

NORTH KOREA SANCTIONS ENFORCEMENT ACT OF 2014

JULY 28, 2014.—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

R E P O R T

[To accompany H.R. 1771]

[Including cost estimate of the Congressional Budget Office]

The Committee on Foreign Affairs, to whom was referred the bill (H.R. 1771) to improve the enforcement of sanctions against the Government of North Korea, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend 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:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “North Korea Sanctions Enforcement Act of 2014”.

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

Sec. 1. Short title; table of contents.
 Sec. 2. Findings.
 Sec. 3. Definitions.

TITLE I—INVESTIGATIONS, PROHIBITED CONDUCT, AND PENALTIES

Sec. 101. Statement of policy.
 Sec. 102. Investigations.
 Sec. 103. Briefing to Congress.
 Sec. 104. Prohibited conduct and mandatory and discretionary designation and sanctions authorities.
 Sec. 105. Forfeiture of property.

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

Sec. 201. Determinations with respect to North Korea as a jurisdiction of primary money laundering concern.
 Sec. 202. Ensuring the consistent enforcement of United Nations Security Council resolutions and financial restrictions on North Korea.
 Sec. 203. Proliferation prevention sanctions.
 Sec. 204. Procurement sanctions.
 Sec. 205. Enhanced inspections authorities.
 Sec. 206. Travel sanctions.
 Sec. 207. Exemptions, waivers, and removals of designation.
 Sec. 208. Sense of Congress on enforcement of sanctions on North Korea.

TITLE III—PROMOTION OF HUMAN RIGHTS

Sec. 301. Information technology.
 Sec. 302. Report on North Korean prison camps.
 Sec. 303. Report on persons who are responsible for serious human rights abuses or censorship in North Korea.

TITLE IV—GENERAL AUTHORITIES

Sec. 401. Suspension of sanctions and other measures.
 Sec. 402. Termination of sanctions and other measures.
 Sec. 403. Regulations.
 Sec. 404. Effective date.

SEC. 2. FINDINGS.

Congress finds the following:

(1) The Government of North Korea has repeatedly violated its commitments to the complete, verifiable, irreversible dismantlement of its nuclear weapons programs, and has willfully violated multiple United Nations Security Council resolutions calling for it to cease its development, testing, and production of weapons of mass destruction.

(2) North Korea poses a grave risk for the proliferation of nuclear weapons and other weapons of mass destruction.

(3) The Government of North Korea has been implicated repeatedly in money laundering and illicit activities, including prohibited arms sales, narcotics trafficking, the counterfeiting of United States currency, and the counterfeiting of intellectual property of United States persons.

(4) The Government of North Korea has, both historically and recently, repeatedly sponsored acts of international terrorism, including attempts to assassinate defectors and human rights activists, repeated threats of violence against foreign persons, leaders, newspapers, and cities, and the shipment of weapons to terrorists.

(5) North Korea has unilaterally withdrawn from the 1953 Armistice Agreement that ended the Korean War, and committed provocations against South Korea in 2010 by sinking the warship Cheonan and killing 46 of her crew, and by shelling Yeonpyeong Island, killing four South Koreans.

(6) North Korea maintains a system of brutal political prison camps that contain as many as 200,000 men, women, and children, who live in atrocious living conditions with insufficient food, clothing, and medical care, and under constant fear of torture or arbitrary execution.

(7) The Congress reaffirms the purposes of the North Korean Human Rights Act of 2004 contained in section 4 of such Act (22 U.S.C. 7802).

(8) North Korea has prioritized weapons programs and the procurement of luxury goods, in defiance of United Nations Security Council resolutions, and in gross disregard of the needs of its people.

(9) Persons, including financial institutions, who engage in transactions with, or provide financial services to, the Government of North Korea and its financial institutions without establishing sufficient financial safeguards against North Korea’s use of these transactions to promote proliferation, weapons trafficking, human rights violations, illicit activity, and the purchase of luxury goods, aid and abet North Korea’s misuse of the international financial system,

and also violate the intent of relevant United Nations Security Council resolutions.

(10) The Government of North Korea's conduct poses an imminent threat to the security of the United States and its allies, to the global economy, to the safety of members of the United States armed forces, to the integrity of the global financial system, to the integrity of global nonproliferation programs, and to the people of North Korea.

(11) The Congress seeks, through this legislation, to use nonmilitary means to address this crisis, to provide diplomatic leverage to negotiate necessary changes in North Korea's conduct, and to ease the suffering of the people of North Korea.

SEC. 3. DEFINITIONS.

In this Act:

(1) **APPLICABLE EXECUTIVE ORDER.**—The term “applicable Executive order” means—

(A) Executive Order 13382 (2005), 13466 (2008), 13551 (2010), or 13570 (2011), to the extent that such Executive order authorizes the imposition of sanctions on persons for conduct, or prohibits transactions or activities, involving the Government of North Korea; or

(B) any Executive order adopted on or after the date of the enactment of this Act, to the extent that such Executive order authorizes the imposition of sanctions on persons for conduct, or prohibits transactions or activities, involving the Government of 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); or

(B) any United Nations Security Council resolution adopted on or after the date of the enactment of this Act, to the extent that such resolution authorizes the imposition of sanctions on persons for conduct, or prohibits transactions or activities, involving the Government of North Korea.

(3) **APPROPRIATE CONGRESSIONAL COMMITTEES.**—The term “appropriate congressional committees” means—

(A) the Committee on Foreign Affairs and the Committee on Financial Services of the House of Representatives; and

(B) the Committee on Foreign Relations and the Committee on Banking, Housing, and Urban Affairs of the Senate.

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

(5) **GOVERNMENT OF NORTH KOREA.**—The term “Government of North Korea” means—

(A) the Government of the Democratic People's Republic of Korea or any political subdivision, agency, or instrumentality thereof; and

(B) any person owned or controlled by, or acting for or on behalf of, the Government of the Democratic People's Republic of Korea.

(6) **INTERNATIONAL TERRORISM.**—The term “international terrorism” has the meaning given such term in section 140(d) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989 (22 U.S.C. 2656f(d)).

(7) **LUXURY GOODS.**—The term “luxury goods” has the meaning given such term in subpart 746.4 of title 15, Code of Federal Regulations, and includes the items listed in Supplement No. 1 to such regulation, and any similar items.

(8) **MONETARY INSTRUMENT.**—The term “monetary instrument” has the meaning given such term under section 5312 of title 31, United States Code.

(9) **NORTH KOREAN FINANCIAL INSTITUTION.**—The term “North Korean financial institution” means—

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

(B) any financial institution located in North Korea, except as may be excluded from such definition by the President in accordance with section 207(d);

(C) any financial institution, wherever located, owned or controlled by the Government of North Korea; and

(D) any financial institution, wherever located, owned or controlled by a financial institution described in subparagraph (A), (B), or (C).

(10) **OTHER STORES OF VALUE.**—The term “other stores of value” means—

(A) prepaid access devices, tangible or intangible prepaid access devices, or other instruments or devices for the storage or transmission of value, as defined in part 1010 of title 31, Code of Federal Regulations; and

(B) any covered goods, as defined in section 1027.100 of title 31, Code of Federal Regulations, and any instrument or tangible or intangible access device used for the storage and transmission of a representation of covered goods.

(11) PERSON.—The term “person” has the meaning given that term in section 510.306 of title 31, Code of Federal Regulations.

TITLE I—INVESTIGATIONS, PROHIBITED CONDUCT, AND PENALTIES

SEC. 101. STATEMENT OF POLICY.

In order to achieve the peaceful disarmament of North Korea, Congress finds that it is necessary—

(1) to encourage all states to fully and promptly implement United Nations Security Council Resolution 2094 (2013);

(2) to sanction the persons, including financial institutions, that facilitate proliferation, illicit activities, arms trafficking, imports of luxury goods, serious human rights abuses, cash smuggling, and censorship by the Government of North Korea;

(3) to authorize the President to sanction persons who fail to exercise due diligence to ensure that such financial institutions and jurisdictions do not facilitate proliferation, arms trafficking, kleptocracy, and imports of luxury goods by the Government of North Korea;

(4) to deny the Government of North Korea access to the funds it uses to obtain nuclear weapons, ballistic missiles, and luxury goods instead of providing for the needs of its people; and

(5) to enforce sanctions in a manner that avoids any adverse humanitarian impact on the people of North Korea.

SEC. 102. INVESTIGATIONS.

The President shall initiate an investigation into the possible designation of a person under section 104(a) upon receipt by the President of credible information indicating that such person has engaged in conduct described in section 104(a).

SEC. 103. BRIEFING TO CONGRESS.

Not later than 180 days after the date of the enactment of this Act, and periodically thereafter, the President shall provide to the appropriate congressional committees a briefing on efforts to implement this Act, to include the following, to the extent the information is available:

(1) The principal foreign assets and sources of foreign income of the Government of North Korea.

(2) A list of the persons designated under subsections (a) and (b) of section 104.

(3) A list of the persons with respect to which sanctions were waived or removed under section 207.

(4) A summary of any diplomatic efforts made in accordance with section 202(b) and of the progress realized from such efforts, including efforts to encourage the European Union and other states and jurisdictions to sanction and block the assets of the Foreign Trade Bank of North Korea and Daedong Credit Bank.

SEC. 104. PROHIBITED CONDUCT AND MANDATORY AND DISCRETIONARY DESIGNATION AND SANCTIONS AUTHORITIES.

(a) PROHIBITED CONDUCT AND MANDATORY DESIGNATION AND SANCTIONS AUTHORITY.—

(1) CONDUCT DESCRIBED.—Except as provided in section 207, the President shall designate under this subsection any person the President determines to—

(A) have knowingly engaged in significant activities or transactions with the Government of North Korea that have materially contributed to the proliferation of weapons of mass destruction or their means of delivery (including missiles capable of delivering such weapons), including any efforts to manufacture, acquire, possess, develop, transport, transfer or use such items, by any person or foreign country;

(B) have knowingly imported, exported, or reexported to, into, or from North Korea any arms or related materiel, whether directly or indirectly;

(C) have knowingly provided significant training, advice, or other services or assistance, or engaged in transactions, related to the manufacture, maintenance, or use of any arms or related materiel to be imported, exported, or reexported to, into, or from North Korea, or following their importation, exportation, or reexportation to, into, or from North Korea, whether directly or indirectly;

(D) have knowingly, directly or indirectly, imported, exported, or reexported significant luxury goods to or into North Korea;

(E) have knowingly engaged in or been responsible for censorship by the Government of North Korea, including prohibiting, limiting, or penalizing the exercise of freedom of expression or assembly, limiting access to print or broadcast media, or the facilitation or support of intentional frequency manipulation that would jam or restrict an international signal;

(F) have knowingly engaged in or been responsible for serious human rights abuses by the Government of North Korea, including torture or cruel, inhuman, or degrading treatment or punishment, prolonged detention without charges and trial, causing the disappearance of persons by the abduction and clandestine detention of those persons, and other denial of the right to life, liberty, or the security of a person;

(G) have knowingly, directly or indirectly, engaged in significant acts of money laundering, the counterfeiting of goods or currency, bulk cash smuggling, narcotics trafficking, or other illicit activity that involves or supports the Government of North Korea or any senior official thereof, whether directly or indirectly; or

(H) have knowingly attempted to engage in any of the conduct described in subparagraphs (A) through (G) of this paragraph.

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

(A) shall exercise the authorities of the International Emergency Economic Powers Act (50 U.S.C. 1705 et seq.) without regard to section 202 of such Act to block all property and interests in property of any person designated under this subsection that are in the United States, that hereafter come within the United States, or that are or hereafter come within the possession or control of any United States person, including any overseas branch; and

(B) may apply any of the sanctions described in section 204.

(3) PENALTIES.—The penalties provided for in section 206 of the International Emergency Economic Powers Act (50 U.S.C. 1705) shall apply to a person who violates, attempts to violate, conspires to violate, or causes a violation of this subsection, or of an order or regulation prescribed under this Act, to the same extent that such penalties apply to a person that commits an unlawful act described in section 206(a) of that Act (50 U.S.C. 1705(a)).

(b) DISCRETIONARY DESIGNATION AND SANCTIONS AUTHORITY.—

(1) CONDUCT DESCRIBED.—Except as provided in section 207, the President may designate under this subsection any person the President determines to—

(A) have knowingly engaged in, contributed to, assisted, sponsored, or provided financial, material or technological support for, or goods and services in support of, any violation of, or evasion of, an applicable United Nations Security Council resolution;

(B) have knowingly facilitated the transfer of any funds, financial assets, or economic resources of, or property or interests in property of a person designated under an applicable Executive order, or by the United Nations Security Council pursuant to an applicable United Nations Security Council resolution;

(C) have knowingly facilitated the transfer of any funds, financial assets, or economic resources, or any property or interests in property derived from, involved in, or that has materially contributed to conduct prohibited by an applicable United Nations Security Council resolution;

(D) have knowingly facilitated any transaction that contributes materially to a violation of an applicable United Nations Security Council resolution;

(E) have knowingly facilitated any transactions in cash or monetary instruments or other stores of value, including through cash couriers transiting to or from North Korea, used to facilitate any conduct prohibited by an applicable United Nations Security Council resolution;

(F) have knowingly contributed to the bribery of an official of the Government of North Korea, the misappropriation, theft, or embezzlement of public funds by, or for the benefit of, an official of the Government of North Korea, or the use of any proceeds of any such conduct; or

(G) have knowingly and materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, the conduct described in subparagraphs (A) through (F) of this paragraph or the conduct described in subparagraphs (A) through (G) of subsection (a)(1).

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

(A) may apply the sanctions described in section 204;

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

(C) may prohibit any transactions in foreign exchange that are subject to the jurisdiction of the United States and in which such person has any interest;

(D) may 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 are subject to the jurisdiction of the United States and involve any interest of the person; and

(E) may exercise the authorities of the International Emergency Economic Powers Act (50 U.S.C. 1705 et seq.) without regard to section 202 of such Act to block any property and interests in property of the person that are in the United States, that hereafter come within the United States, or that are or hereafter come within the possession or control of any United States person, including any overseas branch.

(c) BLOCKING OF ALL PROPERTY AND INTERESTS IN PROPERTY OF THE GOVERNMENT OF NORTH KOREA.—The President shall exercise the authorities of the International Emergency Economic Powers Act (50 U.S.C. 1705 et seq.) without regard to section 202 of such Act to block all property and interests in property of the Government of North Korea that are in the United States, that hereafter come within the United States, or that are or hereafter come within the possession or control of any United States person, including any overseas branch.

(d) APPLICATION.—The designation of a person and the blocking of property under subsection (a), (b), or (c) shall also apply with respect to a person who is determined to be owned or controlled by, or to have acted or purported to act 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, in the determination of the President, lacks sufficient financial controls to ensure that such transaction will not facilitate any of the conduct described in subsection (a) or subsection (b).

SEC. 105. FORFEITURE OF PROPERTY.

(a) AMENDMENT TO PROPERTY SUBJECT TO FORFEITURE.—Section 981(a)(1) of title 18, United States Code, is amended by adding at the end the following new subparagraph:

“(1) Any property, real or personal, that is involved in a violation or attempted violation, or which constitutes or is derived from proceeds traceable to a violation, of section 104(a) of the North Korea Sanctions Enforcement Act of 2014.”.

(b) AMENDMENT TO DEFINITION OF CIVIL FORFEITURE STATUTE.—Section 983(i)(2)(D) of title 18, United States Code, is amended—

(1) by striking “or the International Emergency Economic Powers Act” and inserting “, the International Emergency Economic Powers Act”; and

(2) by adding at the end before the semicolon the following: “, or the North Korea Sanctions Enforcement Act of 2014”.

(c) AMENDMENT TO DEFINITION OF SPECIFIED UNLAWFUL ACTIVITY.—Section 1956(c)(7)(D) of title 18, United States Code, is amended—

(1) by striking “or section 92 of the Atomic Energy Act of 1954” and inserting “section 92 of the Atomic Energy Act of 1954”; and

(2) by adding at the end the following: “, or section 104(a) of the North Korea Sanctions Enforcement Act of 2014”.

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

SEC. 201. DETERMINATIONS WITH RESPECT TO NORTH KOREA AS A JURISDICTION OF PRIMARY MONEY LAUNDERING CONCERN.

(a) FINDINGS.—Congress makes the following findings:

(1) The Undersecretary of the Treasury for Terrorism and Financial Intelligence, who is responsible for safeguarding the financial system against illicit use, money laundering, terrorist financing, and the proliferation of weapons of mass destruction, has repeatedly expressed concern about North Korea's misuse of the international financial system as follows:

(A) In 2006, the Undersecretary stated that, given North Korea's "counterfeiting of U.S. currency, narcotics trafficking and use of accounts worldwide to conduct proliferation-related transactions, the line between illicit and licit North Korean money is nearly invisible" and urged financial institutions worldwide to "think carefully about the risks of doing any North Korea-related business."

(B) In 2011, the Undersecretary stated that "North Korea remains intent on engaging in proliferation, selling arms as well as bringing in material," and was "aggressively pursuing the effort to establish front companies."

(C) In 2013, the Undersecretary stated, in reference to North Korea's distribution of high-quality counterfeit United States currency, that "North Korea is continuing to try to pass a supernote into the international financial system," and that the Department of the Treasury would soon introduce new currency with improved security features to protect against counterfeiting by the Government of North Korea.

(2) The Financial Action Task Force, an intergovernmental body whose purpose is to develop and promote national and international policies to combat money laundering and terrorist financing, has repeatedly—

(A) expressed concern at deficiencies in North Korea's regimes to combat money laundering and terrorist financing;

(B) urged North Korea to adopt a plan of action to address significant deficiencies in these regimes and the serious threat they pose to the integrity of the international financial system;

(C) urged all jurisdictions to apply countermeasures to protect the international financial system from ongoing and substantial money laundering and terrorist financing risks emanating from North Korea;

(D) urged all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with North Korea, including North Korean companies and financial institutions; and

(E) called on all jurisdictions to protect against correspondent relationships being used to bypass or evade countermeasures and risk mitigation practices, and take into account money laundering and terrorist financing risks when considering requests by North Korean financial institutions to open branches and subsidiaries in their jurisdiction.

(3) On March 7, 2013, the United Nations Security Council unanimously adopted Resolution 2094, which—

(A) welcomed the Financial Action Task Force's recommendation on financial sanctions related to proliferation, and its guidance on the implementation of sanctions;

(B) decided that Member States should apply enhanced monitoring and other legal measures to prevent the provision of financial services or the transfer of property that could contribute to activities prohibited by applicable United Nations Security Council resolutions; and

(C) called on Member States to prohibit North Korean banks from establishing or maintaining correspondent relationships with banks in their jurisdictions, to prevent the provision of financial services, if they have information that provides reasonable grounds to believe that these activities could contribute to activities prohibited by an applicable United Nations Security Council resolution, or to the evasion of such prohibitions.

(b) SENSE OF CONGRESS REGARDING THE DESIGNATION OF NORTH KOREA AS A JURISDICTION OF PRIMARY MONEY LAUNDERING CONCERN.—Congress—

(1) acknowledges the efforts of the United Nations Security Council to impose limitations on, and require enhanced monitoring of, transactions involving North Korean financial institutions that could contribute to sanctioned activities;

(2) urges the President, in the strongest terms, to consider immediately designating North Korea as a jurisdiction of primary money laundering concern, and to adopt stringent special measures to safeguard the financial system against the risks posed by North Korea's willful evasion of sanctions and its illicit activities; and

(3) urges the President to seek the prompt implementation by other states of enhanced monitoring and due diligence to prevent North Korea's misuse of the international financial system, including by sharing information about activities, transactions, and property that could contribute to activities sanctioned by

applicable United Nations Security Council resolutions, or to the evasion of sanctions.

(c) DETERMINATIONS REGARDING NORTH KOREA.—

(1) IN GENERAL.—The Secretary of the Treasury shall, not later than 180 days after the date of the enactment of this Act, determine, in consultation with the Secretary of State and Attorney General, and in accordance with section 5318A of title 31, United States Code, whether reasonable grounds exist for concluding that North Korea is a jurisdiction of primary money laundering concern.

(2) ENHANCED DUE DILIGENCE AND REPORTING REQUIREMENTS.—Except as provided in section 207, if the Secretary of the Treasury determines under this subsection that reasonable grounds exist for finding that North Korea is a jurisdiction of primary money laundering concern, the Secretary of the Treasury, in consultation with the Federal functional regulators, shall impose one or more of the special measures described in paragraphs (1) through (5) of section 5318A(b) of title 31, United States Code, with respect to the jurisdiction of North Korea.

(3) REPORT REQUIRED.—

(A) IN GENERAL.—The Secretary of the Treasury shall, not later than 180 days after the enactment of this Act, and for each of the 3 calendar years thereafter, submit to the appropriate congressional committees a report on the determination made under paragraph (1) together with the reasons for that determination.

(B) FORM.—A report or copy of any report submitted under this paragraph shall be submitted in unclassified form but may contain a classified annex.

SEC. 202. ENSURING THE CONSISTENT ENFORCEMENT OF UNITED NATIONS SECURITY COUNCIL RESOLUTIONS AND FINANCIAL RESTRICTIONS ON NORTH KOREA.

(a) FINDINGS.—Congress finds that—

(1) all states and jurisdictions are obligated to implement and enforce applicable United Nations Security Council resolutions fully and promptly, including by—

(A) blocking the property of, and ensuring that any property is prevented from being made available to, persons designated by the Security Council under applicable United Nations Security Council resolutions;

(B) blocking any property associated with an activity prohibited by applicable United Nations Security Council resolutions; and

(C) preventing any transfer of property and any provision of financial services that could contribute to an activity prohibited by applicable United Nations Security Council resolutions, or to the evasion of sanctions under such resolutions;

(2) all states and jurisdictions share a common interest in protecting the international financial system from the risks of money laundering and illicit transactions emanating from North Korea;

(3) the United States Dollar and the Euro are the world's principal reserve currencies, and the United States and the European Union are primarily responsible for the protection of the international financial system from these risks;

(4) the cooperation of the People's Republic of China, as North Korea's principal trading partner, is essential to the enforcement of applicable United Nations Security Council resolutions and to the protection of the international financial system;

(5) the report of the Panel of Experts established pursuant to United Nations Security Council Resolution 1874, dated June 11, 2013, expressed concern about the ability of banks in states with less effective regulators and those unable to afford effective compliance to detect and prevent illicit transfers involving North Korea;

(6) North Korea has historically exploited inconsistencies between jurisdictions in the interpretation and enforcement of financial regulations and applicable United Nations Security Council resolutions to circumvent sanctions and launder the proceeds of illicit activities;

(7) Amrogang Development Bank, Bank of East Land, and Tanchon Commercial Bank have been designated by the Secretary of the Treasury, the United Nations Security Council, and the European Union;

(8) Korea Daesong Bank and Korea Kwangson Banking Corporation have been designated by the Secretary of the Treasury and the European Union;

(9) the Foreign Trade Bank of North Korea has been designated by the Secretary of the Treasury for facilitating transactions on behalf of persons linked to its proliferation network, and for serving as "a key financial node"; and

(10) Daedong Credit Bank has been designated by the Secretary of the Treasury for activities prohibited by applicable United Nations Security Council resolutions, including the use of deceptive financial practices to facilitate transactions on behalf of persons linked to North Korea's proliferation network.

(b) SENSE OF CONGRESS.—It is the sense of Congress that the President should intensify diplomatic efforts, both in appropriate international fora such as the United Nations and bilaterally, to develop and implement a coordinated, consistent, multilateral strategy for protecting the global financial system against risks emanating from North Korea, including—

(1) the cessation of any financial services whose continuation is inconsistent with applicable United Nations Security Council resolutions;

(2) the cessation of any financial services to persons, including financial institutions, that present unacceptable risks of facilitating money laundering and illicit activity by the Government of North Korea;

(3) the blocking by all states and jurisdictions, in accordance with the legal process of the state or jurisdiction in which the property is held, of any property required to be blocked under applicable United Nations Security Council resolutions; and

(4) the blocking of any property derived from illicit activity, or from the misappropriation, theft, or embezzlement of public funds by, or for the benefit of, officials of the Government of North Korea.

SEC. 203. PROLIFERATION PREVENTION SANCTIONS.

(a) EXPORT OF CERTAIN GOODS OR TECHNOLOGY.—

(1) IN GENERAL.—Subject to section 207(a)(2)(C) of this Act, a license shall be required for the export to North Korea of any goods or technology subject to the Export Administration Regulations (part 730 of title 15, Code of Federal Regulations) without regard to whether the Secretary of State has designated North Korea as a country the government of which has provided support for acts of international terrorism, as determined by the Secretary of State under section 6(j) of the Export Administration Act of 1979 (50 U.S.C. App. 2045), as continued in effect under the International Emergency Economic Powers Act.

(2) PRESUMPTION OF DENIAL.—A license for the export to North Korea of any goods or technology as described in paragraph (1) shall be subject to a presumption of denial.

(b) TRANSACTIONS WITH COUNTRIES SUPPORTING ACTS OF INTERNATIONAL TERRORISM.—The prohibitions and restrictions described in section 40 of the Arms Export Control Act (22 U.S.C. 2780), and other provisions in that Act, shall also apply to exporting or otherwise providing (by sale, lease or loan, grant, or other means), directly or indirectly, any munitions item to the Government of North Korea without regard to whether or not North Korea is a country with respect to which subsection (d) of such section (relating to designation of state sponsors of terrorism) applies.

(c) TRANSACTIONS IN LETHAL MILITARY EQUIPMENT.—

(1) IN GENERAL.—The President shall withhold assistance under the Foreign Assistance Act of 1961 (22 U.S.C. 2151 et seq.) to any country that provides lethal military equipment to, or receives lethal military equipment from, the Government of North Korea.

(2) APPLICABILITY.—The prohibition under this subsection with respect to a country shall terminate on the date that is 1 year after the date on which such country ceases to provide lethal military equipment to the Government of North Korea.

(3) WAIVER.—The President may waive the prohibition under this subsection with respect to a country if the President determines that it is in the national interest of the United States to do so.

SEC. 204. PROCUREMENT SANCTIONS.

(a) IN GENERAL.—Except as provided in this section, the United States Government may not procure, or enter into any contract for the procurement of, any goods or services from any designated person.

(b) FAR.—The Federal Acquisition Regulation issued pursuant to section 1303 of title 41, United States Code, shall be revised to require a certification from each person that is a prospective contractor that such person does not engage in any of the conduct described in section 104(a). Such revision shall apply with respect to contracts in an amount greater than the simple acquisition threshold (as defined in section 134 of title 41, United States Code) for which solicitations are issued on or after the date that is 90 days after the date of the enactment of this Act.

(c) TERMINATION OF CONTRACTS AND INITIATION OF SUSPENSION AND DEBARMENT PROCEEDING.—

(1) **TERMINATION OF CONTRACTS.**—Except as provided in paragraph (2), the head of an executive agency shall terminate a contract with a person who has provided a false certification under subsection (b).

(2) **WAIVER.**—The head of an executive agency may waive the requirement under paragraph (1) with respect to a person based upon a written finding of urgent and compelling circumstances significantly affecting the interests of the United States. If the head of an executive agency waives the requirement under paragraph (1) for a person, the head of the agency shall submit to the appropriate congressional committees, within 30 days after the waiver is made, a report containing the rationale for the waiver and relevant information supporting the waiver decision.

(3) **INITIATION OF SUSPENSION AND DEBARMENT PROCEEDING.**—The head of an executive agency shall initiate a suspension and debarment proceeding against a person who has provided a false certification under subsection (b). Upon determination of suspension, debarment, or proposed debarment, the agency shall ensure that such person is entered into the Government-wide database containing the list of all excluded parties ineligible for Federal programs pursuant to Executive Order 12549 (31 U.S.C. 6101 note; relating to debarment and suspension) and Executive Order 12689 (31 U.S.C. 6101 note; relating to debarment and suspension).

(d) **CLARIFICATION REGARDING CERTAIN PRODUCTS.**—The remedies specified in subsections (a) through (c) shall not apply with respect to the procurement of eligible products, as defined in section 308(4) of the Trade Agreements Act of 1979 (19 U.S.C. 2518(4)), of any foreign country or instrumentality designated under section 301(b) of such Act (19 U.S.C. 2511(b)).

(e) **RULE OF CONSTRUCTION.**—Nothing in this subsection may be construed to limit the use of other remedies available to the head of an executive agency or any other official of the Federal Government on the basis of a determination of a false certification under subsection (b).

(f) **EXECUTIVE AGENCY DEFINED.**—In this section, the term “executive agency” has the meaning given such term in section 133 of title 41, United States Code.

SEC. 205. ENHANCED INSPECTIONS AUTHORITIES.

(a) **BRIEFING REQUIRED.**—Not later than 180 days after the date of the enactment of this Act, and every 180 days thereafter, the President, acting through the Secretary of Homeland Security, shall provide to the appropriate congressional committees, the Committee on Homeland Security of the House of Representatives, and the Committee on Homeland Security and Governmental Affairs of the Senate, a briefing identifying foreign sea ports and airports whose inspections of ships, aircraft, and conveyances originating in North Korea, carrying North Korean property, or operated by the Government of North Korea are deficient to effectively prevent the facilitation of any of the activities described in section 104(a).

(b) **ENHANCED SECURITY TARGETING REQUIREMENTS.**—Not later than 180 days after the identification of any sea port or airport pursuant to subsection (a), the Secretary of Homeland Security shall promulgate regulations imposing enhanced physical inspection requirements, as identified by the Automated Targeting System operated by the National Targeting Center in U.S. Customs and Border Protection, on any cargo landed in the United States that has been transported through such sea port or airport.

(c) **SEIZURE AND FORFEITURE.**—A vessel, aircraft, or conveyance used to facilitate any of the activities described in section 104(a) that comes within the jurisdiction of the United States may be seized and forfeited under chapter 46 of title 18, United States Code, or under the Tariff Act of 1930.

SEC. 206. TRAVEL SANCTIONS.

(a) **ALIENS INELIGIBLE FOR VISAS, ADMISSION, OR PAROLE.**—

(1) **VISAS, ADMISSION, OR PAROLE.**—An alien who the Secretary of State or the Secretary of Homeland Security (or a designee of one of such Secretaries) knows, or has reasonable grounds to believe, is described in subsection (a)(1) or (b)(1) of section 104 is—

- (A) inadmissible to the United States;
- (B) ineligible to receive a visa or other documentation to enter the United States; and
- (C) otherwise ineligible to be admitted or paroled into the United States or to receive any other benefit under the Immigration and Nationality Act (8 U.S.C. 1101 et seq.).

(2) **CURRENT VISAS REVOKED.**—

(A) **IN GENERAL.**—The issuing consular officer, the Secretary of State, or the Secretary of Homeland Security (or a designee of one of such Secretaries) shall revoke any visa or other entry documentation issued to an

alien who is described in subsection (a)(1) or (b)(1) of section 104 regardless of when issued.

(B) EFFECT OF REVOCATION.—A revocation under subparagraph (A)—

(i) shall take effect immediately; and

(ii) shall automatically cancel any other valid visa or entry documentation that is in the alien's possession.

(b) EXCEPTION TO COMPLY WITH UNITED NATIONS HEADQUARTERS AGREEMENT.—Sanctions under subsection (a)(1)(B) shall not apply to an alien if admitting the alien into the United States is necessary to permit the United States to comply with the Agreement regarding the Headquarters of the United Nations, signed at Lake Success June 26, 1947, and entered into force November 21, 1947, between the United Nations and the United States, or other applicable international obligations.

SEC. 207. EXEMPTIONS, WAIVERS, AND REMOVALS OF DESIGNATION.

(a) EXEMPTIONS.—

(1) MANDATORY EXEMPTIONS.—The following activities shall be exempt from sanctions under section 104:

(A) Activities subject to the reporting requirements of title V of the National Security Act of 1947 (50 U.S.C. 413 et seq.), or to any authorized intelligence activities of the United States.

(B) 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 June 26, 1947, and entered into force on November 21, 1947, or under the Vienna Convention on Consular Relations, signed April 24, 1963, and entered into force on March 19, 1967, or under other international agreements.

(2) DISCRETIONARY EXEMPTIONS.—The following activities may be exempt from sanctions under section 104 as determined by the President:

(A) Any financial transaction the exclusive purpose for which is to provide humanitarian assistance to the people of North Korea.

(B) Any financial transaction the exclusive purpose for which is to import food products into North Korea, if such food items are not defined as luxury goods.

(C) Any transaction the exclusive purpose for which is to import agricultural products, medicine, or medical devices into North Korea, provided that such supplies or equipment are classified as designated "EAR 99" under the Export Administration Regulations (part 730 of title 15, Code of Federal Regulations) and not controlled under—

(i) the Export Administration Act of 1979 (50 U.S.C. App. 2401 et seq.), as continued in effect under the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.);

(ii) the Arms Export Control Act (22 U.S.C. 2751 et seq.);

(iii) part B of title VIII of the Nuclear Proliferation Prevention Act of 1994 (22 U.S.C. 6301 et seq.); or

(iv) the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (22 U.S.C. 5601 et seq.).

(b) WAIVER.—The President may waive, on a case-by-case basis, the imposition of sanctions for a period of not more than one year, and may renew that waiver for additional periods of not more than one year, any sanction or other measure under section 104, 204, 205, 206, or 303 if the President submits to the appropriate congressional committees a written determination that the waiver meets one or more of the following requirements:

(1) The waiver is important to the economic or national security interests of the United States.

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

(3) The waiver is for an important humanitarian purpose, including any of the purposes described in section 4 of the North Korean Human Rights Act of 2004 (22 U.S.C. 7802).

(c) REMOVALS OF SANCTIONS.—The President may prescribe rules and regulations for the removal of sanctions on a person that is designated under subsection (a) or (b) of section 104 and the removal of designations of a person with respect to such sanctions if the President determines that the designated person has verifiably ceased its participation in any of the conduct described in subsection (a) or (b) of section 104, as the case may be, and has given assurances that it will abide by the requirements of this Act.

(d) FINANCIAL SERVICES FOR CERTAIN ACTIVITIES.—The President may promulgate regulations, rules, and policies as may be necessary to facilitate the provision of financial services by a foreign financial institution that is not controlled by the Gov-

ernment of North Korea in support of the activities subject to exemption under this section.

SEC. 208. SENSE OF CONGRESS ON ENFORCEMENT OF SANCTIONS ON NORTH KOREA.

(a) FINDINGS.—Congress finds the following:

(1) On March 6, 2014, pursuant to United Nations Security Council Resolution 1874, a Panel of Experts issued a report assessing the enforcement of existing sanctions on North Korea. The Panel reported that North Korea continues to “trade in arms and related materiel in violation of the resolutions” and that “there is no question that it is one of the country’s most profitable revenue sources”.

(2) The Panel of Experts found that North Korea “presents a stiff challenge to Member States” through “multiple and tiered circumvention techniques” and “is experienced in actions it takes to evade sanctions”.

(b) SENSE OF CONGRESS.—It is the sense of Congress that the United States should work to increase the capacity of responsible nations to implement United Nations Security Council Resolutions 1695, 1718, 1874, 2087, and 2094, including to strengthen the capacity of responsible nations to monitor and interdict shipments to and from North Korea that contribute to prohibited activities under such Resolutions.

TITLE III—PROMOTION OF HUMAN RIGHTS

SEC. 301. INFORMATION TECHNOLOGY.

Section 104 of the North Korean Human Rights Act of 2004 (22 U.S.C. 7814) is amended by inserting after subsection (c) the following new subsection:

“(d) INFORMATION TECHNOLOGY STUDY.—Not later than 180 days after the date of the enactment of this subsection, the President shall submit to the appropriate congressional committees a classified report setting forth a detailed plan for making unrestricted, unmonitored, and inexpensive electronic mass communications available to the people of North Korea.”.

SEC. 302. REPORT ON NORTH KOREAN PRISON CAMPS.

(a) IN GENERAL.—The Secretary of State shall submit to the appropriate congressional committees a report describing, with respect to each political prison camp in North Korea to the extent information is available—

- (1) the camp’s estimated prisoner population;
- (2) the camp’s geographical coordinates;
- (3) the reasons for confinement of the prisoners;
- (4) the camp’s primary industries and products, and the end users of any goods produced in such camp;
- (5) the natural persons and agencies responsible for conditions in the camp;
- (6) the conditions under which prisoners are confined, with respect to the adequacy of food, shelter, medical care, working conditions, and reports of ill-treatment of prisoners; and

(7) imagery, to include satellite imagery of each such camp, in a format that, if published, would not compromise the sources and methods used by the intelligence agencies of the United States to capture geospatial imagery.

(b) FORM.—The report required under subsection (a) may be included in the first report required to be submitted to Congress after the date of the enactment of this Act under sections 116(d) and 502B(b) of the Foreign Assistance Act of 1961 (22 U.S.C. 2151n(d) and 2304(b)) (relating to the annual human rights report).

SEC. 303. REPORT ON PERSONS WHO ARE RESPONSIBLE FOR SERIOUS HUMAN RIGHTS ABUSES OR CENSORSHIP IN NORTH KOREA.

(a) IN GENERAL.—The Secretary of State shall submit to the appropriate congressional committees a report that contains an identification of each person the Secretary determines to be responsible for serious human rights abuses or censorship in North Korea and a description of such abuses or censorship engaged in by such person.

(b) CONSIDERATION.—In preparing the report required under subsection (a), the Secretary of State shall give due consideration to the findings of the United Nations Commission of Inquiry on Human Rights in North Korea, and shall make specific findings with respect to the responsibility of Kim Jong Un, and of each natural person who is a member of the National Defense Commission of North Korea, for serious human rights abuses and censorship.

(c) DESIGNATION OF PERSONS.—The President shall designate under section 104(a) any person listed in the report required under subsection (a) as responsible for serious human rights abuses or censorship in North Korea.

(d) SUBMISSION AND FORM.—

(1) **SUBMISSION.**—The report required under subsection (a) shall be submitted not later than 90 days after the date of the enactment of this Act, and every 180 days thereafter for a period not to exceed 3 years, shall be included in each report required under sections 116(d) and 502B(b) of the Foreign Assistance Act of 1961 (22 U.S.C. 2151n(d) and 2304(b)) (relating to the annual human rights report).

(2) **FORM.**—The report required under subsection (a) shall be submitted in unclassified form, but may include a classified annex. The Secretary of State shall also publish the unclassified part of the report on the Department of State's website.

TITLE IV—GENERAL AUTHORITIES

SEC. 401. SUSPENSION OF SANCTIONS AND OTHER MEASURES.

(a) **IN GENERAL.**—Any sanction or other measure required by title I, II, or III of this Act (or any amendment made by title I, II, or III of this Act) may be suspended for up to 365 days upon certification by the President to the appropriate congressional committees that the Government of North Korea has—

(1) verifiably ceased its counterfeiting of United States currency, including the surrender or destruction of specialized materials and equipment used for or particularly suitable for counterfeiting;

(2) taken significant steps toward financial transparency to comply with generally accepted protocols to cease and prevent the laundering of monetary instruments;

(3) taken significant steps toward verification of its compliance with United Nations Security Council Resolutions 1695, 1718, 1874, 2087, and 2094;

(4) taken significant steps toward accounting for and repatriating the citizens of other countries abducted or unlawfully held captive by the Government of North Korea or detained in violation of the 1953 Armistice Agreement;

(5) accepted and begun to abide by internationally recognized standards for the distribution and monitoring of humanitarian aid;

(6) provided credible assurances that it will not support further acts of international terrorism;

(7) taken significant and verified steps to improve living conditions in its political prison camps; and

(8) made significant progress in planning for unrestricted family reunification meetings, including for those individuals among the two million strong Korean-American community who maintain family ties with relatives in North Korea.

(b) **RENEWAL OF SUSPENSION.**—The suspension described in subsection (a) may be renewed for additional consecutive periods of 365 days upon certification by the President to the appropriate congressional committees that the Government of North Korea has continued to comply with the conditions described in subsection (a) during the previous year.

SEC. 402. TERMINATION OF SANCTIONS AND OTHER MEASURES.

Any sanction or other measure required by title I, II, or III of this Act (or any amendment made by title I, II, or III of this Act) shall terminate on the date on which the President determines and certifies to the appropriate congressional committees that the Government of North Korea has met the requirements of section 401, and has also—

(1) completely, verifiably, and irreversibly dismantled 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;

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

(3) ceased its censorship of peaceful political activity;

(4) taken significant steps toward the establishment of an open, transparent, and representative society;

(5) fully accounted for and repatriated all citizens of all nations abducted or unlawfully held captive by the Government of North Korea or detained in violation of the 1953 Armistice Agreement; and

(6) agreed with the Financial Action Task Force on a plan of action to address deficiencies in its anti-money laundering regime and begun to implement this plan of action.

SEC. 403. REGULATIONS.

(a) **IN GENERAL.**—The President is authorized to promulgate such rules and regulations as may be necessary to carry out the provisions of this Act (which may include regulatory exceptions), including under section 205 of the International Emergency Economic Powers Act (50 U.S.C. 1704).

(b) **RULE OF CONSTRUCTION.**—Nothing in this Act or any amendment made by this Act shall be construed to limit the authority of the President to designate or sanction persons pursuant to an applicable Executive order or otherwise pursuant to the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.).

SEC. 404. EFFECTIVE DATE.

Except as otherwise provided in this Act, this Act and the amendments made by this Act shall take effect on the date of the enactment of this Act.

SUMMARY AND PURPOSE

H.R. 1771, the North Korea Sanctions Enforcement Act (NKSEA), is the first comprehensive sanctions legislation directed at North Korea. It is intended to address North Korea's nuclear, ballistic missile, and other WMD threats; its counterfeiting of U.S. currency and other illicit activities; its misuse of the financial system through money laundering; its severe human rights abuses; and other activities that violate applicable United Nations Security Council resolutions, including conventional arms trafficking, WMD proliferation, and luxury goods imports. As of 2014, no comprehensive sanctions legislation exists to address these threats.

The purpose of this legislation is to compel the Government of North Korea to verifiably suspend, and ultimately dismantle, its nuclear weapons and ballistic missile programs, including, but not limited to, the cessation of all uranium enrichment and plutonium-related activities. Through the application of broad-based sanctions, it is also intended to deprive North Korea of the resources it requires to develop other unconventional weapons and ballistic missiles, acquire destabilizing convention weapons that threaten U.S. allies in the region, support terrorism in the region and across the globe, and engage in the systematic oppression of the people of North Korea. Finally, it is intended to force the Government of North Korea to accept a degree of transparency that will allow for the verification of its commitments, peaceful coexistence with its neighbors, including South Korea, and an end to the repression of the North Korean people.

H.R. 1771 also reverses, in part, the relaxation of sanctions by President Bush in 2008, in response to an abortive 2007 agreement by North Korea to verifiably dismantle its nuclear weapons program. Since the relaxation of these sanctions, North Korea has violated its commitments to dismantle its nuclear program, and has carried out multiple ballistic missile tests and two nuclear weapons tests.

In addition to advancing the aforementioned U.S. foreign policy objectives, H.R. 1771 supports the interests of U.S. treaty allies whose cooperation will be essential to achieving objectives.

H.R. 1771 directly targets the foreign assets and income sources of the North Korean government and its senior officials by blocking those assets as they pass through the dollar-based financial system. It also targets North Korea indirectly, by sanctioning third-party entities that facilitate sanctioned activities on behalf of the Government of North Korea.

BACKGROUND AND NEED FOR THE LEGISLATION

North Korea's nuclear, ballistic missile, and chemical weapons programs pose a significant and rapidly increasing threat to the United States and its allies in Northeast Asia. Its suspected proliferation of WMD technologies to Iran and Syria, and its suspected supply of advanced weapons systems to terrorist organizations, both pose a threat to the United States, its allies in the Middle East, and other nations.

Halting and dismantling North Korea's nuclear, ballistic missile, and other WMD programs, and ending its capacity to proliferate weapons and WMD technology to terrorists and state sponsors of terrorism, are vital U.S. national security interests.

Legislative Background

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 WMD programs, and luxury items imported for senior regime officials. Because of the impracticality of transferring large sums of cash in bulk, North Korea reportedly continues to rely on the international financial system, and maintains large off-shore deposits in China and Europe.

In September 2005, the Treasury Department invoked the authority of Section 311 of the USA PATRIOT Act of 2001, Pub. L. No. 107-56, and blocked the correspondent accounts of Banco Delta Asia. Banco Delta Asia is a small Macau-based bank that, according to the Treasury Department, 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, 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.

In the intervening years, the Treasury Department has not used Section 311 against North Korean entities or funds. It has blocked the funds of North Korean individuals and trading companies under Executive Order 13382 (June 25, 2005) and Executive Order 13551 (Aug. 31, 2010), as authorized under the International Emergency Economic Powers Act, Pub. L. No. 95-223, title II, as amended. Only recently in March 2013, did it block the property of two North Korean banks, the Foreign Trade Bank and Daedong Credit Bank. It has not, however, applied broader sanctions to the Government of North Korea, such as designating it as a primary money laundering concern under Section 311. The Secretary of the

Treasury has previously applied this designation to the governments such as Burma and Iran.

No existing comprehensive sanctions legislation targets North Korea's unique threats and vulnerabilities. The Iran, North Korea, and Syria Nonproliferation Act, Pub. L. No. 109-353, reinforces restrictions on exporting WMD and related technologies to North Korea, but does not address North Korea's acquisition of WMD technologies and components from third countries, does not address other significant U.S. interests with respect to North Korea, and does not exploit North Korea's vulnerability to sanctions against its links to the global financial system.

Since 2005, North Korea has diversified and concealed its financial lifelines, but it remains dependent on its access to the international financial system. The vast majority of international transactions are denominated in dollars, the world's reserve currency, and nearly all dollar-denominated transactions are cleared through U.S.-based banks regulated by the Treasury Department. North Korea continues to use the U.S. dollar for many of its international and domestic business transactions, and both legitimate and counterfeit U.S. dollars circulate widely inside North Korea. Although North Korea hides its dollar transactions within the dollar-based financial system using false names, shell companies, and other deceptive practices, determined financial investigators have defeated similar tactics by other rogue states, terrorists, and drug-trafficking organizations.

North Korea's reliance on the dollar allows U.S. sanctions to reach North Korean assets in two ways. First, if North Korea transfers or spends dollar-denominated assets, Treasury can block them as they pass through dollar-clearing banks in New York. Second, banks that clear North Korea's non-dollar transactions or convert its dollars to bulk cash, and businesses that facilitate barter transactions, still need access to dollar-clearing banks for the majority of their non-North Korea business. H.R. 1771 threatens the access of those banks and businesses to the dollar system. Few banks or businesses would be willing to take that risk to help North Korea evade Treasury sanctions.

North Korea's Nuclear Program

North Korea's nuclear program dates back to the late 1950s, when it signed a nuclear cooperation agreement with the Soviet Union. It began to operate a small research reactor in 1967, and completed a second, 5-megawatt reactor at Yongbyon in 1986, which could produce approximately 6 kilograms of plutonium annually. After this point, U.S. satellite imagery showed a steady expansion of North Korea's nuclear program, including the construction of a reprocessing plant, a 50-megawatt reactor at Yongbyon, and a 200-megawatt reactor at Daecheon, although neither of these larger reactors is believed to have been completed.

U.S. satellites observed that these reactors were not connected to North Korea's electrical grid, and that North Korea was conducting tests to separate plutonium from the 5-megawatt reactor's spent fuel. U.S. intelligence agencies concluded that the reactors were part of a nuclear weapons program.

The Soviet Union pressured North Korea to join the Nuclear Non-Proliferation Treaty (NPT) in 1985, but North Korea did not

allow inspections of the reactor until 1992. North Korea has only allowed intermittent inspections of its nuclear facilities since then, and U.S. intelligence agencies are uncertain of how much fissile plutonium North Korea has reprocessed.

In 2002, U.S. diplomats visited Pyongyang to confront the Government of North Korea with evidence that it was pursuing a parallel nuclear weapons program through the enrichment of uranium, in violation of the 1994 Agreed Framework. North Korean diplomats admitted the program's existence at the time, but the Government of North Korea subsequently denied it. The Bush administration halted deliveries of fuel oil under the Agreed Framework. North Korea expelled IAEA inspectors and restarted the reactor, and the 1994 Agreed Framework collapsed.

On October 9, 2006, North Korea conducted its first nuclear test, in Kilju County, North Hamgyeong Province, in northeastern North Korea. In response to the test, the U.N. Security Council approved Resolution 1718, which prohibited North Korea's nuclear, missile, chemical, and biological weapons programs; prohibited North Korea from selling or purchasing most arms and related material (except for imports of light weapons); and prohibited North Korea from importing luxury goods.

In September 2007, Israeli warplanes reportedly bombed a nuclear reactor in Al Kibar, Syria. A video produced and released by the Central Intelligence Agency cited evidence that the design of the Al Kibar reactor was based on the design of the Yongbyon reactor in North Korea, and that North Korean nuclear scientists had assisted with the reactor's design and construction.

On May 25, 2009, North Korea conducted a second nuclear weapons test. The United Nations responded with Security Council Resolution 1874, which tightened sanctions under Resolution 1718 and imposed new shipping sanctions intended to curb North Korean proliferation.

In November 2010, North Korea revealed the existence of an advanced uranium enrichment program at an underground facility at Yongbyon, which contained a cascade of 3,000 centrifuges based on a Pakistani design obtained from the A.Q. Khan network. The revelation confirmed longstanding suspicions that North Korea was pursuing a parallel nuclear weapons program, a program that likely dated back to the life span of the 1994 Agreed Framework.

In May of 2012, North Korea amended its constitution to declare itself "a nuclear state."

On February 12, 2013, North Korea conducted a third nuclear test. The New York Times quoted an unidentified Obama administration official, who suggested that North Korea may have cooperated with the Government of Iran in conducting the nuclear test. The U.N. Security Council responded with Resolution 2094, which tightened financial sanctions. It imposed additional financial due diligence requirements on governments and banks to block, or prevent the provision to North Korea of, assets that could be used for North Korea's WMD programs.

On March 30, 2014, North Korea threatened to conduct an unspecified "new form" of nuclear test. As of 2014, North Korea is believed to possess between four and eight plutonium-based nuclear weapons, and an unknown number of uranium-based weapons.

North Korea's Ballistic Missile Program

North Korea continues to develop multiple types of ballistic missiles that could threaten the Republic of Korea, Japan, and the United States. North Korea is also believed to have supplied ballistic missile technology to Iran, Syria, and Yemen. According to David Kay, the head of the Iraq Survey Group, the Government of Iraq paid the Government of North Korea \$10 million to supply it with Nodong-1 missiles; however, the 2003 U.S. invasion aborted the delivery of the missiles.

North Korea has carried out multiple tests of its short-range ballistic missiles since the 1990s. Although the United States has since deployed PAC-3 Patriot and Standard-3 missiles to protect U.S. allies and U.S. forces in the region, North Korea recently tested a 300-millimeter multiple-launch rocket system that may be capable of carrying chemical warheads. North Korea first tested its intermediate-range missile in 1998, directly overflying Japan with its trajectory.

North Korea is also developing long-range missiles capable of striking the United States. The Taepodong-2 missile, which North Korea has tested five times between 2006 and 2012, may have sufficient range to reach the West Coast of the United States. The Unha-3, which was tested unsuccessfully in April 2012 and successfully in December 2012, has demonstrated a capability to launch a satellite into space and hit targets more than 6,000 miles away, including the West Coast of the United States. Another possible intercontinental ballistic missile system, the KN-08, is not known to have been tested.

North Korea's Chemical and Biological Weapons Programs

North Korea's chemical weapons program dates back to the 1950s, and was established with Soviet and Chinese assistance. The North Korean military is believed to have produced blood, blister, nerve, and choking agents. Former North Korean prison camp guards have alleged that they witnessed chemical agents being tested on prisoners, including an entire family consisting of a father, mother, son, and daughter who were gassed at Camp 22, near the city of Hoeryong, as part of an experiment.

In 2012, a United Nations Panel of Experts published photographs of chemical protective suits, gas masks, and chemical indicator ampoules that were in transit from North Korea to Syria. Open-source media reports alleged that in 2013, North Korea continued to provide assistance to Syria's chemical weapons program.

North Korea is also believed to possess biological weapons, including anthrax. In 1998, U.S. military personnel in the Republic of Korea were required to be vaccinated against anthrax.

North Korea's Attacks and Threats Against South Korea

North Korea's foreign policy objective continues to be to reunify the Korean Peninsula under the rule of the Government of North Korea. It has repeatedly expressed its disapproval of actions by the governments of South Korea, Japan, and the United States by threatening to turn their capital cities into a "sea of fire," or similar threats. North Korea has also used its official state media to threaten foreign newspapers, government officials, and human rights activists.

On March 26, 2010, a Republic of Korea naval corvette, the ROKS *Cheonan*, exploded and sank near Baekryeong Island in the Yellow Sea, with the loss of 44 personnel. An international Civilian-Military Investigation Group was convened, and concluded that the ROKS *Cheonan* was destroyed by a torpedo fired by a North Korean submarine. North Korea has denied responsibility for the attack.

On November 23, 2010, North Korean artillery in South Hwanghae Province shelled a village on Yeonpyeong Island, South Korea, killing two civilians and two Republic of Korea Marines. North Korea admitted responsibility for the attack, but blamed it on South Korean live-fire exercises in the waters near Yeonpyeong Island.

North Korea's Sponsorship of Terrorism

President Bush removed North Korea from the list of state sponsors of terrorism on October 11, 2008. Since this date, multiple North Korean agents—including two Korean Peoples' Army officers attached to the Reconnaissance Bureau of the Workers' Party of Korea—have been convicted in South Korean courts of attempting to assassinate North Korean exiles, planning to assassinate South Korean military officers, and kidnapping one U.S. resident, who is believed to have died in North Korea. North Korean agents are suspected of other completed and attempted assassinations of human rights activists in China.

North Korea has reportedly long harbored terrorists of the Japanese Red Army, recently assisted Hezbollah in constructing a network of tunnels and bunkers, and according to published reports, supplied weapons to the Liberation Tigers of Tamil Eelam.

In 2009, North Korean weapons shipments were intercepted in Bangkok, Thailand, and Dubai, United Arab Emirates. The Foreign Minister of Israel has publicly stated that the intended end users of these weapons included Hamas and Hezbollah, both designated terrorist organizations. The weapons intercepted in Bangkok included advanced man-portable surface-to-air missiles.

According to a 2014 United Nations Panel of Experts, in 2009, the Israeli Navy intercepted a third shipment of similar weapons in transit from Iran to Syria, although no further information is available on the intended end user of the weapons. The same 2014 U.N. report found that the fuses of 333-millimeter rockets fired into Israel by Hamas were consistent with similar rocket fuses of North Korean manufacture.

North Korea's Human Rights Abuses

In February of 2014, a Commission of Inquiry appointed by the United Nations Human Rights Council found that the Government of North Korea was responsible for crimes against humanity. The United States and other nations have important humanitarian interests in deterring, sanctioning, and ending these abuses.

In its final report, the Commission of Inquiry recommended targeted sanctions against persons responsible for these abuses. Correspondence from the Commission Chairman Michael Kirby to Kim Jong Un calls on Kim Jong Un to investigate the individual responsibility of North Korean officials for these abuses, "to render ac-

countable all those, including possibly yourself, who may be responsible for crimes against humanity.”

These abuses documented by the Commission of Inquiry include the operation of a system of political prison camps that contain as many as 120,000 men, women, and children, and in which an estimated 400,000 North Koreans have already died. Witnesses reports that prisoners in the camps are provided inadequate food and medical care, and that prisoners suffer high mortality rates from disease and starvation. Working conditions are severe and unsafe, and guards frequently kill or torture prisoners.

The report finds evidence that North Korea targets the children of refugee women repatriated from China with forced abortions and infanticide, and cites the testimony of a woman who was forced to drown her own baby in a bucket.

It finds that the Government of North Korea has deprived many of its citizens of food, even as it expended large sums of money on WMD programs, conventional weapons, luxury items, and leisure facilities for senior regime officials. It further finds that in the 1990s, the Government of North Korea impeded the delivery of food aid to starving North Koreans during a famine. Estimates for the death toll from the famine vary between 600,000 and 2.5 million people.

North Korea is believed to have kidnapped 82,959 South Koreans during the Korean War; an additional 3,721 South Koreans since the Korean War; between 12 and 100 Japanese; approximately 200 Chinese, most of them ethnic Koreans who assisted North Korean refugees; and citizens of Lebanon, Thailand, Romania, and possibly other countries.

Negotiations

Repeated diplomatic efforts by the United States and other governments have failed to dismantle North Korea’s nuclear program. Under the Agreed Framework of 1994, North Korea initially shut down the 5-megawatt reactor, allowed inspectors to monitor NPT safeguards, and agreed to its eventual dismantlement in exchange for aid, including heavy fuel oil and the construction of two light-water reactors in Sinpo County, South Hamgyeong Province, along North Korea’s East Coast.

In 1997, the Board of Governors of the International Atomic Energy Agency (IAEA) reported that its inspectors were still unable to verify North Korea’s initial declaration, and that North Korea still had not complied with NPT safeguards. North Korea also prevented IAEA inspectors from taking samples and installing monitoring devices.

In 1998, North Korea tested a Taepodong-1 intermediate range ballistic missile, whose trajectory passed over Japan. Congress also became concerned about intelligence that North Korea was pursuing a parallel uranium-enrichment program.

Diplomatic efforts resumed in 2003, when the first Six-Party Talks were held. The nations represented were the United States, China, South Korea, Japan, Russia, and North Korea. Talks made little progress until September 2005, when the six parties agreed to a Joint Statement affirming North Korea’s commitment to the complete, verifiable, and irreversible dismantlement of its nuclear programs. Within a day of signing the agreement, however, North

Korea stated that its commitment was contingent on the completion of the light-water reactors, a term that was not mentioned in the Joint Statement and which would take several years and a substantial financial investment to fulfill.

On February 13, 2007, the Bush administration and North Korea reached a Second Agreed Framework, under which North Korea would shut down the Yongbyon reactor in exchange for a delivery of 1 million tons of heavy fuel oil. Eventually, North Korea would declare all of its nuclear weapons programs and implement the Joint Statement, dismantling its nuclear weapons programs permanently.

The agreement began to break down within months. North Korea delayed the shut-down of its reactor until it received \$25 million in blocked funds from Banco Delta Asia. In September, Israeli warplanes destroyed a nuclear reactor in Syria that had been built with North Korean assistance. North Korea failed to submit timely and accurate declarations of its nuclear weapons programs, and continued to deny the existence of its uranium-enrichment program, even after submitting documents and samples of aluminum tubing that contained traces of enriched uranium.

Although the Bush administration relaxed sanctions against North Korea in 2008 and removed the Government of North Korea from the list of state sponsors of terrorism, North Korea refused to implement a verification protocol and declared that it would never relinquish its nuclear weapons programs.

North Korea has not attended the Six-Party Talks since April 2009, although the United States has held bilateral talks with North Korea since then. The Obama administration has since described its policy toward North Korea as one of “strategic patience,” applying gradual and incremental economic and financial pressure until the Government of North Korea is prepared to negotiate its disarmament.

On February 29, 2012, the Obama administration reached an agreement with North Korea to freeze North Korea’s ballistic missile programs in exchange for 500,000 tons of food aid. Two weeks later, North Korea announced a new “space launch vehicle” test.

On May 13, 2014, U.S. negotiator Glyn Davies announced that the United States would accept “reversible steps” in the early stages of an agreement to freeze, shut down, and dismantle North Korea’s nuclear programs. Davies did not specify that the United States was willing to offer in exchange for those steps, and North Korea has offered no public statement suggesting that it is interested in such an agreement.

Enforcement of U.N. Security Council Sanctions

Reports from the United Nations Panel of Experts cite numerous examples of nations failing to enforce U.N. Security Council Sanctions.

In particular, the People’s Republic of China has repeatedly hosted North Korean individuals and entities known to be involved in the proliferation of WMD components. North Korean shipments of arms and related materiel, WMD components, and luxury items have repeatedly been shipped through the ports of Dalian, Shanghai, and Hong Kong without inspection. China has repeatedly allowed ballistic missile components bound for North Korea, or bound

from North Korea to Iran, to transit its airspace, its ports, and its airports. One state-owned company, Hubei Sanjiang Space Wanshan Special Vehicle Company sold North Korea six ballistic missile transporter-erector-launcher chassis, which it later claimed were “lumber transporters.” In one case, a U.N.-sanctioned North Korean machinery company was openly marketing its products at a Chinese trade fair.

Targeted financial sanctions directed at banks, business, and shipping companies that facilitate North Korea’s violation of U.N. Security Council Resolutions could be an effective way to deter the violation of those resolutions. Ports that fail to meet their inspection obligations under Resolution 1874 would be targeted for additional inspections of cargo originating in those ports.

HEARINGS

During the present Congress, the committee has continued its active oversight regarding North Korea policy, including three hearings related to the content of H.R. 1771:

March 5, 2013, full committee hearing on “North Korea’s Criminal Activities: Financing the Regime” (David Asher, Ph.D., Non-Resident Senior Fellow, Center for a New American Security, and Former Senior Adviser, East Asian and Pacific Affairs, and Coordinator, North Korea Working Group, U.S. Department of State; Sung-Yoon Lee, Ph.D., Assistant Professor in Korean Studies, The Fletcher School of Law and Diplomacy, Tufts University; The Honorable Joseph R. DeTrani, President, Intelligence and National Security Alliance, and Former Director, National Counter Proliferation Center, Office of the Director of National Intelligence);

April 11, 2013, Joint hearing of the Subcommittee on Asia and the Pacific; Subcommittee on Terrorism, Nonproliferation, and Trade; and Subcommittee on the Middle East and North Africa, on “Breaking the Iran, North Korea, and Syria Nexus” (The Honorable R. James Woolsey, Chairman, Foundation for Defense of Democracies and Former Director of the Central Intelligence Agency; Mr. Henry D. Sokolski, Executive Director, Nonproliferation Policy Education Center, and Former Deputy for Nonproliferation Policy, U.S. Department of Defense; Mr. David Albright, Founder and President, Institute for Science and International Security; and Ray Takeyh, Ph.D. Senior Fellow for Middle Eastern Studies, Council on Foreign Relations);

March 26, 2014, Asia-Pacific Subcommittee hearing on “The Shocking Truth about North Korean Tyranny” (Ms. Grace Jo, Survivor of North Korean human rights abuses; Mr. Greg Scarlatoiu, Executive Director, Committee for Human Rights in North Korea; Mr. Bruce Klingner, Senior Research Fellow, Northeast Asia, The Heritage Foundation);

COMMITTEE CONSIDERATION

On May 29, 2014, the House Foreign Affairs Committee marked up the bill, H.R. 1771, pursuant to notice, in open session. An amendment in the nature of a substitute, offered by the chairman, and two other amendments (which were considered en bloc) were agreed to in a voice vote. The bill, as amended, was agreed to by voice vote.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of House Rule XIII, the committee reports that the 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 the “Summary and Purpose,” “Background and Need for 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, June 26, 2014.

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. 1771, the North Korea Sanctions Enforcement Act of 2014.

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,

DOUGLAS W. ELMENDORF.

Enclosure

cc: Honorable Eliot L. Engel
Ranking Member

H.R. 1771—North Korea Sanctions Enforcement Act of 2014.

As ordered reported by the House Committee on Foreign Affairs on May 29, 2014.

H.R. 1771 would expand existing sanctions against North Korea. CBO estimates that implementing the bill would cost \$10 million over the 2015–2019 period, assuming appropriation of the estimated amounts. Pay-as-you-go procedures apply to this legislation because it would affect direct spending and revenues; however, CBO estimates that those effects would not be significant.

Provisions of H.R. 1771 would increase administrative costs of the Department of State and the Department of the Treasury. Based on information from the Administration, CBO estimates that the departments would hire 10 additional employees to implement

the bill and would require additional appropriations averaging \$2 million a year over the 2015–2019 period.

Sanctions required under the bill would probably increase the number of people who would be denied a visa by the Secretary of State. Most visa fees are retained by the department and spent without further appropriation, but some fees are deposited in the Treasury as revenues. CBO estimates that implementing those sanction provisions would affect very few people and, thus, have an insignificant budgetary effect.

Because the bill would expand the types of prohibited activities involving North Korea that are subject to civil and criminal penalties under current law, it could increase revenues and direct spending from the collection of those penalties; however, CBO estimates that the net budgetary effect of any additional penalties would be negligible for each year.

H.R. 1771 would impose both intergovernmental and private-sector mandates, as defined in the Unfunded Mandates Reform Act (UMRA), on public and private entities that export goods or services sent as foreign assistance. The bill would prohibit public and private entities in the United States from exporting defense-related items, data, and services that are sent as non-humanitarian assistance to countries that provide military equipment to North Korea. (For example, the prohibition could affect public universities or other organizations that provide research or technical assistance to such countries.) The bill also would impose a mandate on private entities by requiring the President to revoke licenses for transactions that lack financial controls to ensure that such transactions will not facilitate the proliferation of weapons or human rights abuses by the North Korean government.

The cost of the mandates would be the forgone net revenues from exports or transactions prohibited by the bill. Because of the small number of entities that would be affected and the broad scope of existing U.S. sanctions against North Korea, CBO expects that the aggregate cost of the mandates on public and private entities would fall below the annual thresholds established in UMRA for intergovernmental and private-sector mandates (\$76 million and \$152 million, respectively, in 2014, adjusted annually for inflation).

The CBO staff contacts for this estimate are Sunita D'Monte, Pamela Greene, and Matthew Pickford (for federal costs), Jon Sperl (for the intergovernmental impact), and Marin Burnett (for the private-sector impact). This estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.

DIRECTED RULE MAKING

Pursuant to clause 3(c) of House Rule XIII, as modified by section 3(k) of H. Res. 5 during the 113th Congress, the committee notes that this bill contains no directed rule-making provisions.

NON-DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c) of House Rule XIII, as modified by section 3(j)(2) of H. Res. 5 during the 113th Congress, 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;
- A verifiable decrease in Iran’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. 1771 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. 1771 does not establish or authorize any new advisory committees.

EARMARK IDENTIFICATION

H.R. 1771 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.

SECTION-BY-SECTION ANALYSIS

TITLE I—INVESTIGATIONS, PROHIBITED CONDUCT, AND PENALTIES

Section 101. This section states that it is the policy of the United States to pursue vigorously sanctions against the North Korean government in order to peacefully disarm Pyongyang.

Section 102. This section mandates that the President investigate sanctionable conduct involving North Korea upon the receipt of credible information that a person or entity has engaged in such activity. Among other things, this may include proliferation of weapons of mass destruction, arms related materials, luxury goods, and counterfeit goods. This provision would prevent any administration from ignoring destructive North Korean behavior.

Section 103. This section requires regular briefings to Congress on North Korean assets and transactions, so that Congress can oversee the enforcement of sanctions and ensure that North Korea is cut off from its offshore assets and income. It also requires the

administration to be more forthcoming with providing information to Congress.

Section 104. This section describes the conduct and entities subject to sanctions. It mandates blocking sanctions (the prohibition on any transfers in financial instruments or other property) against persons that have materially contributed towards North Korea's nuclear, ballistic missile development and other unconventional programs. While this prohibition is contained in existing Executive Orders, this legislation makes such violations mandatory, rather than discretionary. It sanctions persons that engage in other destructive activities—from importing or exporting into North Korea related WMD materiel, to producing training or advice to their unconventional and conventional weapons programs. It also levies mandatory sanctions on those who import luxury goods into North Korea, or enable its censorship efforts or continuing human rights abuses. Finally, it strikes at the heart of their efforts to fund their illicit activities by requiring sanctions against those who have engaged in money laundering, counterfeit goods manufacture, or narcotics trafficking.

This section also provides the administration the necessary tools to sanction North Korea's third-party enablers transferring or the facilitating the transfer of financial assets and property of the North Korea regime.

Section 105. This section seizes assets forfeited for violations of North Korea sanctions laws, and provides it to the U.S. Treasury.

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

Section 201. This section instructs the Secretary of the Treasury to determine whether North Korea is a “primary money laundering concern.” If such a determination was made, that would block North Korean banks from direct or indirect access to the U.S. financial system, and require “special measures” against designated persons, North Korean government entities, and banks that provide financial services to entities found to have engaged in sanctionable conduct. Such a designation could have a debilitating effect on North Korea's ability to access the international financial system.

Section 202. This section finds that all states and jurisdictions are obligated to implement and enforce UN Security Council resolutions and provides as a sense of Congress that the President should intensify efforts to implement a diplomatic strategy to protect the global financial system from North Korean threats.

Section 203. This section re-imposes sanctions under the Export Administration Act and the Arms Export Control Act that applied to North Korea until it was removed from the list of state sponsors of terrorism in 2008. The provision will statutorily prohibit the export of munitions to North Korea and severely restrict export licenses for the for controlled good and technologies, and sanction those who send or receive lethal military equipment from North Korea as if the regime were still designated a state sponsor of terrorism.

Section 204. This section bars designated persons, their officers, and their subsidiaries from receiving U.S. government contracts. If

a person is enabling or facilitating the regime's destructive policies, they should not be eligible to receive U.S. Government contracts.

Section 205. This section requires the administration to provide briefings identifying foreign sea ports and airports whose inspections of vessels originating from North Korea are deficient. Cargo coming from ports that consistently fail to inspect North Korean cargo, as required by U.N. resolutions, may be subject to increased inspection requirements at U.S. ports. It also allows for the seizure of ships or aircraft used for smuggling. This provision is critical as that it protects the U.S. homeland from ports that deliberately fail to sufficiently inspect North Korean cargo.

Section 206. This section allows the President to deny the entry into the U.S. of any alien who is a person that has been sanctioned under this Act. If a person is an enabler of the North Korean regime, you should not be granted a visa or access to the United States.

Section 207. This section provides for exclusions and waivers from sanctions for humanitarian aid, consular activities, for cooperating witnesses and banks, and when vital to the economic or national security interests of the United States.

TITLE III—PROMOTION OF HUMAN RIGHTS

Section 301. This section requires the President to study the feasibility of bringing unmonitored and inexpensive cellular and internet communications to the people of North Korea, to break the information blockade the regime has imposed on its own population. This information has proven crucial in changing the perception of the North Korean people about the nature of the Kim regime and the outside world.

Section 302. This section requires a report by the State Department on North Korea's political prison camps, which are estimated to hold up to 200,000 men, women, and children. It is meant to focus greater public attention on North Korea's grave and pervasive crimes against humanity.

Section 303. This section requires a report by the State Department that identifies severe human rights abusers in North Korea, utilizing information collected in the recent U.N. Commission of Inquiry Report on North Korean human rights abuses, the most comprehensive such report to date. This will bring needed attention to the North Korean human rights disaster.

TITLE IV—GENERAL AUTHORITIES

Section 401. This provision provides for a one-year suspension of sanctions, renewable for one consecutive year, if North Korea takes significant steps toward disarmament and reform, while preventing the premature relaxation of sanctions for false North Korean promises.

Section 402. This section terminates these sanctions if North Korea undergoes a fundamental change of governance toward an open, free, and peaceful society.

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 italic, existing law in which no change is proposed is shown in roman):

TITLE 18, UNITED STATES CODE

* * * * *

PART I—CRIMES

* * * * *

CHAPTER 46—FORFEITURE

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§ 981. Civil forfeiture

(a)(1) The following property is subject to forfeiture to the United States:

(A) * * *

* * * * *

(I) Any property, real or personal, that is involved in a violation or attempted violation, or which constitutes or is derived from proceeds traceable to a violation, of section 104(a) of the North Korea Sanctions Enforcement Act of 2014.

* * * * *

§ 983. General rules for civil forfeiture proceedings

(a) * * *

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(i) CIVIL FORFEITURE STATUTE DEFINED.—In this section, the term “civil forfeiture statute”—

(1) * * *

(2) does not include—

(A) * * *

* * * * *

(D) the Trading with the Enemy Act (50 U.S.C. App. 1 et seq.) [or the International Emergency Economic Powers Act], *the International Emergency Economic Powers Act (IEEPA) (50 U.S.C. 1701 et seq.), or the North Korea Sanctions Enforcement Act of 2014; or*

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CHAPTER 95—RACKETEERING

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§ 1956. Laundering of monetary instruments

(a) * * *

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(c) As used in this section—

(1) * * *

* * * * *

(7) the term “specified unlawful activity” means—

(A) * * *

* * * * *

(D) an offense under section 32 (relating to the destruction of aircraft), section 37 (relating to violence at international airports), section 115 (relating to influencing, impeding, or retaliating against a Federal official by threatening or injuring a family member), section 152 (relating to concealment of assets; false oaths and claims; bribery), section 175c (relating to the variola virus), section 215 (relating to commissions or gifts for procuring loans), section 351 (relating to congressional or Cabinet officer assassination), any of sections 500 through 503 (relating to certain counterfeiting offenses), section 513 (relating to securities of States and private entities), section 541 (relating to goods falsely classified), section 542 relating to entry of goods by means of false statements), section 545 (relating to smuggling goods into the United States), section 549 (relating to removing goods from Customs custody), section 554 (relating to smuggling goods from the United States), section 555 (relating to border tunnels), section 641 (relating to public money, property, or records), section 656 (relating to theft, embezzlement, or misapplication by bank officer or employee), section 657 (relating to lending, credit, and insurance institutions), section 658 (relating to property mortgaged or pledged to farm credit agencies), section 666 (relating to theft or bribery concerning programs receiving Federal funds), section 793, 794, or 798 (relating to espionage), section 831 (relating to prohibited transactions involving nuclear materials), section 844 (f) or (i) (relating to destruction by explosives or fire of Government property or property affecting interstate or foreign commerce), section 875 (relating to interstate communications), section 922(1) (relating to the unlawful importation of firearms), section 924(n) (relating to firearms trafficking), section 956 (relating to conspiracy to kill, kidnap, maim, or injure certain property in a foreign country), section 1005 (relating to fraudulent bank entries), 1006(relating to fraudulent Federal credit institution entries), 1007(relating to Federal Deposit Insurance transactions), 1014(relating to fraudulent loan or credit applications), section 1030 (relating to computer fraud and abuse), 1032(relating to concealment of assets from conservator, receiver, or liquidating agent of financial institution), section 1111 (relating to murder), section 1114 (relating to murder of United States law enforcement officials), section 1116 (relating to murder of foreign officials, official guests, or internationally protected persons), section 1201 (relating to kidnaping), section 1203 (relating to hostage taking), section 1361 (relating to willful injury of Government property), section 1363 (relating to destruction of property within the special maritime and territorial jurisdiction),

section 1708 (theft from the mail), section 1751 (relating to Presidential assassination), section 2113 or 2114 (relating to bank and postal robbery and theft), section 2252A (relating to child pornography) where the child pornography contains a visual depiction of an actual minor engaging in sexually explicit conduct, section 2260 (production of certain child pornography for importation into the United States), section 2280 (relating to violence against maritime navigation), section 2281 (relating to violence against maritime fixed platforms), section 2319 (relating to copyright infringement), section 2320 (relating to trafficking in counterfeit goods and services), section 2332 (relating to terrorist acts abroad against United States nationals), section 2332a (relating to use of weapons of mass destruction), section 2332b (relating to international terrorist acts transcending national boundaries), section 2332g (relating to missile systems designed to destroy aircraft), section 2332h (relating to radiological dispersal devices), section 2339A or 2339B (relating to providing material support to terrorists), section 2339C (relating to financing of terrorism), or section 2339D (relating to receiving military-type training from a foreign terrorist organization) of this title, section 46502 of title 49, United States Code, a felony violation of the Chemical Diversion and Trafficking Act of 1988 (relating to precursor and essential chemicals), section 590 of the Tariff Act of 1930 (19 U.S.C. 1590) (relating to aviation smuggling), section 422 of the Controlled Substances Act (relating to transportation of drug paraphernalia), section 38(c) (relating to criminal violations) of the Arms Export Control Act, section 11 (relating to violations) of the Export Administration Act of 1979, section 206 (relating to penalties) of the International Emergency Economic Powers Act, section 16 (relating to offenses and punishment) of the Trading with the Enemy Act, any felony violation of section 15 of the Food and Nutrition Act of 2008 (relating to supplemental nutrition assistance program benefits fraud) involving a quantity of benefits having a value of not less than \$5,000, any violation of section 543(a)(1) of the Housing Act of 1949 (relating to equity skimming), any felony violation of the Foreign Agents Registration Act of 1938, any felony violation of the Foreign Corrupt Practices Act, **or** section 92 of the Atomic Energy Act of 1954 *section 92 of the Atomic Energy Act of 1954* (42 U.S.C. 2122) (relating to prohibitions governing atomic weapons), *or section 104(a) of the North Korea Sanctions Enforcement Act of 2014*

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NORTH KOREAN HUMAN RIGHTS ACT OF 2004

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**TITLE I—PROMOTING THE HUMAN
RIGHTS OF NORTH KOREANS**

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SEC. 104. ACTIONS TO PROMOTE FREEDOM OF INFORMATION.

(a) * * *

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(d) INFORMATION TECHNOLOGY STUDY.—Not later than 180 days after the date of the enactment of this subsection, the President shall submit to the appropriate congressional committees a classified report setting forth a detailed plan for making unrestricted, unmonitored, and inexpensive electronic mass communications available to the people of North Korea.

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