The Beijing Deal is not the Agreed Framework

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By Peter Hayes

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I. Introduction

Peter Hayes, Director of the Nautilus Institute and Professor of International Relations at RMIT University, writes, "In short, whatever its shortcomings, the critics of the Beijing Deal who denounce it as simply the revival of the logic and scope of the old Agreed Framework have got it completely

wrong. We are nowhere near a comprehensive agreement that captures the DPRK nuclear weapons program. Nor did the DPRK achieve a victory over the United States in Beijing. Rather, both sides wrestled the other to a standstill and then agreed to talk more. As such, the Beijing Deal is one small step in the right direction of peacefully resolving the DPRK nuclear issue by dialog."

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II. Article by Peter Hayes

-"The Beijing Deal is not the Agreed Framework"
By Peter Hayes

The latest round of the Six Party Talks resulted in a joint agreement to implement a phase of "Initial Actions" including:

- The DPRK will freeze plutonium production and processing at Yongbyon and will let IAEA inspectors back into the country to monitor and verify this freeze
- Five working groups will be set up on US-DPRK relations, US-Japan relations, energy and economic aid, Armistice and security issues, and denuclearization of the Korean Peninsula
- Provision of 50,000 tons of heavy fuel oil equivalent of emergency energy assistance to the DPRK within 60 days.

The six parties also agreed to undertake the "next phase," defined as: "provision by the DPRK of a complete declaration of all nuclear programs and disablement of all existing nuclear facilities, including graphite-moderated reactors and reprocessing plant - economic, energy and humanitarian assistance up to the equivalent of 1 million tons of heavy fuel oil (HFO), including the initial shipment equivalent to 50,000 tons of HFO, will be provided to the DPRK."

US Cave-in?

The Beijing Deal has been attacked already as a sell-out and reminiscent of the 1994 US-DPRK Agreed Framework under which the DPRK froze its nuclear fuel cycle and got two light reactors and half a million tones of heavy fuel oil per year until the reactors were complete. The old Agreed Framework collapsed in 2002 when the United States accused the DPRK of pursuing uranium enrichment outside of the Agreed Framework.

The ultra-hard line critics have got it wrong, again.

The Agreed Framework provided two reactors at a cost of about $4 billion to the DPRK on a 2% per year concessional financing basis. In present value for the capital and operating costs, and assuming the power would have been exported to South Korea on a commercial basis (the North Korean grid being incapable of operating these reactors), the total "annuitized" cost the reactors would have been about $300 million per year for the DPRK.

The export earnings from the ROK would have been about $700 million per year from the two DPRK reactors exporting power to the ROK grid. The DPRK would thereby have earned about $368 million per year in profit. To this, we add an additional $150 million per year for ½ a million tons of heavy fuel oil that would have gone to the DPRK each year until the reactors were complete under the old

deal.

The total net present value that the DPRK stood to gain in the Agreed Framework was about $4.6 billion (this would have been spread over 30 years from the time the reactors began operating). The economics were important in the Agreed Framework, although it foundered primarily on the failure of both parties to implement their commitments to normalize political and security relations.

What do they get in the Beijing Deal? A measly 50,000 tons of heavy fuel oil in the next 60 days, provided they freeze their plutonium facilities and the talks in the working groups go well over this time frame. When they have fully "disabled" their fuel cycle, they get another 950,000 tons of heavy fuel oil (or equivalent value from other energy assistance). At the earliest, this would be in two years. The present value of this fuel is about $257 million or about 6 percent of the $4.6 billion value of the old deal that they gave up when they opted for nuclear weapons. And, they get none of it until phase 2 is completed, and phase 3 of actual disarmament defined and presumably well underway.

And the 50,000 tons to be sent in the first 60 days given by the United States and other parties as a good faith down-payment is worth?…a tiny $15 million versus the $4.6 billion that they gave up when the opted for nuclear weapons. It is purely symbolic and is the price to be paid to get Pyongyang to continue to talk about phase 2 and 3; and if they don't talk turkey in the working groups, even that is likely to evaporate.

What does all this tell us? At minimum, it tells us that the DPRK leadership values its nuclear arsenal to be worth at least $4-5 billion. (This calculation doesn't capture the other putative economic benefits such as the ability to substitute nuclear for conventional military cost, nor the costs incurred by acquiring and testing nuclear weapons; nor the non-economic costs and benefits of being perceived to be a "nuclear weapons state," at home and abroad).

Second, it suggests that the DPRK haggling over energy at the last moment in the Beijing talks was just that--totally predictable, tactically smart and strategically stupid, ambush behavior; but not show-stopping as proved to be the case, yet again.

Victory for the DPRK?

Contrary to the ultra-hard line critics, others have argued that the United States has not only caved-in, but that the DPRK has already won the nuclear game. They note that in the Joint Statement's phase 2, the nuclear fuel cycle is to be "disabled" but nowhere in is there any reference to a timetable for actual disarmament and what the DPRK can expect to obtain in return for giving up its nuclear devices and fissile material already extracted from the fuel cycle. For that, one has to return to the September 2005 principles adopted at the previous meeting of the Six Party Talks wherein the DPRK reaffirmed its non-nuclear commitments, but does not specify how this will be achieved.

Conversely, it is inevitable—and consistent with the September principles—that the DPRK will return to the provision of the 2 reactors as part of a disarmament deal. At the Beijing talks, the DPRK demanded 2 gigawatts of power according to media reports. The United States will have to meet the DPRK on this score in a phase 3 "actions" if it wants to convert the Beijing Deal into an implemented agreement.

Thus, the DPRK is a long way from getting what it wants—political and economic security—although it gets to sit on its small pile of nuclear weapons for the foreseeable future.

Continued Deadlock

By virtue of the Beijing Deal, the DPRK has kept the United States at bay in the short-term. It forced the United States to settle for the prospect of progress in talks on disarming its nuclear weapons in return for an immediate freeze worth about $15 million.

Simultaneously, the onus has been put back onto China to make the United States perform and to keep China off the DPRK's back. The DPRK obligations in the Beijing Deal are relatively easy to implement and follow well-worn routines from the 1990s with the IAEA. They have kept open the modality and timing whereby they would actually disarm in accordance with the September 2005 Principles. Now that there is progress in the Six Party Talks, the DPRK can also demand that the ROK provide half a million tons of food aid suspended by Seoul due to lack of progress in the talks.

We are still left uncertain as to what values—in particular, the political and security benefits that flow from normalizing political and economic relations with the United States—are dominant in the DPRK leadership's mind, and are worth more than the political and economic value of the DPRK's nuclear arsenal. No doubt the denuclearization working group one will find out more on this score soon!

Meanwhile, we can be assured that the fuel oil "bribe" to the DPRK to participate in talks about its weapons will have little impact on the DPRK's calculus in the pending negotiations. Even the prospect of a million tons of oil in a couple of years isn't worth much compared with their nuclear arsenal and is more a litmus test of American intentions than anything else. In fact, we doubt that the DPRK can usefully absorb a million tons of additional heavy fuel oil in one or two years given the parlous state of their energy infrastructure.

There seems no more prospect after the Beijing Deal than before that the DPRK will do anything more than wait until it can test the genuineness of American intention in creating a less hostile political and security relationship before it gives up any of its actual nuclear weapons capacities.

In a still-to-be-negotiated phase 3, one might anticipate that the DPRK would hand over some but not all of their fissile material and/or nuclear devices in light of residual uncertainty about American intention. The meaning of disablement in phase 2 also remains to be determined. The DPRK is likely to leave the dismantlement of the Yongbyon reactor until last in the disarmament process, should we ever get that far, in case they feel they need to resurrect their ability to make more plutonium.

These will be political judgments in Pygongyang, not driven by economic considerations. The few small carrots on the table now may trivialize and degrade the process, but they should not distract attention from the core issues, all of which remain to be negotiated.

In short, whatever its shortcomings, the critics of the Beijing Deal who denounce it as simply the revival of the logic and scope of the old Agreed Framework have got it completely wrong. We are nowhere near a comprehensive agreement that captures the DPRK nuclear weapons program. Nor did the DPRK achieve a victory over the United States in Beijing.

Rather, both sides wrestled the other to a standstill and then agreed to talk more. As such, the Beijing Deal is one small step in the right direction of peacefully resolving the DPRK nuclear issue by dialog.

The Joint Statement from the Third Session of the Fifth Round of the Six-Party Talks can be read online here .

III. Nautilus Invites Your Responses

The Northeast Asia Peace and Security Network invites your responses to this essay. Please send responses to: napsnet-reply@nautilus.org. Responses will be considered for redistribution to the network only if they include the author's name, affiliation, and explicit consent.

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