

## **Draft: Do Not Cite or Quote**

### **Richard Holbrooke: Negotiating U.S. Dues to the United Nations (A)\***

*There is no other figure in the world of diplomacy who excites people's feelings the way Holbrooke does, or who so thoroughly incarnates the turbulence and glamour that once attached itself to the making of foreign policy.<sup>1</sup>*

In August 1999 veteran diplomat Richard Holbrooke took up residence in the elegant quarters of the United States' Ambassador to the United Nations, in New York's Waldorf Astoria. It had been four years since Holbrooke had witnessed the signing of an agreement in Dayton, Ohio ending the war in Bosnia. His brash manner, relentless approach, and sometimes unorthodox tactics in negotiating a halt to that seemingly intractable and bloody conflict had put him in the spotlight, attracting praise and consternation from the foreign policy establishment.

At the time, Michael Kelly wrote in *The New Yorker*: "He has played this role – the superdiplomat in the central crisis of the age – in a manner that anyone who has ever known him would instantly recognize as classically Holbrookean. He has yelled at Foreign Ministers and cursed at a President. He has negotiated agreements of immense consequence on the fly, making them up as he goes along ... He has politely negotiated with killers ... He has risked his life a number of times. ... He has shamelessly and effectively exploited the media, capitalizing on their natural attraction to indiscretion and to swagger, in order to promote American policy aims and to intimidate those who stood in the way."<sup>2</sup>

Holbrooke's great challenge upon arriving at the UN, however, was much less glamorous than bringing peace to the Balkans. For more than a decade the U.S. government – specifically the Congress – had withheld the dues it owed to the UN, resulting in arrears of almost a billion dollars. As a nominal condition of paying up, the U.S. had insisted that UN operations needed to be reformed; most other UN members believed that the United States was only interested in getting its own contribution to UN budgets reduced. Relations between the international body and its most powerful member were bad and getting worse.

Holbrooke judged that, in order to preserve the U.S.'s influence at the UN, his first order of business as the new Ambassador had to be getting his own government to pay its bills. That would be far from a straightforward task. He faced a Congress full of faces unfriendly to the UN, like conservative Senator Jesse Helms, Chairman of the

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\* This case was prepared by Kristin Schneeman and Professor James K. Sebenius, drawing in part on the research assistance of Blake Mobley. It is intended as the basis for class discussion and is not intended to imply the effective or ineffective handling of an administrative situation.

Senate Foreign Relations Committee, and Representative Christopher Smith, whose efforts to prevent U.S. funds going to family planning groups overseas had hamstrung previous attempts to free up UN dues. And while broadly sympathetic to this goal, Holbrooke's own administration hardly considered payment of U.S. back dues to be a front-burner issue.

U.S. executive and legislative branch views of the UN reflected considerable ambivalence in the country at large. To some, the UN embodied the essence and promise of true global cooperation beyond the nation-state. Others in the United States reviled the United Nations for what they saw as virulent anti-American, anti-Israel, anti-Western biases. And the world body regularly figured in the dark imaginings of all manner of conspiracy theorists. At the United Nations itself, Holbrooke would be dealing not with a single unified entity but rather with "189 members states, each of which acts in its own self-interest."<sup>3</sup> And these same U.N. members had roundly rebuffed a concerted recent U.S. effort to resolve its dues issues along the lines Holbrooke would soon adopt.

## **BACKGROUND**

### The UN Budget

The UN's budget is divided into two portions, the **regular budget** (about \$1.3 billion at the time) and the **peacekeeping budget** (roughly \$2.5-3.0 billion). While its precise workings are eye-glazingly complex, the current version of the organization's financing system essentially apportioned payments based on each country's share of the global economy. A number of exceptions to this scheme existed; some countries with low per-capita income, for instance, paid less than their nation's share of global GDP.

An important proviso of the financing scheme stipulated that no country would be obligated to pay more than 25% of the **regular budget**. The U.S., however, was the only country that benefited from this ceiling; based on its share of global GDP, the U.S. should have been paying 27% of the UN's regular budget. This "under-assessment" bred resentment among nations that felt they were shouldering more than their fair share of the burden. For example, taken as a group, the nations of the European Union, which with a similar share of world GDP to that of the U.S., collectively paid 36% of the UN's regular budget. Japan, moreover, paid 20% of the regular budget rather than the 17% it would have owed simply based on its share of the world economy.

The United States' contribution to the **peacekeeping budget**, meanwhile, had been set at more than 30% of the total. In 1995, however, Congress had passed the Kassebaum Amendment, unilaterally decreeing that the U.S. would not provide more than 25% of the UN's budget for peacekeeping operations.

By the end of the '90s, the UN claimed the U.S. owed almost \$1.5 billion in arrears and blamed the U.S. for pushing it to the brink of bankruptcy. The U.S. disputed about half a billion dollars of that total, but in effect, accepted the balance as owing. Indeed, the U.S. had to make several emergency payments to avoid losing its seat in the

General Assembly, and it did lose several senior UN positions and election to UN bodies such as its budget committee and the Commission on the Status of Women.

The atmosphere at the world body was openly hostile the United States. Secretary-General Kofi Annan called the U.S.'s withholding of dues "a betrayal of the international community and the United Nations system."<sup>4</sup> Canadian Prime Minister Jean Chretien complained, "In any golf club in the United States you don't play if you don't pay,"<sup>5</sup> Even Jeremy Greenstock, the ambassador from America's staunchest ally, Great Britain, remarked, "The United States has muffled its voice and stained its reputation."<sup>6</sup>

In 1997 the UN held its regular review of the "scales of assessment" used to calculate member countries' dues. The international body decisively rejected a plea by the United States to reduce its annual contribution, demanding the U.S. pay its arrears before such a conversation could even begin. Neither side was willing to make the first move.

"The key now is to find a mechanism that will stop this Alphonse and Gaston act of each side insisting that the other go first," said Richard Sklar, a deputy to Bill Richardson, then U.S. Ambassador to the UN. "We have to find a way for both to go through the door at the same time with a feeling of confidence that there will be a floor to support them on the other side. We have to find a mechanism that will allow us, more or less simultaneously, to make an arrears payment and get the assessment knocked down." Yet, as Richardson later remarked about his own failed effort to accomplish this high-priority objective, "The Congress. . . sent me into battle to lower our dues scales without even a slingshot."<sup>7</sup>

### The Helms-Biden Deal

The public face in the U.S. of opposition to the UN had long been that of Senator Jesse Helms, the Republican Chairman of the Senate Foreign Relations Committee. He was fundamentally opposed to what he saw as creeping notions of UN sovereignty, espoused in particular by Secretary-General Boutros Boutros-Ghali, who believed that the UN should be able to raise its own army and tax member states. In a fall 1996 article in *Foreign Affairs*, Helms wrote:

As it currently operates, the United Nations does not deserve continued American support. Its bureaucracy is proliferating, its costs are spiraling, and its mission is constantly expanding beyond its mandate – and beyond its capabilities. Worse, with the steady growth in the size and scope of its activities, the United Nations is being transformed from an institution of sovereign nations into a quasi-sovereign entity in itself. . . . U.N. reform is about much more than saving money. It is about preventing unelected bureaucrats from acquiring ever-greater powers at the expense of elected national leaders. It is about restoring the legitimacy of the

nation-state.<sup>8</sup>

After the Clinton Administration helped orchestrate the ouster of Boutros-Ghali in 1996 (another move that contributed to the negative atmosphere), a spokesman for Helms restated the need for reform in a colorful fashion more typical of the Senator: "They thought if they just brought us Boutros-Ghali's head on a platter, that it would satiate us and we'd pay up. Our concern is not Boutros-Ghali, but whether the United Nations reforms itself."<sup>9</sup>

Whatever its flaws, there remained a widespread sense in the United States that at least some parts of the UN performed valuable services. These included the work of its various specialized agencies dealing with issues such as health, environment, refugees, weather, international air traffic and safety, and nuclear inspections. Moreover, U.S. policy makers often found the U.N. useful as a legitimate global diplomatic forum and an entity to spearhead collective actions that the U.S. preferred not to undertake unilaterally. Clinton Administration officials, such as Robert Orr, Director of Global Affairs at the National Security Council, began intensive work with the Congress to find an acceptable solution. As a result of these efforts, Senator Jesse Helms--even while raising the threatening prospect of the U.S. pulling out of the UN entirely--joined with Senator Joe Biden, the ranking Democrat on the Senate Foreign Relations Committee, to draft a plan to pay \$819 million in U.S. arrears (far less than the UN claimed was owed) over three years if the UN met specific conditions each year.

The proposed legislation required that the United States' share of the UN's **peacekeeping budget** not exceed 25% of the total, a reduction of about six percentage points (or between \$150-180 million), and that no member state pay more than 22% of the UN's **regular budget**, which would result in a three percentage point reduction (about \$38 million) in the U.S.'s contribution. A separate account would have to be established for the \$500 million or so in disputed dues. The bill insisted that the UN respect U.S. sovereignty and its Constitution, that the UN could not tax Americans, exercise property rights in the U.S., or charge interest on the U.S. debt. And it called for reforms at the organization such as reforming the personnel system and installing inspectors general at several UN agencies.

In the wake of his 1996 re-election, President Clinton and his Secretary of State, Madeleine Albright, were moving aggressively to increase funding for foreign affairs; Clinton highlighted the UN arrears issue in his State of the Union address: "If America is to continue to lead the world, we here who lead America simply must find the will to pay our way."<sup>10</sup> The installation of Kofi Annan as the new Secretary-General at the UN seemed at least to allow for a fresh conversation about efforts to reform the organization. The stars seemed to be aligning to make positive progress on the issue.

National Security Advisor Sandy Berger sent Robert Orr to New York to work closely with U.N. Ambassador Bill Richardson to find a compromise with members of the United Nations on this question. One of their first moves, after studying U.N.

financial arrangements in detail, was to frame the issue in terms broader than simply cutting the U.S. contribution. They then began a series of intensive meetings with a wide range of U.N. members and key political blocs intended to persuade their counterparts of the merits of their argument. Sometimes, they held as many as three breakfast meetings each day in this attempt. Ambassador Richardson, described by the *Financial Times* as a “one-man diplomatic effort,” could point to a remarkable series of negotiating triumphs during his career: successfully leading missions to free jailed Americans from Iraq, springing 11 hostages from Sudan, and gaining the freedom of a U.S. pilot from North Korea.<sup>11</sup> But despite Ambassador Richardson’s vaunted persuasive abilities, the rug was pulled out from under his efforts by actions in an unlikely quarter.<sup>12</sup>

### Rep. Smith and the abortion debate

By this time, the debate in Congress over UN funding and reform had become firmly entangled in the politics of abortion as a result of the efforts of Rep. Christopher Smith, Republican chairman of the House subcommittee on International Operations and Human Rights, and his anti-abortion colleagues in the House. Smith had been waging a five-year battle to reinstate President Reagan’s “Mexico City” policy, which prevented organizations receiving U.S. funds from providing abortion services or lobbying foreign governments on the issue. He vowed to attach to virtually any UN funding bill a rider to this effect. When President Clinton vowed to veto any bill containing such a measure, stalemate was assured. Despite the bipartisan nature of the Helms-Biden deal, it stalled, undercutting Ambassador Richardson’s initiative. Payment of the UN arrears remained at an impasse.

### **HOLBROOKE ARRIVES**

Richard Holbrooke had been a passionate player on the field of foreign policy virtually his entire adult life, since his best friend’s father, Dean Rusk, convinced him to take the foreign service exam in 1962. He quickly demonstrated his affinity for being where the action was by asking to be sent to Vietnam, where he worked for Averell Harriman during the early stages of the Paris peace talks. “Holbrooke was immediately recognized as a junior member of the Best and the Brightest.”<sup>13</sup>

He served as President Carter’s Assistant Secretary of State for East Asian and Pacific Affairs; when out of government, Holbrooke held senior positions in prominent Wall Street investment banking firms such as Lehman Brothers and Credit Suisse First Boston. It was several years before President Clinton found a post for him, first as Ambassador to Germany then as Assistant Secretary for European and Canadian Affairs – a post Holbrooke sought because his portfolio would include the Balkan conflict, “a problem from Hell,” in the words of Clinton’s first Secretary of State, Warren Christopher.<sup>14</sup>

“There was a lot of opposition to Holbrooke ... because he has such a big personality,” says [a] senior Administration official, who argued for Holbrooke’s

appointment. “The question was asked whether he would be disruptive to the process. My answer was that this was a hell of a good reason for hiring him. He would indeed be disruptive. He would shake things up. He would bring great intellectual, and even physical, energy to the process. We needed the wattage.”<sup>15</sup>

Holbrooke’s personal style had earned him fierce critics and equally fiercely loyal supporters. What some view as “nutso ambition,” others like his friend Leslie Gelb, president of the Council on Foreign Relations, see as courage. “To achieve truly important things you have to be willing to put your personal reputation on the line in a very skillful way.”<sup>16</sup>

When Holbrooke describes his own style, he tends to talk about the difference between jazz and architecture – which is to say, the difference between open-ended improvisation and being bound to a prior design. Holbrooke operates by feel and trusts to his instincts as much as to his analytical understanding. “He walks into a meeting with nothing – no talking points,” says one State Department official. “He’s like Muhammad Ali – he’s yakking and talking; he’s jiving. The first time you see it you think it’s just bull; in fact he’s psyching out the other person and reading the reaction. He has this great talent of figuring out what the other person’s bottom line is. His diagnostic skills are really remarkable. And when he sees the thread, he just goes after it. It’s almost comical, it’s so transparent. But it really works.”<sup>17</sup>

His distinctive style did not, of course, win him universal admiration. A sometime nickname, “The Bulldozer,” was consonant with the reactions of some observers to his style. “He flatters, he lies, he humiliates,” a French diplomat grouched to *Le Figaro*, adding that Holbrooke was “brutal” and “schizophrenic.”<sup>18</sup>

Holbrooke recognized that “more was at stake than what was officially on the table,” that without a resolution to this issue “it becomes harder to achieve American goals the next time around,” and that the U.S. had “to win the fight without scorching the landscape.”<sup>19</sup>

On the domestic front, with Helms-Biden deadlocked, Holbrooke had to figure out how to break the impasse over the payment of UN dues, both within Congress and between Congress and the White House. Even were he able to sort out these hitherto impossible disagreements, he would almost certainly be going to the UN with a conditional “check” for half a billion dollars less than the UN claimed was due.

At the UN, he would have to persuade the member states to accept some measure of reform, including adjusting the scales of assessment in a way that was very favorable to the U.S. The challenge of altering budget obligations, by its very nature, was a brutal zero-sum game. If the U.S. succeeded in reducing its share by a dollar amount in the neighborhood of \$200 million, other nations would simply have to pay more to make up the shortfall. Aggravating the challenge, the U.S. was currently paying *less* than its

proportional share based on the size of its economy, while influential parties like the European Union and Japan were already paying significantly *more* than theirs.

His audience was largely hostile and viewed the introduction of Helms-Biden as yet another unilateral effort to bully the international organization into action. Annan had expressed their frustration at a news conference in December 1998 when he said, "I think we should be allowed to focus on our work and not face constant harassment of reform, reform, reform. We have done enough. It is an ongoing process."<sup>20</sup> In the words of an observer of the process, while Helms-Biden dangled

. . .the promise of [U.S.] repayment in exchange for a dues reduction, a Canadian diplomat described the offer as "a lump of coal in the Christmas stocking"--and the Canadians are about the best friends the United States has at the UN. The UN membership was galled by the U.S attempt to attach strings to payments that it owed under the UN Charter, seeing the move as a bald-faced violation of international law and a dangerous precedent. What would stop the Japanese from withholding payments to protest their lack of a seat on the Security Council? And the Germans from following suit? Most of the membership had long been on record opposing a U.S. dues reduction as inconsistent with the precept underlying the UN's financial system--that each country be assessed according to its "capacity to pay." This phrase became a mantra repeated in every accent known to humanity, the rallying cry of countries accusing the United States of foisting burdens onto the less fortunate.<sup>21</sup>

Holbrooke's audience was also fractured. All 189 member states could be counted on to pursue their own individual interests, but many also belonged to a plethora of coalitions – such as the European Union, the Non-Aligned Movement, the Gulf Cooperation Council, and the Rio Group – that had their own agendas, which sometimes conflicted with the interests of even their own member states. Bloc politics in the United Nations was a potent force and solidarity with one's group (or groups) highly valued as the only practical means for smaller states to retain any leverage. And there was far from perfect synchronicity between UN representatives and their governments at home – including in Washington. Conflicting national agendas, at home and abroad, would inevitably become factors in this negotiation.

This then was a Gordian Knot...to be untied, not cut.

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- <sup>1</sup> James Traub, "Holbrooke's Campaign," New York Times Magazine, 26 Mar. 2000, p. 42.
- <sup>2</sup> Michael Kelly, "The Negotiator," New Yorker, 6 Nov. 1995, p. 83.
- <sup>3</sup> Suzanne Nossel, "Retail Diplomacy: The Edifying Story of UN Dues Reform," National Interest, No. 66 (Winter 2001), p. 96.
- <sup>4</sup> Barbara Crossette, "U.N. Chief Attacks Congress Over Back Dues," New York Times, 15 Nov. 1997, Sec. A, p. 7, col. 1.
- <sup>5</sup> David Vienneau, "U.N. Not Private Club, Chretien Tells U.S.: 'You Don't Play If You Don't Pay,' He Says of Dues Owed," Toronto Star, 23 Jun. 1997, Sec. A, p. 9.
- <sup>6</sup> Traub, p. 42.
- <sup>7</sup> John M. Goshko, "Dispute Stalls U.S. Plan to Cut Its U.N. Dues: Congress's Failure to Fund Past Debt Sidetracks Wider Effort to Reapportion Costs of World Body," Washington Post, 28 Nov. 1997, Sec. A, p. 17.
- <sup>8</sup> Jesse Helms, "Saving the U.N.: A Challenge to the Next Secretary-General," Foreign Affairs, 75 (Sept./Oct. 1996), p. 2.
- <sup>9</sup> Steven Lee Myers, "Administration Proposes Paying U.N. Debt, but Congress Resists," New York Times, 30 Dec. 1996, Sec. A, p. 1.
- <sup>10</sup> William Jefferson Clinton, State of the Union Message, 4 Feb. 1997, available at <http://www.washingtonpost.com/wp-srv/politics/special/states/docs/sou97.htm>.
- <sup>11</sup> "The Peacekeeper," Tufts e-News Special Report, November 7, 2000. <http://enews.tufts.edu/stories/TuftsInPoliticsSpecialReport--Richardson.htm>.
- <sup>12</sup> Personal communication with Robert Orr, Assistant Secretary General of the United Nations, October 8, 2000.
- <sup>13</sup> Traub, p. 45.
- <sup>14</sup> Traub, p. 45.
- <sup>15</sup> Kelly, p. 85.
- <sup>16</sup> Traub, p. 45.
- <sup>17</sup> Traub, p. 66.
- <sup>18</sup> Wallis, David, "Interview with Richard Holbrooke: The Power Broker," MBA Jungle, May 1, 2001, electronic edition, [http://www.mbjungle.com/magazine.cfm?INC=inc\\_article.cfm&artid=1525&template=1&date=May2001](http://www.mbjungle.com/magazine.cfm?INC=inc_article.cfm&artid=1525&template=1&date=May2001).
- <sup>19</sup> Nossel, p. 97.
- <sup>20</sup> Kofi Annan, Transcript of Press Conference at UN Headquarters, 14 Dec. 1998, available at <http://www.un.org/News/Press/docs/1998/19981214.sgsm6837.r1.htm>.
- <sup>21</sup> Nossel, p. 94-5.