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REACTOR PROJECT SHUTDOWN: US, JAPAN, SOUTH KOREAN AND EU FORMALLY KILL OFF NUCLEAR INCENTIVE PLAN FOR NORTH KOREA

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NEW YORK

A multinational project to build two tamperproof nuclear power plants for North Korea in exchange for U.N. inspections of the country's atomic sites was formally killed off Wednesday by the United States, Japan, South Korea and European Union.

A short statement from the executive board of the Korean Peninsula Energy Development Organization (KEDO) blamed Pyongyang's "continued and repeated failure" to cooperate with the international effort to induce North Korea to give up its self-proclaimed nuclear weapons program.

KEDO also demanded that North Korea compensate the agency for the multibillion-dollar cost of the project -- a dim prospect given North Korea's isolation and belligerency.

It was not clear if the timing of the KEDO announcement, impending for months, was meant to influence Iran to cooperate with a similar "reactors-for-inspections" plan, as the United States announced in a policy shift Wednesday that it would join Europe in direct talks with Tehran if it abolishes its uranium enrichment program.

The United States has no formal diplomatic representation in either North Korea or Iran. Proposals are usually communicated through the Swiss embassies. Back-channel talks with North Korea also take place in New York City, where the reclusive Stalinist state has a mission to the United Nations.

KEDO's executive board meeting Wednesday was the first since November, when the Bush administration finally succeeded in persuading South Korea the main backer of the project then still holding out hope for continued construction to join Japan and the European Union in abandoning the \$4.6 billion (euro3.57 billion) (euro3.57 billion (euro4.59 billion)) project.

The former executive director of KEDO, Charles Kartman, a career U.S. diplomat who stepped down from running KEDO last year as it wound down, commented on the shutdown of the reactor-building project:

"At some point, one hopes all these governments will take a thoughtful moment and

figure out what lessons there are. If they can do that in time to make a difference for Iran, or even North Korea -- that one can only hope," he said.

"These are pretty big questions about whether we can live a world in which nuclear energy is plentiful regardless of political systems," Kartman added.

"Regimes that trouble us are not being coaxed into a better position, but instead are being isolated and threatened. This may serve our short-term problem but it doesn't do anything or that long-term problem," Kartman said.

Since last year, the members of KEDO have quietly worked to sort out the expenses they have sunk into the project. Wednesday's meeting reflected consensus on how to account for costs and critical nuclear components that were never delivered to North Korea as the accord unraveled.

South Korea and Japan, the key financial backers of the KEDO light-water reactor project, were the most affected by the shutdown.

They are writing off their losses and will keep crucial subassemblies such as the control room for the reactors and the fuel containment vessels, which would never have been installed unless the International Atomic Energy Agency had been able to assure KEDO's partners that North Korea was running only a peaceful atomic power program.

More than \$1.05 billion (euro820 million) was spent on these various key sub-components, said Roland Tricot, KEDO's general counsel.

Their value now is an open question, as there is not a well-established market for off-the-shelf nuclear reactor technology. KEDO's partners had deliberately authorized a relatively simple, tamperproof, safe technology.

The reactor structures were built on a coastal plain near the city of Sinpo, 125 miles (200 kilometers) north of the fortified Korean border, and about \$450 million (euro349.7 million) was spent on construction, much of it for roads, worker dormitories and a port, Tricot said. But construction was suspended before critical materials such as the control rooms and nuclear fuel and containment vessels were put in. In addition, Tricot said, KEDO donated about \$500 million (euro388.56 million) in heavy fuel oil to North Korea from 1995-2002. That was the primary U.S. financial contribution to KEDO. The Bush administration cut off the fuel oil shipments after suspicion was raised that North Korea was secretly enriching uranium to weapons strength.

KEDO said in its statement Wednesday that it "requires payment" from North Korea "for financial losses" in connection with the reactor project, but no specific amount of compensation was cited.

The KEDO program was frozen in 2002 after the United States claimed North Korea had embarked on a second, secret weapons-development program by enriching uranium with

high-power centrifuges. Evidence to back the claim has never been publicly disclosed.

KEDO has been slowly winding down since the beginning of President George W. Bush's administration, which never trusted the "reactors-for-inspections" deal.

That bilateral deal with North Korea was worked out under former President Bill Clinton's administration to defuse a mid-1990s threat by Pyongyang to ramp up its weapons program.

North Korea has said it needs to develop nuclear weapons to prevent a possible U.S. invasion, but Washington denies it has any intention of attacking the communist nation. A similar non-interference declaration is shaping with Iran in the U.S.-Europe negotiations.

The North is believed to have enough radioactive material to make at least a half-dozen bombs and claims to have atomic weapons, but hasn't performed any known tests that would confirm its arsenal.

A year ago, North Korea's Foreign Ministry said the country had the ability to harvest still more weapons-grade plutonium and bolster its nuclear arsenal.

A shutdown of North Korea's Yongbyon research reactor in 1989 and reactor slowdowns in 1990-1991 are believed to have yielded enough plutonium to build two or three bombs, a situation that the Clinton administration considered so threatening that it brought the United States and North Korea close to war in 1994.

On the Net: Korean Peninsula Energy Development Organization: <http://www.kedo.org>