

**Opening Statement of the Honorable Ed Royce (R-CA)**  
**House Committee on Foreign Affairs**  
**Hearing on “North Korea’s Criminal Activities: Financing the Regime”**  
**March 5, 2013**

(As Prepared for Delivery)

On February 12<sup>th</sup>, North Korea conducted its third and most powerful nuclear test. This followed December’s launch of a three-stage, intercontinental ballistic missile. Test after test, broken promise after broken promise, successive administrations - both Republican and Democrat – have clung to an unrealistic hope that one day North Korea will suddenly negotiate away its nuclear program. No, it is perfecting it.

This approach has failed. Three nuclear tests later, we must be realistic and find a better alternative. A failed approach to North Korea doesn’t result in just a more dangerous region, but a more dangerous world. We know that North Korea helped build the nuclear reactor in Syria. We also know that Iran has directly benefited from North Korea’s long-range missile technology and nuclear tests. Last month, Ranking Member Engel and I were in Northeast Asia. It is clear from our discussions that our North Korea policy must change.

Today we will look the illicit activities which are underwriting North Korea’s weapons programs: missile sales, meth trafficking, counterfeiting U.S. one hundred dollar bills... the list goes on. There is a reason it has been called the “Soprano State.” As we will hear one witness testify, North Korea’s “illicit money making machinery continues to turn.”

But it is this dependency on illicit activities that can be exploited. We did this once. In the fall of 2005, the Bush Administration targeted the Macao-based *Banco Delta Asia* for its role in laundering money for North Korea. This led other banks in the region to shun North Korean business, which financially isolated the regime. However, after Kim Jong il made promises on its nuclear program, the pressure was prematurely lifted. Today, the Obama Administration has done little to target North Korea’s illicit activities. Instead, the Administration has deferred policy to the United Nations and opted for “strategic patience.”

The purpose of today’s hearing is to examine how best to pressure North Korea’s ruling elite by systematically restricting their access to hard currency. We’ll hear from one witness who has first-hand experience spearheading such an effort. I’ll be introducing legislation based on some of the ideas we’ll hear today. It is important to realize we have more options other than to simply rely on Beijing to “do more.”

Disrupting North Korea’s illicit activities will place tremendous strain on that country’s ruling elite who have done so much harm to the people of North Korea. We must go

after Kim Jong Un's illicit activities like we went after organized crime in the United States: identify the network, interdict shipments, and disrupt the flow of money.

This would sever a key subsidy for North Korea's weapons of mass destruction program. For only when the North Korean leadership realizes that its criminal activities are untenable do prospects for peace and security in Northeast Asia improve.