# CONGRESSIONAL BUDGET OFFICE
# COST ESTIMATE

September 20, 2006

## H.R. 5805
### North Korea Nonproliferation Act of 2006

*As approved by the House Committee on International Relations on September 13, 2006*

H.R. 5805 would require that the President issue biannual reports identifying any foreign country, corporation, or individual that has transferred sensitive nuclear, chemical, biological, or missile technology, goods, or services to North Korea on or after January 1, 2006. The bill also would authorize the President to impose certain sanctions on any such entities. In cases in which the President does not impose sanctions on those responsible for such transfers, the bill would require the President to report to the Congress the reasons why sanctions were not imposed.

CBO estimates that implementing H.R. 5805 would not have a significant impact on the federal budget. Enacting the bill would not affect direct spending or revenues.

H.R. 5805 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

H.R. 5805 could impose private-sector mandates as defined in UMRA. If the President determines that a foreign person transfers to or acquires from North Korea technology that could be used to develop nuclear, biological, or chemical weapons, or ballistic or cruise missile systems, the President would be authorized to apply certain measures on that foreign person. The President would have the authority to apply several different types of measures with respect to that foreign person, including:

- A procurement ban, under which the United States government would cease to procure, or enter into any contract for the procurement of, any goods, technology, or services from that foreign person;

- An arms export prohibition, under which the United States government would be prohibited from selling to that foreign person any item on the United States Munitions List, and any defense articles, defense services, or design and construction services under the Arms Export Control Act; and,

- A dual-use export prohibition, under which that foreign person would be denied licenses or have existing licenses suspended for the transfer to that person of items the export of which is controlled under the Export Administration Act of 1979 or the Export Administration Regulations.

Based on the uncertainty of whether and how the President would apply such measures, CBO has no basis for estimating the costs of the mandates or whether the costs would exceed the annual threshold established by UMRA for private-sector mandates ($128 million in 2006, adjusted annually for inflation).

The CBO staff contacts for this estimate are Sam Papenfuss (for federal costs) and Tyler Kruzich (for the private-sector impact). This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.