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To impose sanctions with respect to foreign persons that knowingly engage in significant operations in the defense and related materiel sector or the surveillance technology sector of the economy of the People’s Republic of China, and for other purposes.

IN THE SENATE OF THE UNITED STATES

DECEMBER 17 (legislative day, DECEMBER 16), 2024

Mr. SCOTT of Florida introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To impose sanctions with respect to foreign persons that knowingly engage in significant operations in the defense and related materiel sector or the surveillance technology sector of the economy of the People’s Republic of China, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Chinese Military and
5 Surveillance Company Sanctions Act of 2024”.

6 **SEC. 2. FINDINGS AND SENSE OF CONGRESS.**

7 (a) FINDINGS.—Congress finds the following:

1 (1) Under Executive Order 13959 of November
2 17, 2020, the President found that the People’s Re-
3 public of China “increases the size of the country’s
4 military-industrial complex by compelling civilian
5 Chinese companies to support its military and intel-
6 ligence activities. Those companies, though remain-
7 ing ostensibly private and civilian, directly support
8 the PRC’s military, intelligence, and security
9 apparatuses and aid in their development and mod-
10 ernization.”. The President further determined that
11 “the PRC exploits United States investors to finance
12 the development and modernization of its military.”.
13 As a result, Executive Order 13959 restricted trans-
14 actions in publicly traded securities of Communist
15 Chinese military companies listed pursuant to sec-
16 tion 1237 of the Strom Thurmond National Defense
17 Authorization Act for Fiscal Year 1999 (Public Law
18 105–261; 50 U.S.C. 1701 note).

19 (2) Although Executive Order 13959 targets
20 transactions in some public securities, it does not
21 fully address all public securities of concern or ad-
22 dress financing options for Communist Chinese mili-
23 tary companies through other forms of equity fi-
24 nancing or debt financing, nor does it limit trans-
25 actions with United States persons that may gen-

1 erate earnings in a manner that facilitates company
2 growth.

3 (3) The Office of Foreign Assets Control of the
4 Department of the Treasury, by blocking the assets
5 of certain entities pursuant to certain specific dele-
6 gated authorities and including those entities on the
7 list of specially designated nationals and blocked
8 persons (commonly referred to as the “SDN list”),
9 is able to forbid virtually any transaction between
10 United States persons and such entities, including
11 debt and equity financing and the exchange of goods
12 and services. Conversely, restrictions limited to pub-
13 licly traded securities are less comprehensive, and in
14 the case of certain Chinese companies of concern,
15 may be of limited impact if the companies do not
16 issue such securities or the full corporate family is
17 not adequately covered.

18 (4) While Executive Order 13959 applies only
19 to the purchase or sale of certain publicly traded se-
20 curities by United States persons, the Office of For-
21 eign Assets Control’s inclusion of a foreign entity on
22 the SDN list imposes a broader sanction by blocking
23 the property and interest in property of the entity,
24 which may further deter third-country persons from

1 dealing with it, amplifying the effects of United
2 States sanctions globally.

3 (5) The Office of Foreign Assets Control has
4 long devoted significant resources to compiling evi-
5 dence in support of its sanctions, which enhances the
6 effectiveness of United States sanctions, encourages
7 allies to consider comparable measures, and
8 strengthens national security.

9 (6) On June 3, 2021, the President issued Ex-
10 ecutive Order 14032, which amended Executive
11 Order 13959 by exclusively delegating authority for
12 naming Chinese military companies subject to in-
13 vestment restrictions to the Secretary of the Treas-
14 ury, in consultation with the Secretary of State and,
15 as appropriate, the Secretary of Defense, and ex-
16 panded restrictions to entities that operate or have
17 operated in the surveillance technology sector of the
18 Chinese economy.

19 (b) SENSE OF CONGRESS.—It is the sense of Con-
20 gress that—

21 (1) it is in the national interest of the United
22 States to more fully address the economic threat
23 that the Chinese Communist Party poses to United
24 States freedom and prosperity;

1 (2) the United States must adopt policies that
2 declare and defend the interests of the United States
3 and deter the aggression of the Chinese Communist
4 Party; and

5 (3) the national emergency declared under Ex-
6 ecutive Order 13959 calls for the United States—

7 (A) to more fully cut off financing avenues
8 for Communist Chinese military and surveil-
9 lance companies;

10 (B) to prevent adaptation by a company to
11 partial restrictions that are limited to publicly
12 traded securities;

13 (C) to ensure that the United States as-
14 sembles an appropriate evidentiary basis to sup-
15 port the effectiveness of sanctions;

16 (D) to enhance the impact of economic
17 sanctions by deterring third-country persons
18 from dealing with the companies; and

19 (E) to link the imposition of sanctions to
20 clear objectives that serve to resolve the na-
21 tional emergency.

1 **SEC. 3. SANCTIONS WITH RESPECT TO COMMUNIST CHI-**
2 **NESE MILITARY AND SURVEILLANCE COMPA-**
3 **NIES.**

4 (a) **IN GENERAL.**—On and after the date that is 180
5 days after the date of the enactment of this Act, the Presi-
6 dent shall impose the sanction described in subsection (c)
7 with respect to any foreign person described in subsection
8 (b).

9 (b) **FOREIGN PERSON DESCRIBED.**—A foreign per-
10 son described in this subsection is any foreign person the
11 President determines is knowingly operating in the de-
12 fense sector, military-civil fusion operations sector, or sur-
13 veillance technology sector of the economy of the People’s
14 Republic of China.

15 (c) **SANCTION DESCRIBED.**—The President shall pro-
16 hibit any transactions in foreign exchange that are subject
17 to the jurisdiction of the United States and in which the
18 foreign person described in subsection (b) has any inter-
19 est.

20 (d) **ADDITIONAL MEASURE RELATING TO FACILITA-**
21 **TION OF CERTAIN TRANSACTIONS.**—The President shall
22 prohibit or impose strict conditions on the opening or
23 maintaining in the United States of a correspondent ac-
24 count or payable-through account by a foreign financial
25 institution that the President determines has, on or after
26 the date that is 180 days after the date of the enactment

1 of this Act, knowingly conducted or facilitated a signifi-
2 cant transaction or transactions on behalf of a foreign per-
3 son described in subsection (b).

4 (e) CONGRESSIONAL REQUESTS.—Not later than 30
5 days after receiving a request from the chairman or rank-
6 ing member of one of the appropriate congressional com-
7 mittees with respect to whether a person meets the criteria
8 for the imposition of sanctions under subsection (c) or (d),
9 the President shall—

10 (1) determine if the person meets such criteria;

11 and

12 (2) submit a report to the chairman or ranking
13 member, as the case may be, who submitted the re-
14 quest with respect to that determination that in-
15 cludes a statement of whether or not the President
16 imposed or intends to impose sanctions with respect
17 to the person.

18 (f) DETERMINATIONS AND REPORTS.—

19 (1) IN GENERAL.—Not later than one year
20 after the date of the enactment of this Act, and an-
21 nually thereafter, the Secretary of the Treasury, in
22 consultation with the Secretary of State, the Sec-
23 retary of Commerce, and the Secretary of Defense,
24 shall—

1 (A) determine whether each foreign person
2 on a list specified in paragraph (2), and each
3 entity described in paragraph (3), meets the cri-
4 teria for the imposition of sanctions under sub-
5 section (c) or (d); and

6 (B) submit to the appropriate congres-
7 sional committees a report explaining the re-
8 sults of each such determination.

9 (2) LISTS SPECIFIED.—The lists specified in
10 this paragraph are the following:

11 (A) The Consolidated Screening List of the
12 Federal Government.

13 (B) The list of Chinese military companies
14 operating directly or indirectly in the United
15 States maintained by the Secretary of Defense
16 under section 1260H(b) of the William M.
17 (Mac) Thornberry National Defense Authoriza-
18 tion Act for Fiscal Year 2021 (Public Law
19 116–283; 10 U.S.C. 113 note).

20 (C) A list maintained under clause (i), (ii),
21 (iv), or (v) of section 2(d)(2)(B) of the Act enti-
22 tled “An Act to ensure that goods made with
23 forced labor in the Xinjiang Autonomous Re-
24 gion of the People’s Republic of China do not
25 enter the United States market, and for other

1 purposes”, approved December 23, 2021 (Pub-
2 lic Law 117–78; 22 U.S.C. 6901 note) (com-
3 monly referred to as the “Uyghur Forced Labor
4 Prevention Act”).

5 (3) ENTITIES DESCRIBED.—An entity is de-
6 scribed in this paragraph if the entity produces
7 equipment or services on the list of communications
8 equipment and services that pose an unacceptable
9 risk to the national security of the United States or
10 the security and safety of United States persons
11 maintained by the Federal Communications Com-
12 mission under section 2 of the Secure and Trusted
13 Communications Networks Act of 2019 (47 U.S.C.
14 1601).

15 (g) CONSIDERATION OF CERTAIN ACTIVITIES.—In
16 making determinations with respect to the imposition of
17 sanctions under subsection (e) or (d), the Secretary of the
18 Treasury may, if practicable, focus particular attention on
19 foreign persons engaged in any of the following:

20 (1) Artificial intelligence, machine learning, au-
21 tonomy, and related advances.

22 (2) High-performance computing, semiconduc-
23 tors, and advanced computer hardware and software.

24 (3) Quantum information science and tech-
25 nology.

1 (4) Robotics, automation, and advanced manu-
2 facturing.

3 (5) Advanced communications technology and
4 immersive technology.

5 (6) Biotechnology, medical technology,
6 genomics, and synthetic biology.

7 (7) Data storage, data management, and cyber-
8 security, including biometrics.

9 (8) Advanced materials science, including com-
10 posites and 2 dimensional materials.

11 (9) Hypersonic flight technologies for glide or
12 any other purposes.

13 (10) Space-related technologies, including sat-
14 ellite communications.

15 (11) Aviation and aerospace technologies.

16 (12) Any other area on the Critical and Emerg-
17 ing Technologies List of the National Science and
18 Technology Council.

19 (h) IMPLEMENTATION; PENALTIES.—

20 (1) IMPLEMENTATION.—The President may ex-
21 ercise the authorities provided under sections 203
22 and 205 of the International Emergency Economic
23 Powers Act (50 U.S.C. 1702 and 1704) to the ex-
24 tent necessary to carry out this section.

1 (2) PENALTIES.—A person that violates, at-
2 tempts to violate, conspires to violate, or causes a
3 violation of this section or any regulation, license, or
4 order issued to carry out this section shall be subject
5 to the penalties set forth in subsections (b) and (c)
6 of section 206 of the International Emergency Eco-
7 nomic Powers Act (50 U.S.C. 1705) to the same ex-
8 tent as a person that commits an unlawful act de-
9 scribed in subsection (a) of that section.

10 (i) WAIVER.—

11 (1) IN GENERAL.—The President may, for re-
12 newable periods of not to exceed 180 days, waive the
13 application of this section with respect to a foreign
14 person if the President certifies to the appropriate
15 congressional committees that such a waiver is in
16 the national security interests of the United States.

17 (2) BRIEFING.—Not later than 90 days after
18 the issuance of a waiver under paragraph (1), and
19 every 180 days thereafter while the waiver remains
20 in effect, the President shall brief the appropriate
21 congressional committees on the reasons for the
22 waiver.

23 (j) EXCEPTIONS.—

1 (1) INTELLIGENCE AND LAW ENFORCEMENT
2 ACTIVITIES.—Sanctions under this section shall not
3 apply with respect to—

4 (A) any activity subject to the reporting
5 requirements under title V of the National Se-
6 curity Act of 1947 (50 U.S.C. 3091 et seq.); or

7 (B) any authorized intelligence or law en-
8 forcement activities of the United States.

9 (2) HUMANITARIAN ACTIVITIES.—The Presi-
10 dent may not impose sanctions under this section
11 with respect to any person for conducting or facili-
12 tating a transaction for the sale of agricultural com-
13 modities, food, medicine, or medical devices or for
14 the provision of humanitarian assistance.

15 (k) REGULATORY REQUIREMENTS.—

16 (1) IN GENERAL.—The President shall, not
17 later than 180 days after the date of the enactment
18 of this Act, prescribe such regulations as are nec-
19 essary for the implementation of this section.

20 (2) NOTIFICATION TO CONGRESS.—Not later
21 than 10 days before prescribing regulations under
22 paragraph (1), the President shall notify the appro-
23 priate congressional committees regarding the pro-
24 posed regulations and the provisions of this section
25 that the regulations are implementing.

1 (l) SUNSET.—The authority to impose sanctions
2 under this section shall terminate on the date that is 7
3 years after the date of the enactment of this Act.

4 (m) DEFINITIONS.—In this section:

5 (1) ACCOUNT; CORRESPONDENT ACCOUNT; PAY-
6 ABLE-THROUGH ACCOUNT.—The terms “account”,
7 “correspondent account”, and “payable-through ac-
8 count” have the meanings given those terms in sec-
9 tion 5318A of title 31, United States Code.

10 (2) APPROPRIATE CONGRESSIONAL COMMIT-
11 TEES.—The term “appropriate congressional com-
12 mittees” means—

13 (A) the Committee on Armed Services, the
14 Committee on Banking, Housing, and Urban
15 Affairs, the Committee on Foreign Relations,
16 and the Committee on Homeland Security and
17 Governmental Affairs; and

18 (B) the Committee on Armed Services, the
19 Committee on Financial Services, the Com-
20 mittee on Foreign Affairs, and the Committee
21 on Homeland Security of the House of Rep-
22 resentatives.

23 (3) EXECUTIVE ORDER 13959.—The term “Ex-
24 ecutive Order 13959” means Executive Order 13959
25 (50 U.S.C. 1701 note; relating to addressing the

1 threat from securities investments that finance Com-
2 munist Chinese military companies), as in effect on
3 the date of the enactment of this Act, including as
4 most recently amended before such date of enact-
5 ment by Executive Order 14032 (86 Fed. Reg.
6 30145).

7 (4) FOREIGN PERSON.—The term “foreign per-
8 son” means an individual or entity that is not a
9 United States person.

10 (5) KNOWINGLY.—The term “knowingly” with
11 respect to conduct, a circumstance, or a result,
12 means that a person has actual knowledge, or should
13 have known, of the conduct, the circumstance, or the
14 result.

15 (6) UNITED STATES PERSON.—The term
16 “United States person” means—

17 (A) a United States citizen or an alien law-
18 fully admitted for permanent residence to the
19 United States;

20 (B) an entity organized under the laws of
21 the United States or of any jurisdiction within
22 the United States, including a foreign branch of
23 such an entity; or

24 (C) a person in the United States.

1 **SEC. 4. CODIFICATION OF EXECUTIVE ORDER 13959.**

2 (a) IN GENERAL.—Executive Order 13959 (50
3 U.S.C. 1701 note; relating to addressing the threat from
4 securities investments that finance Communist Chinese
5 military companies), as in effect on the date of the enact-
6 ment of this Act, and sanctions imposed pursuant to that
7 Executive Order, shall remain in effect until terminated
8 by an Act of Congress.

9 (b) ANNEX.—Not less frequently than annually, the
10 President shall—

11 (1) update the Annex to Executive Order
12 13959; and

13 (2) include, with respect to each entity included
14 in that Annex, any subsidiary or affiliate of the enti-
15 ty that engages in activities relating to the reason
16 the entity is included in the Annex.

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