



August 23, 2006

REVIEW & OUTLOOK

Kim's Cash Squeeze

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It's getting tough to be a North Korean banker these days. First Washington shuts down your Macau accounts; then China, an old friend, follows suit. Now, there's word that even nearby Vietnam and Mongolia are cooperating. Who's next?

One thing's for sure: The U.S.-led financial squeeze on Pyongyang is gaining momentum. Since the U.S. Treasury Department designated Banco Delta Asia, a Macau bank long used by North Korea, as a "primary money laundering concern" last September, banks world-wide have awakened to the dangers of being tarred by association with Kim Jong Il's regime. Hanoi and Ulan Bator don't even boast big financial centers. But they saw the sense in acting on information provided by Washington, we're told.


Treasury just may have hit upon the most effective form of sanctions against Pyongyang, save cutting off the food and energy supplied by China and South Korea. The proof is in Kim's furious reaction to the freeze. North Korea has refused to return to the six-party talks on its nuclear-weapons programs until the U.S. ends the effort against its bank accounts.

Emboldened by signs that the pinch has gotten Pyongyang's attention, U.S. officials would like to expand the program. "The United States continues to encourage financial institutions to carefully assess the risk of holding any North Korea-related accounts," Stuart Levey, Treasury undersecretary for terrorism and financial intelligence, told us yesterday.

"Given the regime's counterfeiting of U.S. currency, narcotics trafficking and use of accounts world-wide to conduct proliferation-related activities, the line between illicit and licit North Korean money is nearly invisible."

There's still a long road ahead. Russia -- another country which Pyongyang turned to after the Chinese change of banking heart -- has so far proved less helpful than Mongolia or Vietnam in closing North Korean bank accounts, we're told. Despite its encouraging steps, Beijing also remains a long way from closing all of its North Korean bank accounts. And there have been repeated press reports that Kim still has a multi-billion dollar slush fund stashed away in Switzerland or Austria.

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"We believe the North Korean leadership may be hiding significant amounts of money derived from suspect activities in banks around the world, including in Europe," Treasury's Mr. Levey told us.

It's not surprising that Kim Jong Il would seek alternative ways to move his regime's cash around. After all, keeping his generals well paid is vital to his survival. Without cash, he also can't purchase centrifuges and other parts for his nuclear program -- the only reason that he carries any weight in international diplomacy these days.

Would that everyone were as gung ho as Tokyo. In the wake of the Banco Delta Asia crackdown, Japan took up the issue of North Korean money laundering in bilateral talks with Beijing. Then, after the North's July missile tests, Tokyo announced a pending ban on millions of dollars remitted by ethnic Koreans in Japan annually.

Washington could think even bigger, suggests David Asher, who headed the State Department's working group on North Korea until last year. "We've done enough to cause them pain but not enough to debilitate them," he told us yesterday. "In order to be effective we have to attack them on a much broader front."

Mr. Asher suggests exhorting foreign governments to crack down on North Korea's long-standing abuse of diplomatic privileges. Its envoys in several countries have been caught smuggling everything from dollars to drugs.

For now, Treasury's banking crackdown has certainly inflicted pain on Pyongyang. It's a rare success in dealing with a regime that has all too often managed to defy the world with impunity. If countries big and small continue to assist the effort, Kim Jong Il's financiers could be out of a job very soon.

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