**U.S. Squeezes North Korea's Money Flow**

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WASHINGTON, March 9 — Six months after the Bush administration blacklisted a bank in Macao accused of laundering money for the North Korean government, senior administration officials say the action has proved to be far more effective than anyone had dreamed.

Banks around the world are limiting their dealings with [North Korea](http://topics.nytimes.com/top/news/international/countriesandterritories/northkorea/index.html?inline=nyt-geo), and the nation's leadership is complaining with a vigor unusual even for that government.

"It really struck a nerve," a senior administration official said with a smile. It also has given new energy to those in the administration who have argued for years that the six-nation nuclear disarmament talks were a waste of time and that direct action was the only tactic that might force North Korea to give up its nuclear weapons program.

Since the Treasury Department ordered American banks to cut off relations with the Macao bank, Banco Delta Asia, on Sept. 15, the administration has repeatedly insisted that the law enforcement action was unrelated to the nuclear negotiations. Only now are officials saying that further law enforcement actions are planned, and their use has coalesced into a strategy.

In interviews, several present and former administration officials said the Bush administration had concluded that the six-nation talks intended to persuade North Korea to give up its nuclear arms were unlikely to succeed unless they were accompanied by these direct, punitive actions.

The strategy now, said a senior official who watches the issue closely, is, "Squeeze them, but keep the negotiations going." The talks would then serve as little more than a vehicle for accepting North Korea's capitulation, if the pressure from other actions leaves it no choice.

Iran's budding nuclear program is capturing most of the government attention here, in Europe and in the Middle East. But senior officials across the government involved with North Korea policy pointedly note that North Korea is already believed to have enough plutonium to make 8 to 12 nuclear weapons, while Iran is probably years away from having the capability to make its first. On Wednesday, North Korea test fired two short-range missiles that could carry a warhead to South Korea.

Several senior officials said the administration had grown deeply frustrated with the on-again, off-again talks that have seemed to produce few meaningful results, even after two and a half years. While the United States and other nations have for years pursued occasional law enforcement actions against North Korea — seizing ships carrying contraband, for example — the new policy envisions even more high-profile actions that are likely to anger North Korea.

The action against Banco Delta Asia was so effective in causing a ripple effect around the world that North Korean officials held an unusual meeting with American officials on Tuesday in New York, seeking an explanation and "trying to get their money unfrozen," a senior official said. American officials told the North Koreans that the United States had strong evidence that among the cash laundered through the Macao bank was a large amount of counterfeit American currency printed by the North Korean government.

Senior officials said the White House has given the Treasury and Justice departments full authority to take additional legal and financial actions against North Korea.

This policy is not uniformly popular in the State Department, where officials are managing the six-nations talks that include the United States, Russia, South Korea, China and Japan. One senior official complained that the policy would turn the talks into nothing more than "a surrender mechanism."

Several officials said they feared that the new policy would not persuade North Korea to disarm, while also alienating China, North Korea's ally, and South Korea. But another senior official argued, "Not everything was great with the six-party talks before we ratcheted up the defensive measures," as advocates like to call the law enforcement actions.

The officials declined to be identified by name because they were discussing internal deliberations and decisions without being authorized to speak for their departments. For years, hard-liners in the White House, particularly in Vice President [Dick Cheney's](http://topics.nytimes.com/top/reference/timestopics/people/c/dick_cheney/index.html?inline=nyt-per) office, and some at the State Department, have argued that direct punitive action against North Korea was the only tactic that might force it to give up its nuclear weapons program.

"It seems to me unreal that you could offer the regime enough" in talks "to get them to abandon their program," said Aaron L. Friedberg, an East Asia specialist who was Mr. Cheney's deputy national security adviser until last summer. "There has to be something else happening simultaneously — applying pressure."

Despite those arguments, through most of last year the administration worked assiduously to limit critical comments and actions that North Korea could seize on as excuses to boycott the negotiations. At South Korea's urging, Mr. Bush and his aides stopped characterizing North Korea's leader as a "tyrant'" or repeating Secretary of State [Condoleezza Rice's](http://topics.nytimes.com/top/reference/timestopics/people/r/condoleezza_rice/index.html?inline=nyt-per) statement that the country was an "outpost of tyranny."

Finally, by late summer, a former senior Bush administration official said, the administration had decided "to move toward more confrontational measures."

David L. Asher, who was coordinator of the State Department's working group until last summer, said government officials believed "the beauty of this approach is it is not full-bore sanctions."

Last September, North Korea agreed in principle to end its nuclear weapons program but raised objections to the agreement just 24 hours later. "I think they are having trouble getting ready for that moment" when they actually give up their arms, said Christopher R. Hill, assistant secretary of state and chief United States negotiator for the talks. "They are stalling. That makes people wonder about how serious they are."