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Kim the Counterfeiter

By Ed Royce

Drinks flowed as North Korea's top negotiator and his American counterpart met in New York this week in celebration of Pyongyang's promise to give up its nuclear weapons. It was hard to believe that just five months ago North Korea actually exploded a nuclear weapon, for which it was roundly condemned. But that condemnation is gone today—as is any frank discussion of the criminal nature of the regime, including its highly sophisticated operation to counterfeit U.S. currency.

Troubling signs indicate that the Bush administration is prepared to push aside North Korea's illicit activities, "resolving" issues surrounding Macau-based Banco Delta Asia, which was found to be complicit in the counterfeit operation. Regardless of the outcome surrounding Banco Delta Asia, active vigilance against North Korea's robust and global illicit activities is essential. Confronting North Korea on its illicit activities, as a study I will release on Monday shows, makes the denuclearization of the Korean Peninsula more likely, not less.

Remarkably, North Korea is the first country since Hitler's Germany proven to counterfeit another's currency. And in a little-noticed report sent to Congress last September, the Treasury Department found that the forgeries, high-quality "Supernotes,"

are "being produced and distributed with the full consent and control of the North Korean government." This includes both \$100 and \$50 bills, from the older series to the newer "big head" notes. Approximately \$50 million of them have been seized from circulation since 1989.

Estimates on the amount of revenue generated from Pyongyang counterfeits range from \$15 million to \$25 million per year, but the actual amount may be considerably higher. As one government analyst put it, "We have no idea how much they're counterfeiting, because it's so good." Left unchecked, these counterfeits could eventually weaken confidence in the U.S. dollar, with global consequences. Alarming, some countries—such as Ireland, Taiwan and Peru—have temporarily refused accepting our \$100 bills.

North Korea's counterfeiting network is global, employing a diplomatic presence in more than 60 countries. An IRA splinter group leader has even been arrested for distributing these bogus bills. Including drug trafficking and other illicit activities, the criminal sector is responsible for 35% to 40% of North Korea's exports.

For Kim Jong Il, crime does pay. And given its ties to international criminal organizations, Pyongyang has access to a vast smuggling network that could allow it to move almost anything in or out of the country, including weapons of mass destruction.

Realizing this, the administration stood up the Illicit Activities Initiative in 2003. Its task was to attack the criminal lifeblood of the regime—which it did. The designation of Banco Delta Asia as a "willing pawn" of the North Korean government in September

2005 led banks throughout the region to sever contacts with the country, shaking Pyongyang and leading the regime back to the negotiating table.

When North Korea rejoined the six-party talks, its representative wanted

How North Korea is undermining the dollar.

to discuss one thing: money. Pressure—not appeasement—worked. But in a concession to Pyongyang, the U.S. committed to "resolve the issues concerning Banco Delta Asia" within 30 days of the Feb. 13 agreement.

It is unclear what this will mean exactly—but now that a deal has been made, U.S. officials who once pressed

the case against Pyongyang's counterfeiting are talking about the "broader interest." They are lately referring to the North Koreans as "only depositors" at Banco Delta Asia, as if Kim Jong Il was attracted by its interest rates. The Illicit Activities Initiative has now become enmeshed in the State Department's bureaucracy, losing the coordination, energy, and access to top officials it previously enjoyed—and losing steam.

Some may believe that tolerating North Korean counterfeiting is a small price to pay for disarming Pyongyang of its nuclear weapons. This discounts the potential impact on the world's economy. It also sends the unhelpful signal to the North Koreans that as long as they make promises on their nuclear weapons, the U.S. will bend on its laws.

Ending North Korea's nuclear weapons program must be our primary ob-

jective. However, the aggressive enforcement of our laws enhances rather than conflicts with the diplomatic effort to do so. Putting a stop to Pyongyang's counterfeit operation and other criminal activities would sever a key subsidy for North Korea's weapons of mass destruction program and frustrate Kim Jong Il's payments to his inner circle. It would also condition Pyongyang into respecting international norms.

Can we really expect a regime that counterfeits our currency to abide by a nuclear weapons agreement? Only when North Korea ends its criminal behavior are prospects for peace and security in Northeast Asia real. Let's help Pyongyang go straight.

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