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Transforming the United Nations: countering the US budget-cut threats

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Theme

The US threat of budget cuts or other means of reducing the importance of the United Nations highlights the need for a more independent and balanced organisation through the reinvigorated role of other powers, such as the EU.

Summary

The White House Budget proposal for 2018, if approved, could lead to a drastic cut in US funding of UN activities in the coming years. Since the US is the largest contributor to the regular budget, peacekeeping operations, agencies and programmes, its decision could have major implications on the organisation's workings. Besides well-founded queries about what the US actually stands to gain by such a move, the scenario highlights the negative effects of the UN's economic dependence on a single state. It also shows the need to transform the UN into a more independent and balanced organisation through the reinvigorated role of other powers, such as the EU. Several EU members, including Spain, are major financial contributors to the UN and have a strong interest in bringing about reform.

Analysis

The politics of financing the UN

The UN's capacity to fulfil its mandate depends on its members' willingness to contribute sufficient funds for it to function properly. As with other international organisations, the existence and survival of this world body depends on a sufficient and continuous financial support from its members. However, considering the vast economic differences between them, the scale of their financial obligations inevitably varies. The paradox of any particular settlement that meets some basic notion of fairness is that the members that end up spending more than others are likely to feel disadvantaged compared to the rest. As a result, they may be tempted to acquire some special leverage over the conduct and direction of the organisation's decisions and policies, and to use the threat of budget cuts as a bargaining chip. Other less wealthy or poorer members may think that this *de facto* dominance of economically-powerful members unduly marginalises their interests and concerns. Seen in this way, financing is not merely a technical issue for disinterested economic analysis but an essential part of the never-ending political quarrels in international organisations. This is the backdrop for any power to initiate political discussions about how much each UN member should pay and, by extension, what elements and criteria are to be taken into account when deciding on the matter.

Article 17.1 of the UN Charter establishes that all member states must share the responsibility of financing the organisation. However, the provision does not specify the criteria for calculating the exact dues of each member, but refers the matter to the General Assembly ('Assembly').[1] It is thus the latter organ, in which all members have an equal right to vote, that determines the scale of assessment and what each member owes. It also approves the biennial regular budget as well as the yearly budget for peacekeeping, both prepared by the Secretary-General.[2]

As for the assessed or mandatory contributions of UN members, the Assembly has opted for a principle according to which the organisation's expenses shall be apportioned broadly according to the capacity of each to pay. This principle is applied in Assembly resolution 70/245 of 23 December 2015, which determines the scale of assessment for the regular budget for 2016 to 2018. According to the resolution, the basic criteria for deciding what each member owes are gross national product (GNP), with a number of adjustments such as for external debt and for low per capita incomes.[3] The same resolution affirms a minimum assessment rate of 0.0001 and a maximum for the least developed countries of 0.01%. It also imposes a 'ceiling' rate of 22% to prevent the organisation from becoming excessively dependent on any single member.

The Assembly has adopted similar scales of assessment for peacekeeping operations but with some further fine-tuning. In this case it has established a complex method of calculation that takes into account the relative economic wealth of UN members. It furthermore recognises that the five permanent members of the Security Council have special responsibilities for the maintenance of international peace and security and therefore should have more extensive responsibilities (UNGA res. 55/35 of 30 Jan. 2001). To this should be added that member states have the possibility of making a voluntary contribution at a higher rate than that fixed by the Assembly (UNGA res. 55/236 of 29 Jan. 2001).

The regular budget for the biennium 2016-18, approved on 23 December 2016 and revised on 20 January 2017, is around US$5.4 billion. It marks an increase of more than US$200 million compared with previous budget. For 2017 the regular budget is set at US$2.58 billion.The official budget for peacekeeping from 1 July 2016 to 30 June 2017 amounts to US$7.87 billion, including voluntary contributions in kind. Finally, the approved budget in the current period (from 1 July 2017 to 30 June 2018) is set at US$6.86 billion.

[1] 'The expenses of the Organization shall be borne by Members as apportioned by the General Assembly'.

[2] The budget proposals are prepared by the UN Secretary-General and reviewed by the Fifth Committee of the UN General Assembly.

[3] The exact elements and criteria are as follows: (a) estimates of gross national income; (b) average statistical base periods of three and six years; (c) conversion rates based on market exchange rates, except where that would cause excessive fluctuations and distortions in the income of some member states, when price-adjusted rates of exchange or appropriate conversion rates should be employed, taking due account of resolution 46/221 B of 20 December 1991; (d) the debt-burden approach employed in the scale of assessments for the period 2013-15; and (e) a low per capita income adjustment of 80%, with a threshold per capita income limit of the average per capita gross national income of all member states for the statistical base periods.

Apart from the funds channelled to the UN in compliance with financial obligations by its member states, several major UN agencies and programmes rely heavily and some even exclusively on voluntary contributions, such as UNICEF and the FAO. According to a recent report of the UN Secretary-General, the top 10 contributors of voluntary funds provided over US$74 billion in the qualifying three-year period, namely 2013, 2014 and 2015, with an average of US$24.7 billion in each of these years. Extra budgetary resources for the biennium 2016-17 are estimated at US$18.9 billion. This means that most of the money for the UN is channelled through voluntary contributions. These are popular since they make it possible for donors to target programmes and agencies whose work is in line with national interests and specific preferences without having to continue their funding across time.

The White House Budget Proposal for 2018

The capacity principle applied by the Assembly translates into enormous variations with respect to the size of funds channelled to the UN by different members. As the world's single largest economy, the US provides the biggest share of assessed contributions to the organisation. At present, it is responsible for 22% of the regular budget while Japan contributes the second largest amount, at 9.68%, followed by China (7.921%), Germany (6.389%), France (4.859%) and the UK (4.463%). Brazil contributes 3.823% and is sixth in the list of top contributors. Only 18 states pay more than 1% each to the UN's regular or core budget and 135 countries contribute less than 0.1%. The US is also the top provider to peacekeeping and has been responsible for around 28.5% of this budget. Because of the capacity principle, the payments from other permanent members of the Security Council are much lower: China, 10.29%; France, 6.31%; the UK, 5.8%; and the Russian Federation, 4.01%. Other major contributors to peacekeeping are Japan (9.68%), Germany (6.39%), Italy (3.75%), Canada (2.92%) and Spain (2.44%).[4]

Even if it is important to bear in mind that the US financial burden has decreased since the time the UN was established, its financial obligations and commitment remain at an extraordinary level, comparatively speaking. No other single state comes close to matching the sums paid by the US. The special relationship between the US and the UN goes beyond its financial contributions. For a start, the US was a key promoter of its founding. It also has a permanent seat on the Security Council and is home to the UN headquarters. However, this does not mean that it has always fully supported the organisation. In certain periods, such as during the Reagan years, it pressed for a decrease of the size of its mandatory contributions and criticised the UN for being ineffective, politicised and flawed. In other periods it has been reluctant to lower its financial contributions and instead sought to influence UN affairs through the active use of its permanent seat at the Security Council to initiate costly projects, such as the creation of international criminal tribunals or the dispatching of large peacekeeping operations with broad mandates. Throughout its mandate, the Obama Administration insisted on US world leadership and the need to work constructively with the UN. In this spirit, the exit memo of its US Permanent Representative to the UN, Ambassador Samantha Power, published on 5 January 2017, warned about the dangers of a US

[4] For a full list of contributions by country for the period 2016-18, see here.

retreat from the UN (see here) in a fruitless attempt to change the views of the incoming Trump Administration.

Since he took office and, indeed, before then, the new US President has sought to discredit the UN and questioned whether his country gets value for its money. According to media reports, Trump believes that the UN is 'just a club for people to get together and talk and have a good time'. Some of his supporters add that the organisation is contrary to democracy, the West and liberty, and provides a platform for anti-US dictators to rail against the it. President Trump has warned about significant cuts in national spending on the UN, of up to 40%according to the Washington Post. The proposal America First: A Budget Blueprint to Make America Great Again ('Budget 2018 Proposal') for the fiscal year starting 1 October 2017 to 30 September 2018 released on 16 March is indicative of how his pledge might play out. It indicates that it he especially eager to cut funds to agencies and programmes that are counter to his ideological beliefs or that he feels work against American interests, but also peacekeeping. The full budget proposal released last May (Budget of the US Government. A New Foundation for American Greatness. Fiscal Year 2018) does not indicate any change in this regard.

According to the outline of the Budget Proposal for 2018, the US will seek a reduction or simply end direct funding for international organisations 'whose missions do not substantially advance US foreign policy interests, are duplicative, or are not well-managed'. More specifically, it will seek to cut 'funding to the UN and affiliated agencies, including UN peacekeeping and other international organizations, by setting the expectation that these organizations rein in costs and that the funding burden be shared more fairly among members'. Thus, the US contribution to the UN budget will be reduced and the US will contribute no more than 25% for UN peacekeeping costs instead of the current 28.5%. Quite remarkably, in the proposal, the US President pledges to cease payments to the UN's climate change programmes by eliminating US funding related to the Green Climate Fund and its two precursor Climate Investment Funds.[5]

As it stands, the part of the Budget Proposal related to the UN and other international organisations is formulated in rather bold terms. Thus, it remains uncertain whether US budget cuts, if forthcoming, will be limited to peacekeeping and climate-change funds, or will extend to the regular budget. The uncertainty as to whether the White House will go ahead with its threats has been aggravated with Trump's growing interest in UN reform in reaction to the UN Secretary-General's launch of a reform agenda at the end of June 2017. According to media reports, the Trump Administration is now calling for a high-level meeting on UN reform in connection with the 72nd regular session of the UN General Assembly that will convene on 12 September 2017. The meeting is planned to take place on 18 September ahead of Trump's speech at the general open debate the following day that most likely will include references to both US threats of budget cuts and UN reform.

A US decision to seek a reduction in its assessed contributions would lead to a demand for a review and adjustment of its financial obligations to the regular budget, peacekeeping and/or international tribunals. Such a development should come as no surprise since similar demands have been made by the US in the past, and successfully.

[5] Budget Proposal for 2018, p. 33-34.

The last time was in December 2000, when the ceiling rate for the core budget was lowered from 25% to 22%. At any event, it is unlikely that it will reduce its financial obligations unilaterally since such an act would be seen as a failure to pay with all attendant consequences. Withholding payment by a state can lead to the loss of voting rights in the Assembly. According to Article 19 of the UN Charter, a member in arrears in the payment of its financial contributions has no vote in the Assembly 'if the amount of its arrears equals or exceeds the amount of the contributions due from it for the preceding two full years'. The state only retains its right to vote if its failure to pay is due to conditions beyond its control. Historically, the US has been largest debtor to the UN but it has paid just about enough every year to retain its voting rights.[6] The Obama Administration changed this practice and as of 2014 the US is in good standing.[7]

The US Administration's desire to reduce its international spending may affect its voluntary contributions drastically, and it has already begun. On 4 April 2017 it decided to cut its financial contributions to the UN Population Fund (UNPFA), at a total of US$32.5 million in funds for the 2017 fiscal year, with the argument that the agency is supporting a programme of coercive abortion or involuntary sterilisation in China. The UNPFA has responded with regret and refuted this unfounded accusation but given that contributions are voluntary no sanctions will ensue. The US decision now forces the Fund to make harsh choices in helping women.

The US threats in context

The US threat of drastic budget cuts has been met with dismay by UN officials and civil society, including human-rights activists. The US political process is being closely monitored in the rest of the world, including high-ranking UN officials. At a press conference following the release of the outline Budget Proposal for 2018, the new UN Secretary-General, António Guterres, warned about an abrupt budget cut by the US and also argued that combating terrorism effectively requires more than military spending, thereby voicing concern about the use of the money that would be freed up. France's UN envoy noted that a US withdrawal could create more instability.

A pending question is what the US itself will actually gain by such a move. Though at first glance US financial obligations seem extraordinary, comparatively speaking they are very modest with what it has spent on war and homeland security since the 9/11 attacks. According to Neta C. Crawford, between 2001 and 2016 the US has appropriated, spent or taken on obligations to spend more than US$3.6 trillion on the wars in Iraq, Afghanistan, Pakistan and Syria as well as on homeland security. To this should be added the US$65 billion requested by the Department of Defense and the State Department for 2017 and an additional US$32 billion requested for the Department of

[6] Most UN members fail to pay in full and on time. By 10 February 2017, only 34 UN members had paid their regular budget assessments in compliance with Financial Regulations 3.5. As of 23 March 2017, 67 member states had paid their regular budget assessments in full (see Honor Roll here). As of 15 March 2017, three member states –Libya, Sudan, and Venezuela– will not be permitted to vote until the end of the 71st session due to their failure to pay (see here).

[7] Linda Fasulo (2015), *Insider's Guide to the United Nations*, 3rd edition, Yale University Press, p. 252.

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Homeland Security in 2017.[8] These sums contrast with what the US is obliged to pay to the UN in 2017: US$611 million to the regular budget and US$2.2 billion to UN peacekeeping.

Trump has said that he wants to cut UN funding to spend more on defence and homeland security, but in practice the effect will be marginal, with the risk of losing prestige and reputation abroad. The potential gains of moves like this tend to be negligible. US annual government spending is almost US$4 trillion. A 50% cut in the UN budget would imply a saving of only US$5 billion. This contrasts with the negative consequences on the bargaining power of the US at the UN. As noted in a recent assessment, a US retreat would leave a political vacuum 'with other countries, such as China, who would happily step in to cover those contributions in exchange for greater influence'.[9]

An outstanding concern of the present US Administration is the UN's apparent bias in the Palestinian-Israeli conflict. The current US threats must be seen at least in part as instruments to reshape UN policy on the issue. Its concern gained momentum following the Security Council's decision of December 2016 that Israel must 'immediately and completely cease all settlement activities in the occupied Palestinian territory, including East Jerusalem', and 'fully respect all of its legal obligations in this regard'.[10] The same concern led the new US Administration to boycott a session of the Human Rights Council on 21 March 2017 with a focus on Palestine and other occupied Arab territories. The US Ambassador to the UN, Nikki Haley, also criticised the Council for considering the human-rights situation in Palestine and other occupied Arab territories as a permanent item on its agenda. At present, it is an open question whether the US will withdraw from the Human Rights Council and refuse to fund its activities altogether.

The boldness of the Budget Proposal for 2018 could be an attempt to gloss over domestic political disagreement as to how the US should engage with the UN. A highly radical view is in the American Sovereignty Restoration Act of 2017, which has been sponsored by the Republican Mike Roger, requiring the termination of US membership and participation in the UN, the WHO and the UNESCO. It also forbids authorisation for funds to the UN and the participation of US troops in UN peacekeeping operations. Even if the bill seems incompatible with the spirit of the Budget Proposal for 2018, it reveals a strand of political thinking about the UN as a waste of money and as operating against American interests. Nevertheless, other prominent figures of the Republican Party take a different stance on the UN. According to Zalmay Khalilzad, the US Ambassador to the UN during President George W. Bush's term of office, the UN is very important for the US and should be made as effective as possible and 'reformed as we go forward so that it can maintain the confidence of people and countries around the world'.[11] The influence of this perspective could explain the Trump Administration's growing interest in pushing for

[8] Neta C. Crawford (2016), *US Budgetary Costs of Wars through 2016: $4.79 Trillion and Counting Summary of Costs of the US Wars in Iraq, Syria, Afghanistan and Pakistan and Homeland Security*, Watson Institute, September, here.

[9] Stephen Chaudoin, Helen V. Milner & Dustin Tingley (2017), 'A Liberal International American Foreign Policy? Maybe Down but Not Out', *H-Diplo/ISSF*, p. 15.

[10] UNSC res. 2234 of 23 Dec. 2016.

[11] See footnote 8, p. 12.

a UN reform process to be led by the new Secretary-General, as indicated in a recent letter drafted by the US Ambassador to the UN and addressed to António Guterres.

Conclusions

Towards a more balanced United Nations

The relationship between the UN and the new US Administration has become a drama since Trump took office. It is still too soon to tell to what extent the US threat will become a reality and, if so, what kind of contributions will be withheld or whether the threat will be used as a bargaining chip. If it finally decides to withdraw voluntary contributions, such as to the UN's climate-change programmes, and also seek a reduction in its financial obligations, this would provide a rare occasion to revisit the question about the possibility of a more independent or at least more balanced UN away from the whims of US domestic politics. The present political situation shifts the focus onto the continued relevance of proposals made in the past about the need to diminish the UN's economic dependence on a single state in favour of a more even distribution of financial obligations. These proposals, which are premised on the claim that too much economic dependence is not a good thing in the long term, should now be discussed with renewed energy by the rest of the world.

The EU and its member states, and the members of other regional organisations, may take up a more active stance in UN affairs, including how to tackle financial problems. According to the Global Strategy for the EU's Foreign and Security Policy (adopted in June 2016), the EU is strongly committed to effective multilateralism with the UN at its core. It is a UN observer with enhanced status and the EU delegation coordinates with all its members in order to speak with one voice. Collectively, the EU's member states are the single largest financial contributor to the UN. The sum of the contributions of the 28 member states is higher than that of the US, as it amounts to 30.38% of the UN's regular budget and 33.1% of its peacekeeping expenditure. To this should be added that the EU states provide around 50% of all voluntary contributions to UN funds and programmes. No less than five of the top-10 (assessed and voluntary) contributors of funds to the UN between 2013 and 2015 were EU members: Germany, Sweden, France, the Netherlands and the UK.[12] As the present UN Secretary-General has phrased it, a strong and united EU serves the interests of the UN and is fundamental to a strong UN.

The principle of fairness requires that the relative economic wealth between UN member states must be taken into account when deciding the exact sum owed by each. However, assessed contributions are still relatively low compared with national spending on other matters of public interest. Other states, including EU members, five of which are top-10 overall contributors, as well as states with a strong commitment to multilateralism, may be willing to pay more than they do at present, as a matter of financial obligation, in exchange for a more independent and balanced UN capable of delivering regardless of particular outcomes in the presidential elections of a single member state. With this aim in mind, the Council conclusions on the EU's priorities at the 72nd session of the UN

[12] The other top-10 contributors are the US, Japan, Canada, Norway and Brazil.

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General Assembly, convened for 12 September 2017, demonstrate the EU's firm support for the UN, including the reform agenda of the new Secretary-General. A key priority for the EU at the meeting[13] was stronger global governance, which requires increased transparency, efficiency, effectiveness and accountability in all UN action and reforms that are not limited to preserving the UN but to transforming it to make it 'fit for the purpose' of countering rising global insecurity and other outstanding challenges. The recent UN reform process initiative is a unique occasion to revisit this question without letting US domestic politics getting in the way of progress.

Spain could play an important role in this process. It is a major financial contributor to the UN, including the Regular budget (being in ninth position) and to specific funds, agencies and projects (being in sixth position if assessed and voluntary contributions and UN peacekeeping operations are taken into account) and thus a member of the Geneva Group. Despite the financial crisis Spain has also maintained its financial commitment with the UN High Commissioner for Human Rights. It is furthermore one of the top 25 donors and contributors to UN Women, which was created in 2010 thanks to the willingness of individual UN members to invest in the initiative. Among the latter was Spain, which contributed more than US$26 million during its first year (22% of the total). In the light of its financial commitments to the UN, Spain has a vested interest in seeking closer cooperation with other EU members to forge an agenda to 'restore citizens and Member States' trust in the ability of the UN system to prevent, respond to crises and to promote a rules' based global order' (Council conclusions on EU priorities, p. 5).

[13] For the preliminary UNGA meeting's agenda see here.