

Konrad-Adenauer-Stiftung e.V.

NEW YORK



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3 April 2017

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## Is the UN on the cusp of changing times?

**Background information and a first assessment of the budget cuts announced by the new US government.**

Newly elected US President Donald J. Trump submitted his first draft budget on 16 March 2017. In addition to important increases in the defense budget, cutbacks were announced to the draft budgets for the departments of foreign and environmental affairs. In particular, the proposed cuts to the State Department budget could have a significant impact on the work of the United Nations as the United States is currently the greatest individual donor to the UN as a whole. This explains why the latest announcements from Washington have been met with great concern on the East River.



Ambassador Nikki Haley, United States Permanent Representative to the United Nations (©United Nations Photo # 718398)

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### 1. The planned cuts in the US budget

The White House figures for the 2018 budgetary year show drastic cuts in the areas of diplomacy and development assistance. Consequently, the budget for the State Department and the US development organizations (inter alia USAID) will be US\$10.9 billion lower than in 2017. This represents a decrease of almost 29 percent compared with last year. Although no concrete figures have been submitted, observers are assuming that in multilateral terms the US financial contributions to the UN will be especially affected. The contributions to Peacekeeping, UNICEF, UNDP, WFP and UNHCR are particularly vulnerable to these cuts.

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It is still unclear whether the proposed cuts will already trickle down to the coming year's budget. These benchmark values could be a wake-up call for the different organizations but only be achievable over a period of three years. This is not least because the United States can only reduce a part of the funds conferred to the UN in a timely fashion. It is necessary to differentiate between the different types of expenditure that make up the entire UN budget.

**2. The composition of the UN Budget and the share of the United States as well as the other most important donors**

There is no unified and comprehensive budget for the United Nations. It is made up of mandatory and voluntary contributions. The **mandatory payments** carry the costs of, inter alia, the regular UN budget and – on a slightly different assessment scale – the costs of the Peacekeeping Missions. The various special UN programs and funds are virtually exclusively financed by member states' **voluntary contributions** and private donors. According to different estimates, the US financial contributions to the UN budget amount to between US\$9 and 10 billion per year. Thus, they are by far the greatest individual donor in the overall context of the UN.

All member states of the UN are obliged to contribute a certain percentage of the regular budget. The respective percentages are determined according to a scale of assessments which in turn is based on the relative payment capacity of the member states. These calculations take into account values related to the economic performance, debt burden and per capita income of the members. A few years ago, the US government negotiated that the maximum rate for any one country should be set at 22 percent. This amounts to US\$610.8 million for the current year. On the other hand, the smallest and very poor countries are obliged to make a contribution to the regular budget at a minimum rate of 0.001 percent. The four largest contributors – the US, Japan, China and Germany – ultimately pay for 46 percent of the regular budget.

**Table 1: Share of the four largest contributors to the regular UN-Budget 2017**

Country	Contribution (in US\$)	Share
USA	610.8 M	22.0%
Japan	244.1 M	9.7%
China	199.8 M	7.9%
Germany	161.1 M	6.4%

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Member states are also obliged to pay for a fixed share of the UN Security Council approved Peacekeeping Operations on top of these contributions to the UN budget. As some of the poorer countries were not in a position to provide further resources in line with their mandatory rate, these countries have been relieved of payments. The P5, the five permanent members of the UN Security Council, fill the resulting financing gaps according to an agreed scale. The US is the greatest contributor by far here also, followed by China, Japan and Germany.

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**Table 2: The seven largest contributors to Peacekeeping Operations 2016/17<sup>1</sup>**

Country	Contribution (in Mio. US\$)	Percent	In comparison to the share of the regular budget
USA	3 083.6	28.5%	+6.5 percentage points
China	1 081.7	10.3%	+2.4 percentage points
Japan	1 023.7	9.7%	Same
Germany	675.7	6.4%	Same
France	667.0	6.3%	+2.4 percentage points
Great Britain	612.7	5.8%	+1.3 percentage points
Russia	422.3	4.0%	+0.9 percentage points

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The US mandatory payments for 2017 (regular budget plus Peacekeeping Operations, International Court of Justice, inter alia) came to almost US\$3.7 billion. These payments are complemented by US **voluntary contributions** for UN Specialized Agencies and Funds. The central role that the US plays as a pillar for the whole UN system is especially evident in this area. Some of the Specialized Agencies receive more than 40 percent of their funding from the United States.

The United States supported, amongst others, the following UN organizations and funds in 2015. A differentiation can be made between subsidies for general financing (core) on the one hand, and for the operational budget (non-core) on the other hand:

**Table 3: US contributions to selected UN organizations and funds 2015**

Organization / Fund	Core / Non-core (operatives Budget)	US contribution (in Mio. US\$)	Percentage of the total budget
WFP (World Food Programme)	Core	5.00	2%
	Non-core	1 970.53	44%
UNICEF	Core	132.00	12%
	Non-core	735.73	20%
UNDP	Core	74.50	10%
	Non-core	191.41	5%
UNHCR	Core	--	0%
	Non-core	1 352.46	48%
UNRWA	Core	158,60	27%
	Non-core	221.86	38%
OCHA	Core	4.00	3%
	Non-core	36.03	26%
UNAIDS	Core	45.00	23%
	Non-core	6.61	31%
OHCHR	Core	-	0%
	Non-core	10.40	21%
WHO	Core	49.99	11%
	Non-core	309.44	18%
FAO	Core	35,15	14%
	Non-core	71.15	10%
ILO	Core	32.38	12%
	Non-core	34.95	17%

<sup>1</sup> The budgetary year for Peacekeeping Operations starts on 1 July of one year and ends on 30 June of the following year.

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IAEA	Core	33.63	0.27%
	Non-core	89.28	0.38%
	<b>Total:</b>	<b>5 600.08</b>	

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If US payments for all UN organizations and funds were calculated the total for 2015 would amount to **US\$5.8 billion** (of which US\$660 million is core and US\$5.2 billion non-core). This is more than the total of the contributions of the four next largest donors combined!

**Table 4: The largest contributors to UN organizations and funds in 2015**

Country	Core (in Mio. US\$)	Non-core (in Mio. US\$)	Total contribution (in Mio. US\$)
USA	660.10	5150.88	5 810.97
Great Britain	513.21	1636.00	2 149.21
Japan	384.50	1012.83	1 397.33
Germany	253.41	935.53	1 188.94
Sweden	459.00	455.85	914.85
Norway	366.33	426.67	793.00
The Netherlands	225.44	336.36	561.80
Switzerland	201.69	304.98	506.66
Saudi Arabia	47.69	358.61	406.30
Kuwait	21.85	292.36	314.21
China	104.22	57.60	161.82
Russia	54.14	77.20	131.35

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It is clear from the figures mentioned above that the United States is currently the greatest individual contributor to the UN. This also explains the apprehension felt at UN Headquarters regarding the budget figures emerging from the White House.

### 3. Potential savings for the Trump administration

The US government does unquestionably have opportunities to reduce its contributions to the UN. However, different factors restrict these options or they can in part only be realized with a considerable lead time. Again, it is important to first differentiate between the different types of contributions.

**Contributions to the regular budget** can only be reduced through negotiations with the other member states of the United Nations. This was shown to be successful in 2005 when the United States was able to establish through the *Henry J. Hyde United Nations Reform Act* that its contribution to the regular budget would not exceed 22 percent. The current

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two-year budget applies to the period 2016-2017. Negotiations for the upcoming period are already underway and the budget must be adopted by December of this year.<sup>2</sup>

At present, it is clear that the new US administration is above all taking a closer look at the area of Peacekeeping Operations as a savings potential. The costs in this area have risen enormously since the end of the Cold War; literally exploding since 1998/99: at that time the two-year budget amounted to about US\$2 billion; the costs increased eightfold to US\$16 billion by 2014/15 (see Figure 1).

**Figure 1: Evolution of costs for UN Peacekeeping Operations compared to the regular UN budget (each for a two-year period)<sup>3</sup>**

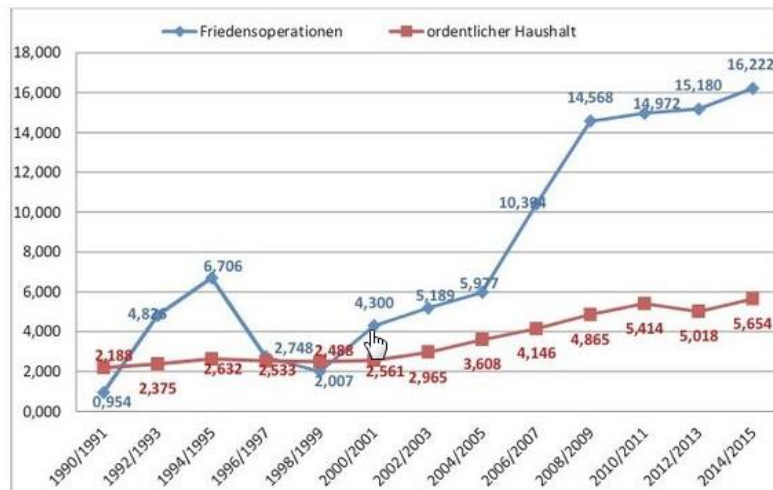


Abbildung I.03-02: Entwicklung der Ausgaben für UN-Friedensoperationen im Vergleich zu den ordentlichen UN-Haushalten, 1990/1991–2014/2015 (in Mrd. US-Dollar)  
Quelle: Klaus Hüfner: Mehr Verantwortung übernehmen. Berlin, 2015, Abbildung 3-01, S. 54, sowie Aktualisierungen.

Remarks: „Friedensoperationen“ = Peacekeeping Missions, „ordentlicher Haushalt“ = regular budget

In theory, the Trump administration has **two possibilities** to reduce the financial burden of the Peacekeeping Operations for the United States. The US, as a permanent member of the Security Council, could always block the extension of ongoing Peacekeeping Missions with a veto. If one or more of the current 16 UN Peacekeeping Missions were to be discontinued and no new ones introduced (the US could also block this with a veto), then Washington would save significant amounts. The decision to continue or discontinue current operations must, however, be taken before the summer recess as the budgetary year for Peacekeeping Operations commences on 1 July. Here too, a certain lead time is required.

The United States assumed the presidency of the UN Security Council in April 2017. One of the main topics to be addressed during this one-month presidency will be a “Peacekeeping Operations Review.” During this debate members of the Security Council will be called upon to deliberate whether each of the existing UN Peacekeeping Operations is still the best

<sup>2</sup> For a short overview: “Understanding the United Nations Budgetary Process” <http://www.un.org/en/ga/fifth/Presentations/64th%20Session/budgetingprocess2008.09.18.pdf> (03/28/2017).

<sup>3</sup> Figure from: DGVN (<http://www.dgvn.de/un-im-ueberblick/deutschlands-beitraege-zur-finanzierung-des-un-systems/i-vereinte-nationen/i03-gesamtdarstellungen/>) (03/28/2017)

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mechanism to achieve the political aims of the Security Council. By emphasizing this topic the new administration is underlining its intention to make basic changes in this area.<sup>4</sup>

Another means by which the United States could make savings in the field of Peacekeeping Missions would be to also establish a ceiling for the US contribution for the financing of these operations. The government has already suggested a limit of 25 percent. This raises the question though, even more directly than for other budget items, of how the resulting financing gaps will be filled. The P5 and the largest donors – including Germany – would have to find a common solution. It can be assumed however, that, given the circumstances, the country or countries that could possibly fill this gap will want to compensate in other areas. The internal influence of the UN in this context cannot be underestimated in terms of staff and power politics.

By far the greatest savings potential for the United States is in the area of contributions to **UN Specialized Agencies and Funds**. These payments are voluntary and can be increased or decreased at the discretion and according to the respective political priorities of the donor countries.

The most dramatic scenario would be the precipitation of cuts for organizations that hitherto have received a large share of their operational budget (non-core) from the United States. The organizations in the front line include the UN Refugee Agency (UNHCR) with 48 percent, the World Food Programme with 44 percent and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) with 38 percent.

Significant cuts can also to be expected in funding devoted to climate change, which received increased resources from the Obama administration. The cuts foreseen in the budget for foreign affairs will erase payments to the "Global Climate Change Initiative" as well the UN "Climate Investment Funds."<sup>5</sup>

#### **4. Resistance within the United States against massive UN budget cuts**

The afore-mentioned potential for savings is only one side of the coin. Resistance to the all too radical budget cuts proposed by the Trump administration was growing within the United States already in the run-up to the publication of the draft budget. Criticism was not only coming from the Democrats but also from the ranks of the Republican Party. To quote the Senate Majority Leader, Mitch McConnell (R) "the President's budget is 'probably not' going to be passed." Republican Senator Lindsey Graham, Chair of the Senate Budget Committee responsible for the budget of the State Department also expressed criticism before the publication of the draft budget: "It's dead on arrival, it's not going to happen, it would be a disaster (...). This budget destroys soft power, it puts our diplomats at risk and it's going nowhere."<sup>6</sup>

<sup>4</sup> See in full: A Conversation with Nikki Haley am 03/29/2017, Council on Foreign Relations (<http://www.cfr.org/diplomacy-and-statecraft/conversation-nikki-haley/p38970>) (03/30/2017)

<sup>5</sup> See NPR, 03/16/2017 (<http://www.npr.org/sections/thetwo-way/2017/03/16/520399205/trumps-budget-slashes-climate-change-funding>), 03/28/2017

<sup>6</sup> Washington Post, 02/28/2017 ([https://www.washingtonpost.com/news/josh-rogin/wp/2017/02/28/graham-trump-slashing-of-state-dept-and-foreign-aid-would-be-dead-on-arrival-in-congress/?utm\\_term=.4522edbf3b87](https://www.washingtonpost.com/news/josh-rogin/wp/2017/02/28/graham-trump-slashing-of-state-dept-and-foreign-aid-would-be-dead-on-arrival-in-congress/?utm_term=.4522edbf3b87)) 03/27/2017

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Some observers are pointing out that different UN programs are happy about clear sympathy coming from Congress – from both Democrats and Republicans. This includes first and foremost the World Food Programme and UNICEF. The leaders of these institutions have hitherto always been Americans – a tradition that may be questioned in changing circumstances.

A letter dated 27 February, 2017 signed by 121 former three and four star Generals and addressed to Congress and Senate leaders attracted particular attention. In it, the former Generals made it unmistakably clear already in the lead up to the publication of the draft budget what an important and positive role American development aid played in national security. “The State Department, USAID, Millennium Challenge Corporation, Peace Corps and other development agencies are critical to preventing conflict and reducing the need to put our men and women in uniform in harm’s way.” Interestingly, the Generals referred inter alia to an earlier statement made by the new US Secretary of Defense, James Mattis. As commander of the U.S. Central Command he said: “If you don’t fully fund the State Department, then I need to buy more ammunition.”<sup>7</sup>

**5. Outlook**

The debate about the latest US budget has only just begun. It is to be assumed that the President’s draft will undergo marked changes in Congress in the course of this debate. Nevertheless, the publication of the budget figures alone has already sent a powerful signal. The **broad insecurity** caused by the announcement in the sphere around the United Nations here in New York is almost tangible. Yet, no one disputes the fact that significant savings can be made in the UN apparatus. In that respect, the process that has been started could have clear positive consequences; maybe a huge organization such as the UN really does need such a radical push in order to set in motion a real process of reform. There is, however, enormous risk attached. The strong focus on savings and on the reduction of the financial burden for the United States (America First!) leaves the strategic aims that may be linked to such a push for reform in the background. It also raises the question of whether a “more equitable burden-sharing” can be achieved in this manner without changing the entire UN system in the process. It is to be expected that alliances will shift during such a process, the dominant influence of the United States will recede and other countries will assume a stronger influence on the UN both in terms of staff and content.

A country repeatedly quoted as most likely to benefit from a US withdrawal is the **People’s Republic of China**. Indeed, it is presumed that Beijing would shrewdly maneuver the open field. China could benefit from the fact that it is a veto power, has a very strong national economy and is already inclined to a strong influence on the UN through close links with the G77. Furthermore, Beijing is trying to present itself as a reliable champion of multilateralism. All these factors could in fact contribute to a noticeable growth in China’s influence on the UN in issues related to the setting of themes and human resources. China’s government would also be ready to contribute more financially, if need be. But one should not be under the illusion, or be concerned, that China would be willing or in the position to

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<sup>7</sup> See [http://www.usglc.org/downloads/2017/02/FY18\\_International\\_Affairs\\_Budget\\_House\\_Senate.pdf](http://www.usglc.org/downloads/2017/02/FY18_International_Affairs_Budget_House_Senate.pdf) (03/28/2017).

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compensate for a massive reduction in US contributions to the UN budget. Increases would also be necessary particularly in voluntary contributions to the UN Specialized Agencies and Funds that, based on current figures, would not be affordable.

In all the discussions about the unique contribution of the United States to the UN system and the justifiable respect that this earns, one thing should not be forgotten. With regard to financial contributions to the UN budget, the greatest contributor is actually the **European Union** with its Member States. This is true for the EU-28 contribution to both the regular UN budget (currently: 30.38%) and the contribution to Peacekeeping Missions (currently: 31.98%) as well as for the total of all voluntary contributions to the UN Specialized Agencies and Funds. But the EU could not absorb the financial repercussions of a US withdrawal either. The European Union is dependent on support from the United States to push through its positions and ideas. Incidentally, this is also true vice versa – although to a lesser degree – with a view to EU support to the United States.

The new US Ambassador to the United Nations, Nikki Haley, made it very clear in a conversation with the President of the *Council on Foreign Relations*, Richard Haass, that the theme of human rights would feature much more center stage in the US position in the United Nations. Her answer on how this statement gelled with the announced massive State Department budget cuts was relatively vague.<sup>8</sup> Perhaps this question does not really require an answer if the powers within the American Congress that support effective multilateralism and that want to maintain the “**soft power**” of the United Nations get their way and prevent a large part of the planned cuts to the budget of the State Department. However, should they not be successful, the United Nations will have to adjust to serious changes. At the same time, the parameters, that have so far been largely shaped by liberal, western models, will shift. A financial withdrawal by the United States also has implications for the country’s input to the substance of the UN agenda and would leave significant traces.

Military confrontations, the threat posed by international terrorism, the greatest number of refugees and migrants since the Second World War – these are all factors that render a strong and capable United Nations more necessary than ever. It is to be hoped that the current insecurity is the impetus to actually start necessary reforms, but that it soon can be overcome in order for member states to be more efficient than ever at taking on global challenges. This is desirable for the world and for the United Nations.

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<sup>8</sup> See: A Conversation with Nikki Haley am 03/29/2017, Council on Foreign Relations (<http://www.cfr.org/diplomacy-and-statecraft/conversation-nikki-haley/p38970>) (03/30/2017)