Paying Their Dues
How, and how not, to pay the United Nations

As they do every three years, member states of the United Nations are busy renegotiating the assessment scale upon which membership dues are calculated. In October, a new round of negotiations began in earnest. And while this ongoing debate in New York may be somewhat obscure and trivial to those who aren’t lawyers, accountants, and negotiators representing member states on the UN’s Committee on Contributions, its wider ramifications for American foreign policy are profound. This time around the United States is pushing for a paradigmatic change in how these dues are calculated.

During the opening session of the General Assembly’s Budgetary Committee meeting on dues calculations, the United States stated its preference for abandoning the current assessment scales, which are based on a country’s gross national income, for a relatively obscure measurement for comparing economies called Purchasing Power Parity (PPP). (Readers of The Economist might recognize this term from the magazine’s periodic “Big Mac Index” that uses PPP to compare economies based on the price of a McDonald’s hamburger in countries across the world.) Simply put, PPP is the amount of a nation’s currency needed to buy a “basket of goods” domestically in comparison to the amount needed to buy the same “basket” in a different country, resulting in a system that is intended to measure comparative standards of living.

While using this formula to calculate UN dues might seem benign in principle, it amounts to a seismic shift that could have potentially debilitating effects on the stream of money needed to sustain UN operations worldwide. And with the UN’s largest financial contributor placing renewed emphasis on using the United Nations to work through international dilemmas in North Korea, Lebanon, Darfur, Iraq, Iran, Haiti, and elsewhere, disrupting the steady flow of financial support to the United Nations could have haunting consequences for global peace and security.

There are three broad categories in which member states’ contributions to the United Nations and its affiliated international organizations fall. Humanitarian relief and development agencies of the United Nations, like the World Food Program, UNICEF, and the United Nations High Commission on Refugees, are funded exclusively through voluntary contributions; member states are not obliged to contribute and do so at a rate each state decides on its own. The regular UN budget, which finances normal UN operations of the Secretariat, the General Assembly, the Security Council, the Economic and Social Council, and the International Court of Justice, is funded through assessed dues that each member state is treaty-bound to pay. Similarly, UN peacekeeping operations are financed by assessments to member states, but are counted separately from the regular UN budget.

Under the current formula for assessing the UN’s regular budget, a member state’s capacity to pay is determined by the country’s population size and gross national income. Less developed countries generally pay the lowest allowed rate, or 0.001%. The top 15 contributors pay roughly 84% of the budget, with the United States paying a maximum rate of 22%.

This 22% “ceiling” is actually some 8 points lower than what the United States would pay based on a strict application of the “capacity to pay” scale. For much of the 1990’s, Congress sought to lower US payments to the United Nations and withheld dues as a negotiating tactic to achieve that goal. Finally, in 1999, Congress passed legislation that would release a portion of US arrears to the United Nations in exchange for lowering the assessment ceiling of the regular UN budget to 22% (from 25%). In the future, should regular UN scales of assessment be calculated by using PPP, American dues would drop by only 0.5%, but rapidly developing countries like India and China would see their dues increase dramatically, perhaps by as much as 10%. Such a rapid increase could be politically and practically unfeasible as these member states would surely fight vigorously to maintain current levels and, even if defeated, may not be able to make major adjustments to their national budgets so suddenly.
Bringing up PPP in negotiations between member states may be nothing more than a negotiating tactic as it would make little difference for American assessment levels. But other countries, notably Japan—which, at 19 percent, is the UN’s second largest contributor to the regular budget—may back this proposal. Or, following the United States’ lead in the 1990s, the Japanese may threaten to lower its contribution level until certain reforms—namely Security Council reform that would give them a permanent seat—are enacted. Either way, when one member state doesn’t pay its assessed rate in full, the shortfall must somehow be made up by other member states. (Indeed, Japan’s dues are as high as they are in large part because of the three percent drop in American dues in 2000.)

From an American perspective, one consequence of this shifting of burden toward rapidly developing countries may be a decline of American influence within the Secretariat. For example, assessment rates are linked to hiring quotas, which means that more Americans are eligible to work at the United Nations. As many top jobs become filled at the start of the new Secretary General’s term, a decline of American contributions—and a commensurate increase among other key member states—may result in fewer Americans hired for top jobs at the UN and a weakening of America’s voice within the Secretariat.

But more to the point, PPP is an unreliable way to calculate dues, mainly because it is open to wide interpretation. (Even the Economists’ Big Mac index comes with a disclaimer.) The central problem with using PPP to measure dues is that the amount of money needed to purchase a “basket of goods” is a statistic that can be politically determined by each member state. The government in Indonesia, for example, could interpret “basket of goods” to mean something quite different than the government of Sweden, or any other national government. Making matters worse, PPP data are simply not available for many member states. And even where it is available, it is often based on extrapolations from survey data, which in turn is sometimes decades old. Finally, one further complication is that PPP calculations are pegged to the US dollar; the power of a member state’s local currency would therefore heavily determine how much each country can pay.

Disparate interpretations of how to measure PPP could lead to fierce debates between member states, which would needlessly undermine the ultimate goal of dues negotiations: correctly apportioning the costs of UN operations. On the other hand, using Gross National Income to determine the payment scale means that dues are pegged to something that is determined apolitically. It is a statistical measurement established externally from national governments, and therefore ensures that the United Nations will not get bogged down in needless microeconomic debates between member states.

With the United States stretched beyond capacity by operations in Iraq and Afghanistan, the United Nations has assumed a primary burden sharing role in areas of strategic interest to the United States, such as Haiti and Lebanon. It is also been the preferred forum for taking on the nuclear ambitions of North Korea and Iran and settling countless international disputes. Ensuring that the flow of money to the United Nations is not disrupted by unwieldy dues calculations should be a priority of American foreign policy.