**Congressional Budget Office**
Cost Estimate

January 4, 2022

# S. 1657, South China Sea and East China Sea Sanctions Act of 2021

**As reported by the Senate Committee on Foreign Relations on October 28, 2021**

| By Fiscal Year, Millions of Dollars | 2022 | 2022-2026 | 2022-2031 |
|---|---|---|---|
| Direct Spending (Outlays) | * | * | * |
| Revenues | * | * | * |
| Increase or Decrease (-) in the Deficit | * | * | * |
| Spending Subject to Appropriation (Outlays) | * | * | not estimated |

| | | | |
|---|---|---|---|
| Statutory pay-as-you-go procedures apply? | **Yes** | **Mandate Effects** | |
| Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2032? | **No** | Contains intergovernmental mandate? | **No** |
| | | Contains private-sector mandate? | **Yes, Under Threshold** |

* = between -$500,000 and $500,000.

S. 1657 would authorize the Administration to impose sanctions on Chinese persons, including senior officials in the Chinese government, who support China's island-building activities in the South China Sea. The bill also would require the Department of State to submit an annual report to the Congress for three years after enactment listing countries that have taken an official stance recognizing China's sovereignty in disputed territory or airspace.

If the Administration imposes new sanctions, it could restrict exports and other financial transactions of foreign persons. In addition, the bill would block transactions in certain assets and property that are in the United States or that come under the control of people in the United States. Sanctions under the bill also would increase the number of people who are subject to civil or criminal monetary penalties. Those penalties are recorded as revenues, and a portion can be spent without further appropriation.

In addition, more people would be denied visas by the Department of State, resulting in an insignificant decrease in revenues from fees. Although most visa fees are retained by the department and spent without further appropriation, some collections are deposited into the Treasury as revenues. Denying foreign nationals entry into the United States also would reduce direct spending on federal benefits (emergency Medicaid or federal subsidies for health insurance, for example) for which those people might otherwise be eligible.

On the basis of data for similar sanctions, CBO estimates that any additional sanctions would affect a small number of people; thus, enacting S. 1657 would have insignificant effects on revenues and direct spending, and would, on net, reduce deficits by insignificant amounts over the 2022-2031 period.

Using information about the costs of similar requirements, CBO estimates that providing the report required under S. 1657 would cost less than $500,000 over the 2022-2026 period; such spending would be subject to availability of appropriated funds.

S. 1657 would impose a private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA). It would prohibit individuals or entities in the United States from engaging in transactions involving assets and property that have been frozen by sanctions authorized in the bill. Those transactions are otherwise permitted under current law. It also could prohibit U.S. investors from investing or purchasing equity in sanctioned companies or financing their debt. The cost of the mandate would be any income lost as a consequence. CBO expects that because a small number of people or entities would be affected, the loss of income from any incremental increase in restrictions imposed by the bill would be small as well. CBO estimates that the cost of the mandate would fall well below the annual threshold established in UMRA for private-sector mandates ($170 million in 2021, adjusted annually for inflation).

S. 1657 contains no intergovernmental mandates as defined in UMRA.

The CBO staff contacts for this estimate are Madeleine Fox and Brandon Lever. The estimate was reviewed by Leo Lex, Deputy Director of Budget Analysis.