusted annually for inflation.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 1644 is shown in the following table. The costs of this legislation fall within budget functions 150 (international affairs) and 800 (general government).

By Fiscal Year, in Millions of Dollars

	2017	2018	2019	2020	2021	2022	2017–2022
INCREASES IN SPENDING SUBJECT TO APPROPRIATION							
Estimated Authorization Level	0	2	2	2	2	2	10
Estimated Outlays	0	2	2	2	2	2	10
INCREASES IN REVENUES [1]							
Estimated Revenues	0	*	*	1	1	1	3

Note: * = less than $500,000.

[1] CBO estimates enacting H.R. 1644 would increase revenues by $8 million and have insignificant effects on direct spending over the 2017–2027 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 1644 will be enacted near the start of fiscal year 2018 and that the estimated amounts will be appropriated near the beginning of each fiscal year.

Spending Subject to Appropriation

Provisions of H.R. 1644 would increase administrative costs at the Department of State and the Department of the Treasury. Based on limited information from the administration and the costs of implementing similar legislation, CBO estimates that the departments would require additional appropriations of $2 million a year. In total, and incorporating the effects of inflation, CBO estimates that implementing those provisions would cost $10 million over the 2017–2022 period, assuming appropriation of those estimated amounts.

Section 203 would authorize the Department of State to make cash awards for information on violations of certain sanctions. The department currently has a rewards program to deter transnational organized crime, which uses appropriated funds to offer cash awards for similar purposes. Based on information about awards offered under that program, CBO expects that the department could offer individual awards of up to $1 million to $2 million under section 203; however, CBO has no basis for estimating how many or when such amounts might be paid.

Direct Spending and Revenues

CBO expects that revenues from penalties would increase under provisions of the bill that would expand economic and trade sanctions, especially those covering certain financial transactions. Because significant sanctions on activity with North Korea already exist under current law and are generally complied with, and be-

cause the North Korean economy is relatively small, CBO expects that enacting the bill would increase revenues from penalties by a small amount—less than $500,000 each year in 2018 and 2019 and $1 million a year starting in 2020. In total, CBO estimates that enacting H.R. 1644 would increase revenues by $8 million over the 2017–2027 period.

In addition, enacting H.R. 1644 would increase both the number of people who would be denied visas by the Secretary of State and the number who would be subject to civil or criminal penalties. Most visa fees are retained by the Department of State and spent without further appropriation, but some fees are deposited in the Treasury as revenues. Penalties also are recorded as revenues and a portion of those penalties can be spent without further appropriation. However, CBO estimates that those provisions would affect very few people and thus have insignificant effects on both revenues and direct spending.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 1644 as ordered reported by the House Committee on Foreign Affairs on March 29, 2017

By Fiscal Year, in Millions of Dollars

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2017–2022	2017–2027
NET INCREASE OR DECREASE (–) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	0	0	–1	–1	–1	–1	–1	–1	–1	–1	–3	–8

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 1644 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 1644 would impose private-sector mandates, as defined in UMRA, by prohibiting transactions that lack sufficient financial controls to ensure that they do not facilitate any of the new or expanded set of sanctions against North Korea. The cost of the mandates would be the forgone net income from complying with the incremental requirements of the bill. Because of the broad scope of existing U.S. sanctions against North Korea, the number of domestic entities and the value of their transactions that would be af-

fected by the bill would probably be small. For example, according to foreign trade statistics from the Census Bureau, U.S. exports to North Korea amounted to about $5 million in 2015. Therefore, CBO expects that the aggregate cost of mandates in the bill would fall below the annual threshold established in UMRA for private-sector mandates ($156 million in 2017, adjusted annually for inflation).

ESTIMATE PREPARED BY:

Federal Costs: Sunita D'Monte and Matthew Pickford
Revenues: Jacob Fabian
Impact on State, Local, and Tribal Governments: Jon Sperl
Impact on the Private Sector: Logan Smith

ESTIMATE APPROVED BY:

H. Samuel Papenfuss
Deputy Assistant Director for Budget Analysis

DIRECTED RULE MAKING

Pursuant to clause 3(c) of House Rule XIII, as modified by section 3(i) of H. Res. 5 during the 115th Congress, the committee notes that H.R. 1644 contains no directed rule-making provisions.

NON-DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of House Rule XIII, the committee states that no provision of this bill establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, a program that was included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

PERFORMANCE GOALS AND OBJECTIVES

The Act is intended to deprive North Korea of the resources it requires to further test, develop, produce and weaponize nuclear weapons; develop and export other unconventional weapons and ballistic missiles; engage in destabilizing activities within the region and across the globe; and engage in the systematic suppression of the people of North Korea. Performance goals associated with these objectives include, but are not limited to, the following:

- A verifiable decrease in North Korea's ability to fund its nuclear weapons program; and
- A verifiable decrease in North Korea's ability to fund and export its unconventional weapons programs, ballistic missiles and related technology programs, destabilizing types and amounts of conventional weapons, and support for regional destabilization.

CONGRESSIONAL ACCOUNTABILITY ACT

H.R. 1644 does not apply to terms and conditions of employment or to access to public services or accommodations within the legislative branch.

NEW ADVISORY COMMITTEES

H.R. 1644 does not establish or authorize any new advisory committees.

EARMARK IDENTIFICATION

H.R. 1644 contains no congressional earmarks, limited tax benefits, or limited tariff benefits as described in clauses 9(e), 9(f), and 9(g) of House Rule XXI.

LETTERS OF JURISDICTION

JASON CHAFFETZ, UTAH
CHAIRMAN

ONE HUNDRED FIFTEENTH CONGRESS

ELIJAH E. CUMMINGS, MARYLAND
RANKING MINORITY MEMBER

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6143
MAJORITY (202) 225–5074
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http://oversight.house.gov

April 24, 2017

The Honorable Edward R. Royce
Chairman
Committee on Foreign Affairs
2170 Rayburn HOB
Washington, DC 20515

Dear Mr. Chairman:

I write concerning H.R. 1644, the Korean Interdiction and Modernization of Sanctions Act. As you know, the Committee on Foreign Affairs received an original referral and the Committee on Oversight and Government Reform a secondary referral when the bill was introduced on March 21, 2017. I recognize and appreciate your desire to bring this legislation before the House of Representatives in an expeditious manner, and accordingly, the Committee on Oversight and Government Reform will forego action on the bill.

The Committee takes this action with our mutual understanding that by foregoing consideration of H.R. 1644 at this time, we do not waive any jurisdiction over the subject matter contained in this or similar legislation. Further, I request your support for the appointment of conferees from the Committee on Oversight and Government Reform during any House-Senate conference convened on this or related legislation.

Finally, I would ask that a copy of our exchange of letters on this matter be included in the bill report filed by the Committee on Foreign Affairs, as well as in the *Congressional Record* during floor consideration, to memorialize our understanding.

Sincerely,

Jason Chaffetz
Chairman

cc: The Honorable Paul D. Ryan, Speaker
The Honorable Elijah E. Cummings
The Honorable Eliot L. Engel
The Honorable Thomas J. Wickham, Parliamentarian

EDWARD R. ROYCE, CALIFORNIA
CHAIRMAN

AMY PORTER
CHIEF OF STAFF

THOMAS SHEEHY
STAFF DIRECTOR

ELIOT L. ENGEL, NEW YORK
RANKING DEMOCRATIC MEMBER

JASON STEINBAUM
DEMOCRATIC STAFF DIRECTOR

One Hundred Fifteenth Congress
U.S. House of Representatives
Committee on Foreign Affairs
2170 Rayburn House Office Building
Washington, DC 20515
www.foreignaffairs.house.gov

April 24, 2017

The Honorable Jason Chaffetz
Chairman
Committee on Oversight and Government Reform
2157 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Thank you for consulting with the Foreign Affairs Committee and agreeing to be discharged from further consideration of H.R. 1644, the Korean Interdiction and Modernization of Sanctions Act, so that the bill may proceed expeditiously to the House floor.

I agree that your forgoing further action on this measure does not in any way diminish or alter the jurisdiction of your committee, or prejudice its jurisdictional prerogatives on this resolution or similar legislation in the future. I would support your effort to seek appointment of an appropriate number of conferees from your committee to any House-Senate conference on this legislation.

I will seek to place our letters on H.R. 1644 into the *Congressional Record* during floor consideration of the resolution. I appreciate your cooperation regarding this legislation and look forward to continuing to work together as this measure moves through the legislative process.

Sincerely,

EDWARD R. ROYCE
Chairman

cc: The Honorable Paul Ryan
The Honorable Eliot L. Engel
The Honorable Elijah E. Cummings
Mr. Thomas J. Wickham, Jr.

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

April 25, 2017

The Honorable Edward R. Royce
Chairman
Committee on Foreign Affairs
2170 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Royce,

I am writing with respect to H.R. 1644, the "Korean Interdiction and Modernization of Sanctions Act," on which the Committee on Ways and Means was granted an additional referral.

In order to allow H.R. 1644 to move expeditiously to the House floor, I agree to waive formal consideration of this bill. The Committee on Ways and Means takes this action with the mutual understanding that we do not waive any jurisdiction over the subject matter contained in this or similar legislation, and the Committee will be appropriately consulted and involved as the bill or similar legislation moves forward so that we may address any remaining issues that fall within our jurisdiction. The Committee also reserves the right to seek appointment of an appropriate number of conferees to any House-Senate conference involving this or similar legislation, and requests your support for such request.

Finally, I would appreciate your response to this letter confirming this understanding, and would ask that a copy of our exchange of letters on this matter be included in the *Congressional Record* during floor consideration of H.R. 1644.

Sincerely,

Kevin Brady
Chairman

cc: The Honorable Paul Ryan
The Honorable Eliot L. Engel
The Honorable Richard Neal
Mr. Tom Wickham, Jr., Parliamentarian

EDWARD R. ROYCE, CALIFORNIA
CHAIRMAN

AMY PORTER
CHIEF OF STAFF

THOMAS SHEEHY
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ELIOT L. ENGEL, NEW YORK
RANKING DEMOCRATIC MEMBER

JASON STEINBAUM
DEMOCRATIC STAFF DIRECTOR

One Hundred Fifteenth Congress
U.S. House of Representatives
Committee on Foreign Affairs
2170 Rayburn House Office Building
Washington, DC 20515
www.foreignaffairs.house.gov

April 24, 2017

The Honorable Kevin Brady
Chairman
Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Brady:

Thank you for consulting with the Foreign Affairs Committee and agreeing to be discharged from further consideration of H.R. 1644, the Korean Interdiction and Modernization of Sanctions Act, so that the bill may proceed expeditiously to the House floor.

I agree that your forgoing further action on this measure does not in any way diminish or alter the jurisdiction of your committee, or prejudice its jurisdictional prerogatives on this resolution or similar legislation in the future. I would support your effort to seek appointment of an appropriate number of conferees from your committee to any House-Senate conference on this legislation.

I will seek to place our letters on H.R. 1644 into the *Congressional Record* during floor consideration of the resolution. I appreciate your cooperation regarding this legislation and look forward to continuing to work together as this measure moves through the legislative process.

Sincerely,

Ed Royce

EDWARD R. ROYCE
Chairman

cc: The Honorable Eliot L. Engel
The Honorable Richard Neal
The Honorable Paul Ryan, Speaker
Mr. Thomas J. Wickham, Jr., Parliamentarian

JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

MAXINE WATERS, CA, RANKING MEMBER

April 26, 2017

The Honorable Ed Royce
Chairman
Committee on Foreign Affairs
2170 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Royce:

I am writing concerning H.R. 1644, the Korean Interdiction and Modernization of Sanctions Act.

As a result of your having consulted with the Committee on Financial Services concerning provisions in the bill that fall within our Rule X jurisdiction, I agree to forgo action on the bill so that it may proceed expeditiously to the House Floor. The Committee on Financial Services takes this action with our mutual understanding that, by foregoing consideration of H.R. 1644 at this time, we do not waive any jurisdiction over the subject matter contained in this or similar legislation, and that our Committee will be appropriately consulted and involved as this or similar legislation moves forward so that we may address any remaining issues that fall within our Rule X jurisdiction. Our Committee also reserves the right to seek appointment of an appropriate number of conferees to any House-Senate conference involving this or similar legislation, and requests your support for any such request.

Finally, I would appreciate your response to this letter confirming this understanding with respect to H.R. 1644 and would ask that a copy of our exchange of letters on this matter be included in the *Congressional Record* during floor consideration of the bill.

Sincerely,

JEB HENSARLING
Chairman

cc: The Honorable Paul Ryan
The Honorable Maxine Waters
The Honorable Eliot Engel
Mr. Thomas Wickham, Jr.

EDWARD R. ROYCE, CALIFORNIA
CHAIRMAN

AMY PORTER
CHIEF OF STAFF

THOMAS SHEEHY
STAFF DIRECTOR

ELIOT L. ENGEL, NEW YORK
RANKING DEMOCRATIC MEMBER

JASON STEINBAUM
DEMOCRATIC STAFF DIRECTOR

One Hundred Fifteenth Congress
U.S. House of Representatives
Committee on Foreign Affairs
2170 Rayburn House Office Building
Washington, DC 20515
www.foreignaffairs.house.gov

April 26, 2017

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Hensarling:

Thank you for consulting with the Foreign Affairs Committee and agreeing to be discharged from further consideration of H.R. 1644, the Korean Interdiction and Modernization of Sanctions Act, so that the bill may proceed expeditiously to the House floor.

I agree that your forgoing further action on this measure does not in any way diminish or alter the jurisdiction of your committee, or prejudice its jurisdictional prerogatives on this bill or similar legislation in the future. I would support your effort to seek appointment of an appropriate number of conferees from your committee to any House-Senate conference on this legislation.

I will seek to place our letters on H.R. 1644 into the *Congressional Record* during floor consideration of the bill. I appreciate your cooperation regarding this legislation and look forward to continuing to work together as this measure moves through the legislative process.

Sincerely,

EDWARD R. ROYCE
Chairman

Cc: The Honorable Eliot L. Engel
The Honorable Maxine Waters
The Honorable Paul Ryan, Speaker
Mr. Thomas J. Wickham, Jr., Parliamentarian

Committee on Transportation and Infrastructure
U.S. House of Representatives

Bill Shuster
Chairman

Washington, DC 20515

Peter A. DeFazio
Ranking Member

Mathew M. Sturges, Staff Director

Katherine W. Dedrick, Democratic Staff Director

April 26, 2017

The Honorable Ed Royce
Chairman
Committee on Foreign Affairs
2170 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Royce:

I write concerning H.R. 1644, the "*Korean Interdiction and Modernization of Sanctions Act.*" This legislation includes matters that fall within the Rule X jurisdiction of the Committee on Transportation and Infrastructure.

In order to expedite Floor consideration of H.R. 1644, the Committee on Transportation and Infrastructure will forgo action on this bill. However, this is conditional on our mutual understanding that forgoing consideration of the bill does not prejudice the Committee with respect to the appointment of conferees or to any future jurisdictional claim over the subject matters contained in the bill or similar legislation that fall within the Committee's Rule X jurisdiction. I request you urge the Speaker to name members of the Committee to any conference committee named to consider such provisions.

Please place a copy of this letter and your response acknowledging our jurisdictional interest into the committee report on H.R. 1644 and in the *Congressional Record* during House Floor consideration of the bill. Thank you for working with us on this bill, and I look forward to working with the Committee on Foreign Affairs as the bill moves through the legislative process.

Sincerely,

Bill Shuster
Chairman

cc: The Honorable Paul D. Ryan
The Honorable Peter A. Defazio
The Honorable Eliot L. Engel
Mr. Thomas J. Wickham, Jr., Parliamentarian

EDWARD R. ROYCE, CALIFORNIA
CHAIRMAN

AMY PORTER
CHIEF OF STAFF

THOMAS SHEEHY
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ELIOT L. ENGEL, NEW YORK
RANKING DEMOCRATIC MEMBER

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One Hundred Fifteenth Congress
U.S. House of Representatives
Committee on Foreign Affairs
2170 Rayburn House Office Building
Washington, DC 20515
www.foreignaffairs.house.gov

April 26, 2017

The Honorable Bill Shuster
Chairman
Committee on Transportation and Infrastructure
2165 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Thank you for consulting with the Foreign Affairs Committee and agreeing to be discharged from further consideration of H.R. 1644, the Korean Interdiction and Modernization of Sanctions Act, so that the bill may proceed expeditiously to the House floor.

I agree that your forgoing further action on this measure does not in any way diminish or alter the jurisdiction of your committee, or prejudice its jurisdictional prerogatives on this bill or similar legislation in the future. I would support your effort to seek appointment of an appropriate number of conferees from your committee to any House-Senate conference on this legislation.

I will seek to place our letters on H.R. 1644 into the *Congressional Record* during floor consideration of the bill. I appreciate your cooperation regarding this legislation and look forward to continuing to work together as this measure moves through the legislative process.

Sincerely,

Ed Royce

EDWARD R. ROYCE
Chairman

cc: The Honorable Paul Ryan
The Honorable Eliot L. Engel
The Honorable Peter A. DeFazio
Mr. Thomas J. Wickham, Jr.

BOB GOODLATTE, Virginia
CHAIRMAN

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MIKE JOHNSON, Louisiana
ANDY BIGGS, Arizona

ONE HUNDRED FIFTEENTH CONGRESS

Congress of the United States
House of Representatives

COMMITTEE ON THE JUDICIARY

2138 RAYBURN HOUSE OFFICE BUILDING

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TED LIEU, California
JAMIE RASKIN, Maryland
PRAMILA JAYAPAL, Washington
BRAD SCHNEIDER, Illinois

April 27, 2017

The Honorable Edward R. Royce
Chairman
Committee on Foreign Affairs
2170 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Royce,

I write with respect to H.R. 1644, the "Korean Interdiction and Modernization of Sanctions Act." As a result of your having consulted with us on provisions within H.R. 1644 that fall within the Rule X jurisdiction of the Committee on the Judiciary, I forego any further consideration of this bill so that it may proceed expeditiously to the House floor for consideration.

The Judiciary Committee takes this action with our mutual understanding that by foregoing consideration of H.R. 1644 at this time, we do not waive any jurisdiction over subject matter contained in this or similar legislation and that our committee will be appropriately consulted and involved as this bill or similar legislation moves forward so that we may address any remaining issues in our jurisdiction. Our committee also reserves the right to seek appointment of an appropriate number of conferees to any House-Senate conference involving this or similar legislation and asks that you support any such request.

I would appreciate a response to this letter confirming this understanding with respect to H.R. 1644 and would ask that a copy of our exchange of letters on this matter be included in the *Congressional Record* during floor consideration of H.R. 1644.

Sincerely,

Bob Goodlatte
Chairman

cc: The Honorable John Conyers, Jr.
The Honorable Eliot Engel
The Honorable Paul Ryan, Speaker
The Honorable Thomas Wickham, Jr., Parliamentarian

EDWARD R. ROYCE, CALIFORNIA
CHAIRMAN

AMY PORTER
CHIEF OF STAFF

THOMAS SHEEHY
STAFF DIRECTOR

ELIOT L. ENGEL, NEW YORK
RANKING DEMOCRATIC MEMBER

JASON STEINBAUM
DEMOCRATIC STAFF DIRECTOR

One Hundred Fifteenth Congress
U.S. House of Representatives
Committee on Foreign Affairs
2170 Rayburn House Office Building
Washington, DC 20515
www.foreignaffairs.house.gov

April 26, 2017

The Honorable Bob Goodlatte
Chairman
Committee on the Judiciary
2138 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Goodlatte:

Thank you for consulting with the Foreign Affairs Committee and agreeing to be discharged from further consideration of H.R. 1644, the Korean Interdiction and Modernization of Sanctions Act, so that the bill may proceed expeditiously to the House floor.

I agree that your forgoing further action on this measure does not in any way diminish or alter the jurisdiction of your committee, or prejudice its jurisdictional prerogatives on this bill or similar legislation in the future. I would support your effort to seek appointment of an appropriate number of conferees from your committee to any House-Senate conference on this legislation.

I will seek to place our letters on H.R. 1644 into the *Congressional Record* during floor consideration of the measure. I appreciate your cooperation regarding this legislation and look forward to continuing to work together as this measure moves through the legislative process.

Sincerely,

EDWARD R. ROYCE
Chairman

Cc: The Honorable Eliot L. Engel
The Honorable John Conyers, Jr.
The Honorable Paul Ryan, Speaker
Mr. Thomas J. Wickham, Jr., Parliamentarian

SECTION-BY-SECTION ANALYSIS

Section 1. Short Title.

This Act may be cited as the "Korean Interdiction and Modernization of Sanctions Act."

Section 2. Table of Contents.

This provision includes the table of contents for the legislation.

Section 3. Definitions.

This provision both amends existing definitions under the "North Korea Sanctions and Policy Enhancement Act" to modernize, update and expand definitions, as well as applying new definitions for the purposes of this Act.

TITLE I—SANCTIONS TO ENFORCE AND IMPLEMENT UNITED NATIONS SECURITY COUNCIL SANCTIONS AGAINST NORTH KOREA

Section 101. Modification and expansion of requirements for the designation of persons.

This section further restricts North Korea's access to money and materials for its weapons programs by significantly expanding existing sanctions against the regime. It mandates sanctions against any foreign person who buys certain metals or minerals from the country or provides certain types of military use fuel or insurance or reinsurance to vessels sanctioned under a U.N. Security Council resolution for engaging in illicit trade with North Korea.

To deny the Kim regime the hard currency it needs to fund its weapons programs, this section expands the ability to sanction those who import North Korean coal, iron, or iron ore above the limits imposed by United Nations Security Council resolutions, buy textiles or fishing rights from North Korea, facilitate the online business activities of the regime, or fail to comply with United Nations Security Council Resolutions targeting the country.

It also provides tools to target those involved in the export or use of North Korean forced labor, which is both a significant human rights abuse and another source of hard currency for the regime. To improve the North Korean people's access to food, it includes similar sanctions that can be used against those who buy food or agricultural products from the country.

Section 102. Prohibition on indirect correspondent accounts.

A recent report by international investigators found that North Korea has used concealment to continue its access to the international financial system, including the ability to "transact through top global financial centers." This section ensures that U.S. financial institutions have terminated the correspondent accounts they use to do business with foreign financial institutions if that account is being used to provide financial services to the North Korean Government or any of the companies and banks that have been found to enable the regime.

To completely cut the Kim regime out of the U.S financial system, this section also prohibits North Korea from conducting any transactions using U.S. dollars. This includes "U-turn" transactions, where funds are briefly transferred into dollars while being

exchanged between North Korean won and another foreign currency. This will further restrict the regime's ability to do business abroad by targeting its use of the U.S. dollar as an intermediary when transferring funds between two foreign currencies.

Section 103. Limitations on foreign assistance to noncompliant governments.

This section amends existing law to make clear that foreign governments that buy or sell North Korea conventional weapons—a serious and continuing problem—are prohibited from receiving certain types of U.S. foreign assistance. It includes a reporting requirement to strengthen congressional oversight of this prohibition.

Section 104. Amendments to enhance inspection authorities.

North Korea continues to trade banned goods, utilizing evasion techniques that are "increasing in scale, scope and sophistication." One recent ship interdiction seized the largest cache of ammunition in the history of North Korean sanctions. This section requires a report to Congress detailing foreign countries whose seaports and airports fail to inspect or seize the cargo of North Korean ships or aircraft, as required by United Nations Security Council resolutions. The Secretary of Homeland Security is authorized to implement enhanced screening of cargo bound for the United States that has transited one of these identified, failing seaports or airports.

Section 105. Enforcing compliance with United Nations shipping sanctions against North Korea.

This section prohibits any ships owned by the Government of North Korea or owned or operated on behalf of any country not complying with U.N. Security Council resolutions from operating in United States waters or landing at any U.S. port.

Section 106. Report on nuclear program cooperation between North Korea and Iran.

North Korea and Iran have cooperated in developing nuclear weapons, ballistic missiles, and conventional arms. This section requires a report to Congress detailing that cooperation and potential consequences.

Section 107. Report on implementation of United Nations Security Council resolutions by other governments.

This provision requires a report to Congress on foreign governments' compliance with and implementation of U.N. Security Council resolutions on North Korea. A recent investigation by North Korea experts found that implementation of these U.N. resolutions remains "insufficient and highly inconsistent."

Section 108. Briefing on measures to deny specialized financial messaging services to designated North Korean financial institutions.

This section requires a briefing to Congress on entities that provide specialized financial messaging services to North Korean banks designated under U.N. Security Council resolutions. As banks use these services to conduct international transactions, this

will help identify North Korean banks that remain connected to the international financial system.

TITLE II—SANCTIONS WITH RESPECT TO HUMAN RIGHTS ABUSES BY THE GOVERNMENT OF NORTH KOREA

Section 201. Sanctions for forced labor and slavery overseas of North Koreans.

This section prohibits goods produced in whole or part by North Korean forced labor from entering the United States. It also sanctions foreign persons that employ North Koreans who are forced to labor in inhumane conditions and are denied access to wages and benefits. Exporting forced labor to foreign countries is estimated to earn the regime billions of dollars of hard currency each year and represents a significant human rights violation.

Section 202. Modifications to sanctions suspension authorities.

This section ensures the delivery of potential humanitarian aid would not be adversely impacted. It also allows Korean-Americans to plan reunion meetings with relatives in North Korea.

Section 203. Reward for informants.

This section encourages whistleblowers to report violations of financial sanctions on North Korea by allowing the State Department to offer cash rewards for such information under the Department's existing rewards program.

Section 204. Report on designation of North Korea as a state sponsor of terrorism.

This section requires the administration to determine within 90 days whether the Government of North Korea should be re-designated as a State Sponsor of Terrorism. This determination will take into account widespread reports the North Korean Government has carried out assassinations, kidnappings, and other terrorist acts outside of its own borders, including the recent assassination in Malaysia of Kim Jong Un's exiled half-brother using a banned chemical substance

TITLE III—GENERAL AUTHORITIES

Section 301. Authority to consolidate reports.

This provision allows for the consolidation of reports consisting of similar units of time into a single report.

Section 302. Rule of construction.

This provision clarifies that this Act shall not limit the authority of the President to apply additional sanctions under "North Korea Sanctions and Policy Enhancement Act of 2016."

Section 303. Regulatory authority.

This provision requires that the President promulgate regulations to implement this Act not later than 180 days after passage.

Section 304. Limitation on funds.

This provision states that no additional funds are authorized to carry out the requirements of this Act.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

NORTH KOREA SANCTIONS AND POLICY ENHANCEMENT ACT OF 2016

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "North Korea Sanctions and Policy Enhancement Act of 2016".

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

* * * * * * *

TITLE II—SANCTIONS AGAINST NORTH KOREAN PROLIFERATION, HUMAN RIGHTS ABUSES, AND ILLICIT ACTIVITIES

* * * * * * *

Sec. 201A. Prohibition on indirect correspondent accounts.

* * * * * * *

TITLE III—PROMOTION OF HUMAN RIGHTS

* * * * * * *

Sec. 302A. Rebuttable presumption applicable to goods made with North Korean labor.

Sec. 302B. Sanctions on foreign persons employing North Korean labor.

* * * * * * *

SEC. 3. DEFINITIONS.

In this Act:

(1) APPLICABLE EXECUTIVE ORDER.—The term "applicable Executive order" means—

(A) Executive Order 13382 (50 U.S.C. 1701 note; relating to blocking property of weapons of mass destruction proliferators and their supporters), Executive Order 13466 (50 U.S.C. 1701 note; relating to continuing certain restrictions with respect to North Korea and North Korean nationals), Executive Order 13551 (50 U.S.C. 1701 note; relating to blocking property of certain persons with respect to North Korea), Executive Order 13570 (50 U.S.C. 1701 note; relating to prohibiting certain transactions with respect to North Korea), Executive Order 13619 (50 U.S.C. 1701 note; relating to blocking property of persons threatening the peace, security, or stability of Burma), Executive Order 13687 (50 U.S.C. 1701 note; relating to imposing additional sanctions with respect to North Korea), [or Executive Order 13694] *Executive Order 13694* (50 U.S.C. 1701 note; relating to blocking the property of certain persons engaging in significant malicious cyber-enabled activities), *or Executive Order 13722 (50 U.S.C. 1701 note; relating to blocking the property of the Government of North Korea and the Workers' Party of Korea, and Prohibiting Certain*

Transactions With Respect to North Korea), to the extent that such Executive order—

(i) authorizes the imposition of sanctions on persons for conduct with respect to North Korea;

(ii) prohibits transactions or activities involving the Government of North Korea; or

(iii) otherwise imposes sanctions with respect to North Korea; and

(B) any Executive order adopted on or after the date of the enactment of this Act, to the extent that such Executive order—

(i) authorizes the imposition of sanctions on persons for conduct with respect to North Korea;

(ii) prohibits transactions or activities involving the Government of North Korea; or

(iii) otherwise imposes sanctions with respect to North Korea.

(2) APPLICABLE UNITED NATIONS SECURITY COUNCIL RESOLUTION.—The term "applicable United Nations Security Council resolution" means—

(A) United Nations Security Council Resolution 1695 (2006), 1718 (2006), 1874 (2009), 2087 (2013), [or 2094 (2013)] *2094 (2013), 2270 (2016), or 2321 (2016)*; and

(B) any United Nations Security Council resolution adopted on or after the date of the enactment of this Act that—

(i) authorizes the imposition of sanctions on persons for conduct with respect to North Korea;

(ii) prohibits transactions or activities involving the Government of North Korea; or

(iii) otherwise imposes sanctions with respect to North Korea.

(3) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term "appropriate congressional committees" means—

(A) the Committee on Foreign Relations and the Committee on Banking, Housing, and Urban Affairs of the Senate; and

(B) the Committee on Foreign Affairs, the Committee on Financial Services, and the Committee on Ways and Means of the House of Representatives.

(4) DESIGNATED PERSON.—The term "designated person" means a person designated under subsection (a) or (b) of section 104 for purposes of applying 1 or more of the sanctions described in title I or II with respect to the person.

(5) FOREIGN PERSON.—The term "foreign person" means—

(A) an individual who is not a United States citizen or an alien lawfully admitted for permanent residence to the United States; or

(B) an entity that is not a United States person.

[(5)] *(6)* GOVERNMENT OF NORTH KOREA.—The term "Government of North Korea" means the Government of North Korea and its agencies, instrumentalities, and controlled entities.

[(6)] *(7)* HUMANITARIAN ASSISTANCE.—The term "humanitarian assistance" means assistance to meet humanitarian

needs, including needs for food, medicine, medical supplies, clothing, and shelter.

[(7)] *(8)* INTELLIGENCE COMMUNITY.—The term "intelligence community" has the meaning given such term in section 3(4) of the National Security Act of 1947 (50 U.S.C. 3003(4)).

[(8)] *(9)* LUXURY GOODS.—The term "luxury goods"—

(A) has the meaning given such term in section 746.4(b)(1) of title 15, Code of Federal Regulations; [and]

(B) includes the items listed in Supplement No. 1 to part 746 of such title, and any similar items[.]*; and*

(C) also includes any items so designated under an applicable United Nations Security Council resolution.

[(9)] *(10)* MONETARY INSTRUMENTS.—The term "monetary instruments" has the meaning given such term in section 5312(a) of title 31, United States Code.

[(10)] *(11)* NORTH KOREA.—The term "North Korea" means the Democratic People's Republic of Korea.

[(11)] *(12)* NORTH KOREAN FINANCIAL INSTITUTION.—The term "North Korean financial institution" means any financial institution that—

(A) is organized under the laws of North Korea or any jurisdiction within North Korea (including a foreign branch of such an institution);

(B) is located in North Korea, except for a financial institution that is excluded by the President in accordance with section 208(c);

(C) is owned or controlled by the Government of North Korea, regardless of location; or

(D) is owned or controlled by a financial institution described in subparagraph (A), (B), or (C), regardless of location.

(13) NORTH KOREAN PERSON.—The term "North Korean person" means—

(A) a North Korean citizen or national; or

(B) an entity owned or controlled by the Government of North Korea or by a North Korean citizen or national.

[(12)] *(14)* SIGNIFICANT ACTIVITIES UNDERMINING CYBERSECURITY.—The term "significant activities undermining cybersecurity" includes—

(A) significant efforts to—

(i) deny access to or degrade, disrupt, or destroy an information and communications technology system or network; or

(ii) exfiltrate information from such a system or network without authorization;

(B) significant destructive malware attacks;

(C) significant denial of service activities; and

(D) such other significant activities described in regulations promulgated to implement section 104.

[(13)] *(15)* SOUTH KOREA.—The term "South Korea" means the Republic of Korea.

[(14)] *(16)* UNITED STATES PERSON.—The term "United States person" means—

(A) a United States citizen or an alien lawfully admitted for permanent residence to the United States; or

(B) an entity organized under the laws of the United States or of any jurisdiction within the United States, including a foreign branch of such an entity.

TITLE I—INVESTIGATIONS, PROHIBITED CONDUCT, AND PENALTIES

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SEC. 104. DESIGNATION OF PERSONS.

(a) MANDATORY DESIGNATIONS.—Except as provided in section 208, the President shall designate under this subsection any person that the President determines—

(1) knowingly, directly or indirectly, imports, exports, or reexports to, into, or from North Korea any goods, services, or technology controlled for export by the United States because of the use of such goods, services, or technology for weapons of mass destruction or delivery systems for such weapons and materially contributes to the use, development, production, possession, or acquisition by any person of a nuclear, radiological, chemical, or biological weapon or any device or system designed in whole or in part to deliver such a weapon;

(2) knowingly, directly or indirectly, provides training, advice, or other services or assistance, or engages in significant financial transactions, relating to the manufacture, maintenance, or use of any such weapon, device, or system to be imported, exported, or reexported to, into, or from North Korea;

(3) knowingly, directly or indirectly, imports, exports, or reexports luxury goods to or into North Korea;

(4) knowingly engages in, is responsible for, or facilitates censorship by the Government of North Korea;

(5) knowingly engages in, is responsible for, or facilitates serious human rights abuses by the Government of North Korea;

(6) knowingly, directly or indirectly, engages in money laundering, the counterfeiting of goods or currency, bulk cash smuggling, or narcotics trafficking that supports the Government of North Korea or any senior official or person acting for or on behalf of that Government;

(7) knowingly engages in significant activities undermining cybersecurity through the use of computer networks or systems against foreign persons, governments, or other entities on behalf of the Government of North Korea;

(8) knowingly, directly or indirectly, sells, supplies, or transfers to or from the Government of North Korea or any person acting for or on behalf of that Government, a significant amount of precious metal, graphite, raw or semi-finished metals or aluminum, steel, coal, or software, for use by or in industrial processes directly related to weapons of mass destruction and delivery systems for such weapons, other proliferation activities, the Korean Workers' Party, armed forces, internal security, or intelligence activities, or the operation and mainte-

nance of political prison camps or forced labor camps, including outside of North Korea;

(9) knowingly, directly or indirectly, imports, exports, or reexports to, into, or from North Korea any arms or related materiel**[**; or**]** *or any defense article or defense service (as such terms are defined in section 47 of the Arms Export Control Act (22 U.S.C. 2794));*

(10) knowingly, directly or indirectly, purchases or otherwise acquires from North Korea any significant amounts of gold, titanium ore, vanadium ore, copper, silver, nickel, zinc, or rare earth minerals;

(11) knowingly, directly or indirectly, sells or transfers to North Korea any significant amounts of rocket, aviation, or jet fuel (except for use by a civilian passenger aircraft outside North Korea, exclusively for consumption during its flight to North Korea or its return flight);

(12) knowingly, directly or indirectly, provides fuel, supplies, or bunkering services to, or facilitates a significant transaction or transactions to operate or maintain, a vessel or aircraft that is designated under an applicable Executive order or an applicable United Nations Security Council resolution, or that is owned or controlled by a person designated under an applicable Executive order or applicable United Nations Security Council resolution;

(13) knowingly, directly or indirectly, insures, registers, facilitates the registration of, or maintains insurance or a registration for, a vessel owned or controlled by the Government of North Korea, except as specifically approved by the United Nations Security Council;

(14) knowingly, directly or indirectly, maintains a correspondent account (as defined in section 201A(d)(1)) with any North Korean financial institution, except as specifically approved by the United Nations Security Council; or

[(10)**]** *(15)* knowingly attempts to engage in any of the conduct described in paragraphs (1) through **[**(9)**]** *(14)*.

(b) ADDITIONAL DISCRETIONARY DESIGNATIONS.—

(1) PROHIBITED CONDUCT DESCRIBED.—Except as provided in section 208, the President may designate under this subsection any person that the President determines—

(A) knowingly engages in, contributes to, assists, sponsors, or provides financial, material or technological support for, or goods and services in support of, any person designated **[**pursuant to an applicable United Nations Security Council resolution;**]** *pursuant to—*

(i) an applicable United Nations Security Council resolution;

(ii) any regulation promulgated under section 404; or

(iii) any applicable Executive order;

(B) knowingly contributed to—

(i) the bribery of an official of the Government of North Korea or any person acting for on behalf of that official;

(ii) the misappropriation, theft, or embezzlement of public funds by, or for the benefit of, an official of

the Government of North Korea or any person acting for or on behalf of that official; or

(iii) the use of any proceeds of any activity described in clause (i) or (ii); **[**or**]**

(C) knowingly and materially assisted, sponsored, or provided significant financial, material, or technological support for, or goods or services to or in support of, the activities described in subparagraph (A) or (B)**[**.**]***;*

(D) knowingly, directly or indirectly, purchased or otherwise acquired from the Government of North Korea significant quantities of coal, iron, or iron ore, in excess of the limitations provided in applicable United Nations Security Council resolutions;

(E) knowingly, directly or indirectly, purchased or otherwise acquired significant types or amounts of textiles from the Government of North Korea;

(F) knowingly facilitated any transfer of funds or property of the Government of North Korea that materially contributes to any violation of an applicable United National Security Council resolution;

(G) knowingly, directly or indirectly, facilitated a significant transfer to or from the Government of North Korea of bulk cash, precious metals, gemstones, or other stores of value not described under subsection (a)(10);

(H) knowingly, directly or indirectly, sold, transferred, or otherwise provided significant amounts of crude oil, condensates, refined petroleum, other types of petroleum or petroleum byproducts, liquified natural gas, or other natural gas resources to the Government of North Korea (except for heavy fuel oil, gasoline, or diesel fuel for humanitarian use or as excepted under subsection (a)(11));

(I) knowingly, directly or indirectly, engaged in, facilitated, or was responsible for the online commercial activities of the Government of North Korea, including online gambling;

(J) knowingly, directly or indirectly, purchased or otherwise acquired fishing rights from the Government of North Korea;

(K) knowingly, directly or indirectly, provided significant telephonic, telegraphic, telecommunications or other data services, in whole or in part, into or out of North Korea, in excess of services needed for humanitarian or diplomatic purposes (other than services that are excepted under section 203(b)(1) of the International Emergency Economic Powers Act (50 U.S.C. 1702(b)(1)));

(L) knowingly, directly or indirectly, purchased or otherwise acquired significant types or amounts of food or agricultural products from the Government of North Korea;

(M) knowingly, directly or indirectly, engaged in, facilitated, or was responsible for the exportation of workers from North Korea in a manner intended to generate significant revenue, directly or indirectly, for use by the Government of North Korea or by the Workers' Party of Korea;

(N) knowingly conducted a significant transaction or transactions in North Korea's transportation, mining, energy, or financial services industries; or

(O) except as specifically approved by the United Nations Security Council, and other than through a correspondent account as described in subsection (a)(14), knowingly facilitated the operation of any branch, subsidiary, or office of a North Korean financial institution.

(2) EFFECT OF DESIGNATION.—With respect to any person designated under this subsection, the President may—

(A) apply the sanctions described in section 204, 205(c), or 206 to the person to the same extent and in the same manner as if the person were designated under subsection (a);

(B) apply any applicable special measures described in section 5318A of title 31, United States Code;

(C) prohibit any transactions in foreign exchange—

(i) that are subject to the jurisdiction of the United States; and

(ii) in which such person has any interest; and

(D) prohibit any transfers of credit or payments between financial institutions or by, through, or to any financial institution, to the extent that such transfers or payments—

(i) are subject to the jurisdiction of the United States; and

(ii) involve any interest of such person.

(c) ASSET BLOCKING.—[The President]

(1) MANDATORY ASSET BLOCKING.—The President shall exercise all of the powers granted to the President under the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.) to the extent necessary to block and prohibit all transactions in property and interests in property [of a designated person] *of a person designated under subsection (a)*, the Government of North Korea, or the Workers' Party of Korea, if such property and interests in property are in the United States, come within the United States, or are or come within the possession or control of a United States person.

(2) DISCRETIONARY ASSET BLOCKING.—The President may also exercise such powers, in the same manner and to the same extent described in paragraph (1), with respect to a person designated under subsection (b).

(d) APPLICATION TO SUBSIDIARIES AND AGENTS.—The designation of a person under subsection (a) or (b) and the blocking of property and interests in property under subsection (c) shall apply with respect to a person who is determined to be owned or controlled by, or to have acted or purported to have acted for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked pursuant to this section.

(e) TRANSACTION LICENSING.—The President shall deny or revoke any license for any transaction that the President determines to lack sufficient financial controls to ensure that such transaction will not facilitate any activity described in subsection (a) or (b).

(f) PENALTIES.—The penalties provided for in subsections (b) and (c) of section 206 of the International Emergency Economic

Powers Act (50 U.S.C. 1705) shall apply to any person who violates, attempts to violate, conspires to violate, or causes a violation of any prohibition of this section, or an order or regulation prescribed under this section, to the same extent that such penalties apply to a person that commits an unlawful act described in section 206(a) of such Act (50 U.S.C. 1705(a)).

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TITLE II—SANCTIONS AGAINST NORTH KOREAN PROLIFERATION, HUMAN RIGHTS ABUSES, AND ILLICIT ACTIVITIES

* * * * * * *

SEC. 201A. PROHIBITION ON INDIRECT CORRESPONDENT ACCOUNTS.

(a) IN GENERAL.—Except as provided in subsection (b), if a United States financial institution has or obtains knowledge that a correspondent account established, maintained, administered, or managed by that institution for a foreign financial institution is being used by the foreign financial institution to provide financial services indirectly to any person, foreign government, or financial institution designated under section 104, the United States financial institution shall ensure that such correspondent account is no longer used to provide such services.

(b) EXCEPTION.—A United States financial institution is authorized to process transfers of funds to or from North Korea, or for the direct or indirect benefit of any person, foreign government, or financial institution that is designated under section 104, only if the transfer—

(1) arises from, and is ordinarily incident and necessary to give effect to, an underlying transaction that has been authorized by a specific or general license issued by the Secretary of the Treasury; and

(2) does not involve debiting or crediting a North Korean account.

(c) DEFINITIONS.—In this section:

(1) CORRESPONDENT ACCOUNT.—The term "correspondent account" has the meaning given that term in section 5318A of title 31, United States Code.

(2) UNITED STATES FINANCIAL INSTITUTION.—The term "United States financial institution" means has the meaning given that term in section 510.310 of title 31, Code of Federal Regulations, as in effect on the date of the enactment of this section.

(3) FOREIGN FINANCIAL INSTITUTION.—The term "foreign financial institution" has the meaning given that term in section 1010.605 of title 31, Code of Federal Regulations, as in effect on the date of the enactment of this section.

* * * * * * *

SEC. 203. PROLIFERATION PREVENTION SANCTIONS.

(a) EXPORT OF CERTAIN GOODS OR TECHNOLOGY.—A validated license shall be required for the export to North Korea of any goods or technology otherwise covered under section 6(j) of the Export Administration Act of 1979 (50 U.S.C. 4605(j)). No defense exports may be approved for the Government of North Korea.

(b) [TRANSACTIONS IN LETHAL MILITARY EQUIPMENT] *TRANSACTIONS IN DEFENSE ARTICLES OR DEFENSE SERVICES.*—

(1) IN GENERAL.—The President shall withhold assistance under the Foreign Assistance Act of 1961 (22 U.S.C. 2151 et seq.) to the government of any country [that provides lethal military equipment to the Government of North Korea] *that provides to or receives from the Government of North Korea a defense article or defense service, as such terms are defined in section 47 of the Arms Export Control Act (22 U.S.C. 2794).*

(2) APPLICABILITY.—The prohibition under paragraph (1) with respect to a government shall terminate on the date that is [1 year] *2 years* after the date on which the prohibition under paragraph (1) is applied to that government.

(c) WAIVER.—Notwithstanding any other provision of law, the Secretary of State may waive the prohibitions under this section with respect to a country if the Secretary—

(1) determines that such waiver is in the national interest of the United States; and

(2) submits a written report to the appropriate congressional committees that describes—

(A) the steps that the relevant agencies are taking to curtail the trade described in subsection (b)(1); and

(B) why such waiver is in the national interest of the United States.

(d) EXCEPTION.—The prohibitions under this section shall not apply to the provision of assistance for human rights, democracy, rule of law, [or emergency] *maternal and child health, disease prevention and response, or* humanitarian purposes.

(e) REPORT ON ARMS TRAFFICKING INVOLVING NORTH KOREA.—

(1) IN GENERAL.—Not later than 180 days after the date of the enactment of this subsection, and every 180 days thereafter for 5 years, the Secretary of State shall submit to the appropriate congressional committees a report that specifically describes the compliance of foreign countries and other foreign jurisdictions with the requirement to curtail the trade described in subsection (b)(1).

(2) FORM.—The report required under paragraph (1) shall be submitted in unclassified form but may contain a classified annex.

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[SEC. 205. ENHANCED INSPECTION AUTHORITIES.

[(a) REPORT REQUIRED.—Not later than 180 days after the date of the enactment of this Act, and annually thereafter, the President shall submit to the appropriate congressional committees a report that identifies foreign ports and airports at which inspections of ships, aircraft, and conveyances originating in North Korea, carrying North Korean property, or operated by the Govern-

ment of North Korea are not sufficient to effectively prevent the facilitation of any of the activities described in section 104(a).

[(b) ENHANCED CUSTOMS INSPECTION REQUIREMENTS.—The Secretary of Homeland Security may require enhanced inspections of any goods entering the United States that have been transported through a port or airport identified by the President under subsection (a).

[(c) SEIZURE AND FORFEITURE.—A vessel, aircraft, or conveyance used to facilitate any of the activities described in section 104(a) under the jurisdiction of the United States may be seized and forfeited under—

[(1) chapter 46 of title 18, United States Code; or

[(2) title V of the Tariff Act of 1930 (19 U.S.C. 1501 et seq.).]

SEC. 205. ENHANCED INSPECTION AUTHORITIES.

(a) REPORT REQUIRED.—

(1) IN GENERAL.—Not later than 180 days after the date of the enactment of this section, and annually thereafter for 5 years, the President shall submit to the appropriate congressional committees a report—

(A) identifying the operators of foreign sea ports and airports that have knowingly—

(i) failed to implement or enforce regulations to inspect ships, aircraft, cargo, or conveyances in transit to or from North Korea, as required by applicable United Nations Security Council resolutions;

(ii) facilitated the transfer, transshipment, or conveyance of significant types or quantities of cargo, vessels, or aircraft owned or controlled by persons designated under applicable United Nations Security Council resolutions; or

(iii) facilitated any of the activities described in section 104(a);

(B) describing the extent to which the requirements of applicable United Nations Security Council resolutions to de-register any vessel owned, controlled, or operated by the Government of North Korea have been implemented by other foreign countries;

(C) describing the compliance of the Islamic Republic of Iran with the sanctions mandated in applicable United Nations Security Council resolutions;

(D) identifying vessels, aircraft, and conveyances owned or controlled by the Reconnaissance General Bureau of the Workers' Party of Korea; and

(E) describing the diplomatic and enforcement efforts by the President to secure the full implementation of the applicable United Nations Security Council resolutions, as described in subparagraphs (A) through (C).

(2) FORM.—The report required under paragraph (1) shall be submitted in unclassified form but may contain a classified annex.

(b) SPECIFIC FINDINGS.—Each report required under subsection (a) shall include specific findings with respect to the following ports and airports:

(1) The ports of Dandong, Dalian, and any other port in the People's Republic of China that the President deems appropriate.

(2) The ports of Abadan, Bandar-e-Abbas, Chabahar, Bandar-e-Khomeini, Bushehr Port, Asaluyeh Port, Kish, Kharg Island, Bandar-e-Lenge, and Khorramshahr, and Tehran Imam Khomeini International Airport, in the Islamic Republic of Iran.

(3) The ports of Nakhodka, Vanino, and Vladivostok, in the Russian Federation.

(4) The ports of Latakia, Banias, and Tartous, and Damascus International Airport, in the Syrian Arab Republic.

(c) ENHANCED SECURITY TARGETING REQUIREMENTS.—

(1) IN GENERAL.—Except as provided in paragraph (2), the Secretary of Homeland Security may, using the Automated Targeting System operated by the National Targeting Center of U.S. Customs and Border Protection, require enhanced screening procedures to determine whether physical inspections are warranted of any cargo bound for or landed in the United States that—

(A) has been transported through a sea port or airport the operator of which has been identified by the President in accordance with subsection (a)(1) as having repeatedly failed to comply with applicable United Nations Security Council resolutions;

(B) is aboard a vessel or aircraft, or within a conveyance that has, within the last 365 days, entered the territory, waters, or airspace of North Korea, or landed in any of the sea ports or airports of North Korea; or

(C) is registered by a country or jurisdiction whose compliance has been identified by the President as deficient pursuant to subsection (a)(2).

(2) EXCEPTION FOR FOOD, MEDICINE, AND HUMANITARIAN SHIPMENTS.—Paragraph (1) shall not apply to any vessel, aircraft, or conveyance that has entered the territory, waters, or airspace of North Korea, or landed in any of the sea ports or airports of North Korea, exclusively for the purposes described in section 208(b)(3)(B), or to import food, medicine, or supplies into North Korea to meet the humanitarian needs of the North Korean people.

(d) SEIZURE AND FORFEITURE.—A vessel, aircraft, or conveyance used to facilitate any of the activities described in section 104(a) under the jurisdiction of the United States may be seized and forfeited under—

(1) chapter 46 of title 18, United States Code; or

(2) part V of title IV of the Tariff Act of 1930 (19 U.S.C. 1581 et seq.).

* * * * * * *

SEC. 208. EXEMPTIONS, WAIVERS, AND REMOVALS OF DESIGNATION.

(a) EXEMPTIONS.—The following activities shall be exempt from sanctions under sections 104, *201A,* 206, 209, *302A, 302B,* and 304:

(1) Activities subject to the reporting requirements under title V of the National Security Act of 1947 (50 U.S.C. 3091 et

seq.), or to any authorized intelligence activities of the United States.

(2) Any transaction necessary to comply with United States obligations under the Agreement between the United Nations and the United States of America regarding the Headquarters of the United Nations, signed at Lake Success June 26, 1947, and entered into force November 21, 1947, or under the Convention on Consular Relations, done at Vienna April 24, 1963, and entered into force March 19, 1967, or under other international agreements.

(3) Any activities incidental to the POW/MIA accounting mission in North Korea, including activities by the Defense POW/MIA Accounting Agency and other governmental or nongovernmental organizations tasked with identifying or recovering the remains of members of the United States Armed Forces in North Korea.

(b) HUMANITARIAN WAIVER.—

(1) IN GENERAL.—The President may waive, for renewable periods of between 30 days and 1 year, the application of the sanctions authorized under section 104, *201A,* 204, 205, 206, 209(b), *302A, 302B,* or 304(b) if the President submits to the appropriate congressional committees a written determination that the waiver is necessary for humanitarian assistance or to carry out the humanitarian purposes set forth section 4 of the North Korean Human Rights Act of 2004 (22 U.S.C. 7802).

(2) CONTENT OF WRITTEN DETERMINATION.—A written determination submitted under paragraph (1) with respect to a waiver shall include a description of all notification and accountability controls that have been employed in order to ensure that the activities covered by the waiver are humanitarian assistance or are carried out for the purposes set forth in section 4 of the North Korean Human Rights Act of 2004 (22 U.S.C. 7802) and do not entail any activities in North Korea or dealings with the Government of North Korea not reasonably related to humanitarian assistance or such purposes.

(3) CLARIFICATION OF PERMITTED ACTIVITIES UNDER WAIVER.—An internationally recognized humanitarian organization shall not be subject to sanctions under section 104, *201A,* 204, 205, 206, 209(b), *302A, 302B,* or 304(b) for—

(A) engaging in a financial transaction relating to humanitarian assistance or for humanitarian purposes pursuant to a waiver issued under paragraph (1);

(B) transporting goods or services that are necessary to carry out operations relating to humanitarian assistance or humanitarian purposes pursuant to such a waiver; or

(C) having merely incidental contact, in the course of providing humanitarian assistance or aid for humanitarian purposes pursuant to such a waiver, with individuals who are under the control of a foreign person subject to sanctions under this Act.

(c) WAIVER.—The President may waive, on a case-by-case basis, for renewable periods of between 30 days and 1 year, the application of the sanctions authorized under section 104, *201A,* 201(c)(2), 204, 205, 206, 209(b), *302A, 302B,* or 304(b) if the Presi-

dent submits to the appropriate congressional committees a written determination that the waiver—

(1) is important to the national security interests of the United States; or

(2) will further the enforcement of this Act or is for an important law enforcement purpose.

(d) FINANCIAL SERVICES FOR HUMANITARIAN AND CONSULAR ACTIVITIES.—The President may promulgate such regulations, rules, and policies as may be necessary to facilitate the provision of financial services by a foreign financial institution that is not a North Korean financial institution in support of activities conducted pursuant to an exemption or waiver under this section.

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TITLE III—PROMOTION OF HUMAN RIGHTS

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SEC. 302. STRATEGY TO PROMOTE NORTH KOREAN HUMAN RIGHTS.

(a) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Secretary of State, in coordination with other appropriate Federal departments and agencies, shall submit to the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives a report that details a United States strategy to promote initiatives to enhance international awareness of and to address the human rights situation in North Korea.

(b) INFORMATION.—The report required under subsection (a) should include—

(1) a list of countries that forcibly repatriate refugees from North Korea; **[**and**]**

(2) a list of countries where North Korean laborers work, including countries the governments of which have formal arrangements with the Government of North Korea or any person acting for or on behalf of that Government to employ North Korean workers**[**.**]***; and*

(3) a list of foreign persons that employ North Korean laborers.

(c) STRATEGY.—The report required under subsection (a) should include—

(1) a plan to enhance bilateral and multilateral outreach, including sustained engagement with the governments of partners and allies with overseas posts to routinely demarche or brief those governments on North Korea human rights issues, including forced labor, trafficking, and repatriation of citizens of North Korea;

(2) public affairs and public diplomacy campaigns, including options to work with news organizations and media outlets to publish opinion pieces and secure public speaking opportunities for United States Government officials on issues related to the human rights situation in North Korea, including forced labor, trafficking, and repatriation of citizens of North Korea; and

(3) opportunities to coordinate and collaborate with appropriate nongovernmental organizations and private sector entities to raise awareness and provide assistance to North Korean defectors throughout the world.

SEC. 302A. REBUTTABLE PRESUMPTION APPLICABLE TO GOODS MADE WITH NORTH KOREAN LABOR.

(a) IN GENERAL.—Except as provided in subsection (b), any goods, wares, articles, and merchandise mined, produced, or manufactured wholly or in part by the labor of North Korean nationals or citizens shall be deemed to be prohibited under section 307 of the Tariff Act of 1930 (19 U.S.C. 1307) and shall not be entitled to entry at any of the ports of the United States.

(b) EXCEPTION.—The prohibition described in subsection (a) shall not apply if the Commissioner of U.S. Customs and Border Protection finds, by clear and convincing evidence, that the goods, wares, articles, or merchandise described in such paragraph were not produced with convict labor, forced labor, or indentured labor under penal sanctions.

SEC. 302B. SANCTIONS ON FOREIGN PERSONS EMPLOYING NORTH KOREAN LABOR.

(a) IN GENERAL.—Except as provided in subsection (c), the President shall designate any person identified under section 302(b)(3) for the imposition of sanctions under subsection (b).

(b) IMPOSITION OF SANCTIONS.—

(1) IN GENERAL.—The President shall impose the sanctions described in paragraph (2) with respect to any person designated under subsection (a).

(2) SANCTIONS DESCRIBED.—The sanctions described in this paragraph are sanctions pursuant to the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.) to block and prohibit all transactions in property and interests in property of a person designated under subsection (a), if such property and interests in property are in the United States, come within the United States, or are or come within the possession or control of a United States person.

(c) EXCEPTION.—

(1) IN GENERAL.—A person may not be designated under subsection (a) if the President certifies to the appropriate congressional committees that the President has received reliable assurances from such person that—

(A) the employment of North Korean laborers does not result in the direct or indirect transfer of convertible currency, luxury goods, or other stores of value to the Government of North Korea;

(B) all wages and benefits are provided directly to the laborers, and are held, as applicable, in accounts within the jurisdiction in which they reside in locally denominated currency; and

(C) the laborers are subject to working conditions consistent with international standards.

(2) RECERTIFICATION.—Not later than 180 days after the date on which the President transmits to the appropriate congressional committees an initial certification under paragraph (1), and every 180 days thereafter, the President shall—

(A) transmit a recertification stating that the conditions described in such paragraph continue to be met; or

(B) if such recertification cannot be transmitted, impose the sanctions described in subsection (b) beginning on the date on which the President determines that such recertification cannot be transmitted.

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TITLE IV—GENERAL AUTHORITIES

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SEC. 402. TERMINATION OF SANCTIONS AND OTHER MEASURES.

Any sanction or other measure required under title I, II, or III (or any amendment made by such titles) shall terminate on the date on which the President determines and certifies to the appropriate congressional committees that the Government of North Korea has—

(1) met the requirements set forth in section 401; and

(2) made significant progress toward—

(A) completely, verifiably, and irreversibly dismantling all of its nuclear, chemical, biological, and radiological weapons programs, including all programs for the development of systems designed in whole or in part for the delivery of such weapons;

(B) releasing all political prisoners, including the citizens of North Korea detained in North Korea's political prison camps;

(C) ceasing its censorship of peaceful political activity;

(D) establishing an open, transparent, and representative society; **[**and**]**

(E) fully accounting for and repatriating United States citizens (including deceased United States citizens)—

(i) abducted or unlawfully held captive by the Government of North Korea; or

(ii) detained in violation of the Agreement Concerning a Military Armistice in Korea, signed at Panmunjom July 27, 1953 (commonly referred to as the "Korean War Armistice Agreement")**[**.**]***; and*

(F) planning for unrestricted family reunification meetings, including for those individuals in the Korean-American community who maintain family ties with relatives in North Korea.

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PORTS AND WATERWAYS SAFETY ACT

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SEC. 4. VESSEL OPERATING REQUIREMENTS.

(a) IN GENERAL.—Subject to the requirements of section 5, the Secretary—

(1) in any port or place under the jurisdiction of the United States, in the navigable waters of the United States, or in any area covered by an international agreement negotiated pursu-

ant to section 11, may construct, operate, maintain, improve, or expand vessel traffic services, consisting of measures for controlling or supervising vessel traffic or for protecting navigation and the marine environment and may include, but need not be limited to one or more of the following: reporting and operating requirements, surveillance and communications systems, routing systems, and fairways;

(2) shall require appropriate vessels which operate in an area of a vessel traffic service to utilize or comply with that service;

(3) may require vessels to install and use specified navigation equipment, communications equipment, electronic relative motion analyzer equipment, or any electronic or other device necessary to comply with a vessel traffic service or which is necessary in the interests of vessel safety: *Provided,* That the Secretary shall not require fishing vessels under 300 gross tons as measured under section 14502 of title 46, United States Code, or an alternate tonnage measured under section 14302 of that title as prescribed by the Secretary under section 14104 of that title or recreational vessels 65 feet or less to possess or use the equipment or devices required by this subsection solely under the authority of this Act;

(4) may control vessel traffic in areas subject to the jurisdiction of the United States which the Secretary determines to be hazardous, or under conditions of reduced visibility, adverse weather, vessel congestion, or other hazardous circumstances by—

(A) specifying times of entry, movement, or departure;

(B) establishing vessel traffic routing schemes;

(C) establishing vessel size, speed, draft limitations and vessel operating conditions; and

(D) restricting operation, in any hazardous area or under hazardous conditions, to vessels which have particular operating characteristics or capabilities which he considers necessary for safe operation under the circumstances;

(5) may require the receipt of prearrival messages from any vessel, destined for a port or place subject to the jurisdiction of the United States, in sufficient time to permit advance vessel traffic planning prior to port entry, which shall include any information which is not already a matter of record and which the Secretary determines necessary for the control of the vessel and the safety of the port or the marine environment; and

(6) may prohibit the use on vessels of electronic or other devices that interfere with communication and navigation equipment, except that such authority shall not apply to electronic or other devices certified to transmit in the maritime services by the Federal Communications Commission and used within the frequency bands 157.1875–157.4375 MHz and 161.7875–162.0375 MHz.

(b) SPECIAL POWERS.—The Secretary may order any vessel, in a port or place subject to the jurisdiction of the United States or in the navigable waters of the United States, to operate or a anchor in a manner he directs if—

(1) he has reasonable cause to believe such vessel does not comply with any regulation issued under this Act or any other applicable law or treaty;

(2) he determines that such vessel does not satisfy the conditions for port entry set forth in section 9 *or 16*; or

(3) by reason of weather, visibility, sea conditions, port congestion, other hazardous circumstances, or the condition of such vessel, he is satisfied that such directive is justified in the interest of safety.

(c) PORT ACCESS ROUTES.—(1) In order to provide safe access routes for the movement of vessel traffic proceeding to or from ports or places subject to the jurisdiction of the United States, and subject to the requirements of paragraph (3) hereof, the Secretary shall designate necessary fairways and traffic separation schemes for vessels operating in the territorial sea of the United States and in high seas approaches, outside the territorial sea, to such ports or places. Such a designation shall recognize, within the designated area, the paramount right of navigation over all other uses.

(2) No designation may be made by the Secretary pursuant to this subsection, if such a designation, as implemented, would deprive any person of the effective exercise of a right granted by a lease or permit executed or issued under other applicable provisions of law: *Provided*, That such right has become vested prior to the time of publication of the notice required by clause (A) of paragraph (3) hereof: *Provided further*, That the determination as to whether the designation would so deprive any such person shall be made by the Secretary, after consultation with the responsible official under whose authority the lease was executed or the permit issued.

(3) Prior to making a designation pursuant to paragraph (1) hereof, and in accordance with the requirements of section 5, the Secretary shall—

(A) within six months after date of enactment of this Act (and may, from time to time thereafter), undertake a study of the potential traffic density and the need for safe access routes for vessels in any area for which fairways or traffic separation schemes are proposed or which may otherwise be considered and shall publish notice of such undertaking in the Federal Register;

(B) in consultation with the Secretary of State, the Secretary of the Interior, the Secretary of Commerce, the Secretary of the Army, and the Governors of affected States, as their responsibilities may require, take into account all other uses of the area under consideration (including, as appropriate, the exploration for, or exploitation of, oil, gas, or other mineral resources, the construction or operation of deepwater ports or other structures on or above the seabed or subsoil of the submerged lands or the Outer Continental Shelf of the United States, the establishment or operation of marine or estuarine sanctuaries, and activities involving recreational or commercial fishing); and

(C) to the extent practicable, reconcile the need for safe access routes with the needs of all other reasonable uses of the area involved.

(4) In carrying out his responsibilities under paragraph (3), the Secretary shall proceed expeditiously to complete any study undertaken. Thereafter, he shall promptly issue a notice of proposed rulemaking for the designation contemplated or shall have published in the Federal Register a notice that no designation is contemplated as a result of the study and the reason for such determination.

(5) In connection with a designation made pursuant to this subsection, the Secretary—

(A) shall issue reasonable rules and regulations governing the use of such designated areas, including the applicability of rules 9 and 10 of the International Regulations for Preventing Collisions at Sea, 1972, relating to narrow channels and traffic separation schemes, respectively, in waters where such regulations apply;

(B) to the extent that he finds reasonable and necessary to effectuate the purposes of the designation, make the use of designated fairways and traffic separation schemes mandatory for specific types and sizes of vessels, foreign and domestic, operating in the territorial sea of the United States and for specific types and sizes of vessels of the United States operating on the high seas beyond the territorial sea of the United States;

(C) may, from time to time, as necessary, adjust the location or limits of designated fairways or traffic separation schemes, in order to accommodate the needs of other uses which cannot be reasonably accommodated otherwise: *Provided,* That such an adjustment will not, in the judgment of the Secretary, unacceptably adversely affect the purpose for which the existing designation was made and the need for which continues; and

(D) shall, through appropriate channels, (i) notify cognizant international organizations of any designation, or adjustment thereof, and (ii) take action to seek the cooperation of foreign States in making it mandatory for vessels under their control to use any fairway or traffic separation scheme designated pursuant to this subsection in any area of the high seas, to the same extent as required by the Secretary for vessels of the United States.

(d) EXCEPTION.—Except pursuant to international treaty, convention, or agreement, to which the United States is a party, this Act shall not apply to any foreign vessel that is not destined for, or departing from, a port or place subject to the jurisdiction of the United States and that is in—

(1) innocent passage through the territorial sea of the United States, or

(2) transit through the navigable waters of the United States which form a part of an international strait.

(e) COOPERATIVE AGREEMENTS.—(1) The Secretary may enter into cooperative agreements with public or private agencies, authorities, associations, institutions, corporations, organizations, or other persons to carry out the functions under subsection (a)(1).

(2) A nongovernmental entity may not under this subsection carry out an inherently governmental function.

(3) As used in this paragraph, the term "inherently governmental function" means any activity that is so intimately related

to the public interest as to mandate performance by an officer or employee of the Federal Government, including an activity that requires either the exercise of discretion in applying the authority of the Government or the use of judgment in making a decision for the Government.

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SEC. 13. ENFORCEMENT.

(a) CIVIL PENALTY.—(1) Any person who is found by the Secretary, after notice and an opportunity for a hearing, to have violated this Act or a regulation issued hereunder shall be liable to the United States for a civil penalty, not to exceed $25,000 for each violation. Each day of a continuing violation shall constitute a separate violation. The amount of such civil penalty shall be assessed by the Secretary, or his designee, by written notice. In determining the amount of such penalty, the Secretary shall take into account the nature, circumstances, extent and gravity of the prohibited acts committed and, with respect to the violator, the degree of culpability, any history of prior offenses, ability to pay, and such other matters as justice may require.

(2) The Secretary may compromise, modify, or remit, with or without conditions, any civil penalty which is subject to imposition or which has been imposed under this section.

(3) If any person fails to pay an assessment of a civil penalty after it has become final, the Secretary may refer the matter to the Attorney General of the United States, for collection in any appropriate district court of the United States.

(b) CRIMINAL PENALTY.—(1) Any person who willfully and knowingly violates this Act or any regulation issued hereunder commits a class D felony.

(2) Any person who, in the willfull and knowing violation of this Act or of any regulation issued hereunder, uses a dangerous weapon, or engages in conduct that causes bodily injury or fear of imminent bodily injury to any officer authorized to enforce the provisions of this Act or the regulations issued hereunder, commits a class C felony.

(c) IN REM LIABILITY.—Any vessel subject to the provisions of this Act, which is used in violation of this Act, or any regulations issued hereunder, shall be liable in rem for any civil penalty assessed pursuant to subsection (a) and may be proceeded against in the United States district court for any district in which such vessel may be found.

(d) INJUNCTION.—The United States district courts shall have jurisdiction to restrain violations of this Act or of regulations issued hereunder, for cause shown.

(e) DENIAL OF ENTRY.—Except as provided in [section 9] *section 9 or 16*, the Secretary may, subject to recognized principles of international law, deny entry into the navigable waters of the United States or to any port or place under the jurisdiction of the United States to any vessel not in compliance with the provisions of this Act or the regulations issued hereunder.

(f) WITHHOLDING OF CLEARANCE.—(1) If any owner, operator, or individual in charge of a vessel is liable for a penalty or fine under this section, or if reasonable cause exists to believe that the owner, operator, or individual in charge may be subject to a penalty or fine under this section, the Secretary of the Treasury, upon

the request of the Secretary, shall with respect to such vessel refuse or revoke any clearance required by section 4197 of the Revised Statutes of the United States (46 App. U.S.C. 91).

(2) Clearance refused or revoked under this subsection may be granted upon filing of a bond or other surety satisfactory to the Secretary.

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SEC. 16. PROHIBITION ON ENTRY AND OPERATION.

(a) PROHIBITION.—

(1) IN GENERAL.—Except as otherwise provided in this section, no vessel described in subsection (b) may enter or operate in the navigable waters of the United States or transfer cargo in any port or place under the jurisdiction of the United States.

(2) LIMITATION ON APPLICATION.—

(A) DETERMINATION BY SECRETARY OF STATE.—Paragraph (1) shall not apply with respect to a vessel described in subsection (b)(2) if the Secretary of State determines that the vessel is no longer registered as described in that subsection.

(B) NOTICE.—The Secretary of State shall publish a notice in the Federal Register of each determination made under subparagraph (A).

(b) VESSELS DESCRIBED.—A vessel referred to in subsection (a) is a foreign vessel for which a notice of arrival is required to be filed under section 4(a)(5), and that—

(1) is on the most recent list of vessels published in Federal Register under subsection (c)(2); or

(2) more than 180 days after the publication of such list, is knowingly registered, pursuant to the 1958 Convention on the High Seas entered into force on September 30, 1962, by a government the agents or instrumentalities of which are maintaining a registration of a vessel that is included on such list.

(c) INFORMATION AND PUBLICATION.—The Secretary of the department in which the Coast Guard is operating, in consultation with the Secretary of State, shall—

(1) maintain timely information on the registrations of all foreign vessels over 300 gross tons that are—

(A) owned or operated by or on behalf of the Government of North Korea or a North Korean person;

(B) owned or operated by or on behalf of any country in which a sea port or airport is located, the operator of which the President has identified in the most recent report submitted under section 205(a)(1) of the North Korea Sanctions and Policy Enhancement Act of 2016; or

(C) owned or operated by or on behalf of any country identified by the President as a country that has not complied with the applicable United Nations Security Council resolutions (as such term is defined in section 3 of such Act); and

(2) not later than 180 days after the date of the enactment of this section, and periodically thereafter, publish in the Federal Register a list of the vessels described in paragraph (1).

(d) NOTIFICATION OF GOVERNMENTS.—

(1) IN GENERAL.—The Secretary of State shall notify each government, the agents or instrumentalities of which are maintaining a registration of a foreign vessel that is included on a list published under subsection (c)(2), not later than 30 days after such publication, that all vessels registered under such government's authority are subject to the prohibition under subsection (a).

(2) ADDITIONAL NOTIFICATION.—In the case of a government that continues to maintain a registration for a vessel that is included on such list after receiving an initial notification under paragraph (1), the Secretary shall issue an additional notification to such government not later than 120 days after the publication of a list under subsection (c)(2).

(e) NOTIFICATION OF VESSELS.—Upon receiving a notice of arrival under section 4(a)(5) from a vessel described in subsection (b), the Secretary of the department in which the Coast Guard is operating shall notify the master of such vessel that the vessel may not enter or operate in the navigable waters of the United States or transfer cargo in any port or place under the jurisdiction of the United States, unless—

(1) the Secretary of State has made a determination under subsection (a)(2); or

(2) the Secretary of the department in which the Coast Guard is operating allows provisional entry of the vessel, or transfer of cargo from the vessel, under subsection (f).

(f) PROVISIONAL ENTRY OR CARGO TRANSFER.—Notwithstanding any other provision of this section, the Secretary of the department in which the Coast Guard is operating may allow provisional entry of, or transfer of cargo from, a vessel, if such entry or transfer is necessary for the safety of the vessel or persons aboard.

(g) RIGHT OF INNOCENT PASSAGE.—This section shall not be construed as authority to restrict the right of innocent passage as recognized under international law.

(h) FOREIGN VESSEL DEFINED.—In this section, the term 'foreign vessel' has the meaning given that term in section 110 of title 46, United States Code.

STATE DEPARTMENT BASIC AUTHORITIES ACT OF 1956

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TITLE I—BASIC AUTHORITIES GENERALLY

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SEC. 36. DEPARTMENT OF STATE REWARDS PROGRAM.

(a) ESTABLISHMENT.—

(1) IN GENERAL.—There is established a program for the payment of rewards to carry out the purposes of this section.

(2) PURPOSE.—The rewards program shall be designed to assist in the prevention of acts of international terrorism, international narcotics trafficking, serious violations of international humanitarian law, transnational organized crime, and other related criminal acts.

(3) IMPLEMENTATION.—The rewards program shall be administered by the Secretary of State, in consultation, as appropriate, with the Attorney General.

(b) REWARDS AUTHORIZED.—In the sole discretion of the Secretary (except as provided in subsection (c)(2)) and in consultation, as appropriate, with the heads of other relevant departments or agencies, the Secretary may pay a reward to any individual who furnishes information leading to—

(1) the arrest or conviction in any country of any individual for the commission of an act of international terrorism against a United States person or United States property;

(2) the arrest or conviction in any country of any individual conspiring or attempting to commit an act of international terrorism against a United States person or United States property;

(3) the arrest or conviction in any country of any individual for committing, primarily outside the territorial jurisdiction of the United States, any narcotics-related offense if that offense involves or is a significant part of conduct that involves—

(A) a violation of United States narcotics laws such that the individual would be a major violator of such laws;

(B) the killing or kidnapping of—

(i) any officer, employee, or contract employee of the United States Government while such individual is engaged in official duties, or on account of that individual's official duties, in connection with the enforcement of United States narcotics laws or the implementing of United States narcotics control objectives; or

(ii) a member of the immediate family of any such individual on account of that individual's official duties, in connection with the enforcement of United States narcotics laws or the implementing of United States narcotics control objectives; or

(C) an attempt or conspiracy to commit any act described in subparagraph (A) or (B);

(4) the arrest or conviction in any country of any individual aiding or abetting in the commission of an act described in paragraph (1), (2), (3), (8), (9), or (10);

(5) the prevention, frustration, or favorable resolution of an act described in paragraph (1), (2), (3), (8), (9), or (10) including by dismantling an organization in whole or significant part;

(6) the identification or location of an individual who holds a key leadership position in a terrorist organization or transnational organized crime group;

(7) the disruption of financial mechanisms of a foreign terrorist organization or transnational organized crime group, including the use by such organization or group of illicit narcotics production or international narcotics trafficking—

(A) to finance acts of international terrorism or transnational organized crime; or

(B) to sustain or support any terrorist organization or transnational organized crime group;

(8) the arrest or conviction in any country of any individual for participating in, primarily outside the United States, transnational organized crime;

(9) the arrest or conviction in any country of any individual conspiring to participate in or attempting to participate in transnational organized crime; [or]

(10) the arrest or conviction in any country, or the transfer to or conviction by an international criminal tribunal (including a hybrid or mixed tribunal), of any foreign national accused of war crimes, crimes against humanity, or genocide, as defined under the statute of such tribunal[.]*;*

(11) the identification or location of any person who, while acting at the direction of or under the control of a foreign government, aids or abets a violation of section 1030 of title 18, United States Code; or

(12) the disruption of financial mechanisms of any person who has engaged in the conduct described in sections 104(a) or 104(b)(1) of the North Korea Sanctions and Policy Enhancement Act of 2016 (22 U.S.C. 2914(a) or (b)(1)).

(c) COORDINATION.—

(1) PROCEDURES.—To ensure that the payment of rewards pursuant to this section does not duplicate or interfere with the payment of informants or the obtaining of evidence or information, as authorized to the Department of Justice, the offering, administration, and payment of rewards under this section, including procedures for—

(A) identifying individuals, organizations, and offenses with respect to which rewards will be offered;

(B) the publication of rewards;

(C) the offering of joint rewards with foreign governments;

(D) the receipt and analysis of data; and

(E) the payment and approval of payment,

shall be governed by procedures developed by the Secretary of State, in consultation with the Attorney General.

(2) PRIOR APPROVAL OF ATTORNEY GENERAL REQUIRED.—Before making a reward under this section in a matter over which there is Federal criminal jurisdiction, the Secretary of State shall obtain the concurrence of the Attorney General.

(d) FUNDING.—

(1) AUTHORIZATION OF APPROPRIATIONS.—Notwithstanding section 102 of the Foreign Relations Authorization Act, Fiscal Years 1986 and 1987 (Public Law 99–93; 99 Stat. 408), but subject to paragraph (2), there are authorized to be appropriated to the Department of State from time to time such amounts as may be necessary to carry out this section.

(2) PERIOD OF AVAILABILITY.—Amounts appropriated under paragraph (1) shall remain available until expended.

(e) LIMITATIONS AND CERTIFICATION.—

(1) MAXIMUM AMOUNT.—No reward paid under this section may exceed $25,000,000, except as personally authorized by the Secretary of State if he determines that offer or payment of an award of a larger amount is necessary to combat terrorism or defend the Nation against terrorist acts. Without first making such determination, the Secretary may authorize

a reward of up to twice the amount specified in this paragraph for the capture or information leading to the capture of a leader of a foreign terrorist organization.

(2) APPROVAL.—A reward under this section of more than $100,000 may not be made without the approval of the Secretary.

(3) CERTIFICATION FOR PAYMENT.—Any reward granted under this section shall be approved and certified for payment by the Secretary.

(4) NONDELEGATION OF AUTHORITY.—The authority to approve rewards of more than $100,000 set forth in paragraph (2) may not be delegated.

(5) PROTECTION MEASURES.—If the Secretary determines that the identity of the recipient of a reward or of the members of the recipient's immediate family must be protected, the Secretary may take such measures in connection with the payment of the reward as he considers necessary to effect such protection.

(6) FORMS OF REWARD PAYMENT.—The Secretary may make a reward under this section in the form of money, a nonmonetary item (including such items as automotive vehicles), or a combination thereof.

(f) INELIGIBILITY.—An officer or employee of any entity of Federal, State, or local government or of a foreign government who, while in the performance of his or her official duties, furnishes information described in subsection (b) shall not be eligible for a reward under this section.

(g) REPORTS.—

(1) REPORTS ON PAYMENT OF REWARDS.—Not later than 30 days after the payment of any reward under this section, the Secretary shall submit a report to the appropriate congressional committees with respect to such reward. The report, which may be submitted in classified form if necessary, shall specify the amount of the reward paid, to whom the reward was paid, and the acts with respect to which the reward was paid. The report shall also discuss the significance of the information for which the reward was paid in dealing with those acts.

(2) ANNUAL REPORTS.—Not later than 60 days after the end of each fiscal year, the Secretary shall submit a report to the appropriate congressional committees with respect to the operation of the rewards program. The report shall provide information on the total amounts expended during the fiscal year ending in that year to carry out this section, including amounts expended to publicize the availability of rewards.

(3) ADVANCE NOTIFICATION FOR INTERNATIONAL CRIMINAL TRIBUNAL REWARDS.—Not less than 15 days before publicly announcing that a reward may be offered for a particular foreign national accused of war crimes, crimes against humanity, or genocide, the Secretary of State shall submit to the appropriate congressional committees a report, which may be submitted in classified form if necessary, setting forth the reasons why the arrest or conviction of such foreign national is in the national interests of the United States.

(4) REPORTS ON REWARDS AUTHORIZED.—Not less than 15 days after a reward is authorized under this section, the Secretary of State shall submit to the appropriate congressional committees a report, which may be submitted in classified form if necessary to protect intelligence sources and methods, detailing information about the reward, including the identity of the individual for whom the reward is being made, the amount of the reward, the acts with respect to which the reward is being made, and how the reward is being publicized.

(h) PUBLICATION REGARDING REWARDS OFFERED BY FOREIGN GOVERNMENTS.—Notwithstanding any other provision of this section, in the sole discretion of the Secretary, the resources of the rewards program shall be available for the publication of rewards offered by foreign governments regarding acts of international terrorism which do not involve United States persons or property or a violation of the narcotics laws of the United States.

(i) MEDIA SURVEYS AND ADVERTISEMENTS.—

(1) SURVEYS CONDUCTED.—For the purpose of more effectively disseminating information about the rewards program, the Secretary may use the resources of the rewards program to conduct media surveys, including analyses of media markets, means of communication, and levels of literacy, in countries determined by the Secretary to be associated with acts of international terrorism.

(2) CREATION AND PURCHASE OF ADVERTISEMENTS.—The Secretary may use the resources of the rewards program to create advertisements to disseminate information about the rewards program. The Secretary may base the content of such advertisements on the findings of the surveys conducted under paragraph (1). The Secretary may purchase radio or television time, newspaper space, or make use of any other means of advertisement, as appropriate.

(j) DETERMINATIONS OF THE SECRETARY.—A determination made by the Secretary under this section shall be final and conclusive and shall not be subject to judicial review.

(k) DEFINITIONS.—As used in this section:

(1) ACT OF INTERNATIONAL TERRORISM.—The term "act of international terrorism" includes—

(A) any act substantially contributing to the acquisition of unsafeguarded special nuclear material (as defined in paragraph (8) of section 830 of the Nuclear Proliferation Prevention Act of 1994 (22 U.S.C. 3201 note)) or any nuclear explosive device (as defined in paragraph (4) of that section) by an individual, group, or non-nuclear-weapon state (as defined in paragraph (5) of that section); and

(B) any act, as determined by the Secretary, which materially supports the conduct of international terrorism, including the counterfeiting of United States currency or the illegal use of other monetary instruments by an individual, group, or country supporting international terrorism as determined for purposes of section 6(j)(1)(A) of the Export Administration Act of 1979 (50 U.S.C. App. 2405(j)(1)(A)).

(2) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term "appropriate congressional committees" means the Committee

on Foreign Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate.

(3) MEMBER OF THE IMMEDIATE FAMILY.—The term "member of the immediate family", with respect to an individual, includes—

(A) a spouse, parent, brother, sister, or child of the individual;

(B) a person with respect to whom the individual stands in loco parentis; and

(C) any person not covered by subparagraph (A) or (B) who is living in the individual's household and is related to the individual by blood or marriage.

(4) REWARDS PROGRAM.—The term "rewards program" means the program established in subsection (a)(1).

(5) TRANSNATIONAL ORGANIZED CRIME.—The term "transnational organized crime" means—

(A) racketeering activity (as such term is defined in section 1961 of title 18, United States Code) that involves at least one jurisdiction outside the United States; or

(B) any other criminal offense punishable by a term of imprisonment of at least four years under Federal, State, or local law that involves at least one jurisdiction outside the United States and that is intended to obtain, directly or indirectly, a financial or other material benefit.

(6) TRANSNATIONAL ORGANIZED CRIME GROUP.—The term "transnational organized crime group" means a group of persons that includes one or more citizens of a foreign country, exists for a period of time, and acts in concert with the aim of engaging in transnational organized crime.

(7) UNITED STATES NARCOTICS LAWS.—The term "United States narcotics laws" means the laws of the United States for the prevention and control of illicit trafficking in controlled substances (as such term is defined in section 102(6) of the Controlled Substances Act (21 U.S.C. 802(6))).

(8) UNITED STATES PERSON.—The term "United States person" means—

(A) a citizen or national of the United States; and

(B) an alien lawfully present in the United States.

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