

Executive Memorandum

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RUSH!

THE U.N. TAX: NOT NOW, NOT EVER

United Nations Secretary General Boutros Boutros-Ghali wants to give the U.N. the authority to tax Americans and others around the world. In expressing frustration over the perilous state of his organization's finances, the U.N. chief made known his support for U.N. taxes during a January lecture and follow-up media discussion at Oxford University. Soon afterwards, several prominent Members of Congress made clear their opposition to this scheme. In the Senate, Majority Leader Robert Dole (R-KS), Foreign Relations Committee Chairman Jesse Helms (R-NC), and several other Senators have sponsored a bill which bars U.S. payments to the U.N. if it attempts to implement a tax. Similar legislation has been introduced in the House.

Senator Dole and others are right to oppose U.N. taxes on Americans. They recognize that the problem with the U.N. is not a lack of funding. Years of U.N. funding by America and its allies have allowed the organization to become bloated and poorly managed. The real problem with the U.N. is twofold: its resistance to reform and its subtle yet growing infringement upon national sovereignty.

Seeking Independence. The U.N. is in a state of financial crisis. It is owed roughly \$2.5 billion in overdue assessments from its member states. The U.S., the U.N.'s largest financial supporter (paying 25 percent of its budget), accounts for some \$1 billion of this amount, but Washington is not alone. Roughly half of the U.N.'s 185 member states have not paid their full U.N. dues. Under Secretary General for Administration and Management Joseph Connor admitted a few weeks ago that the U.N.'s financial situation is "precarious and headed for the brink."

Boutros-Ghali believes that giving the U.N. taxing power could eliminate or minimize the problem of overdue bills from member states. He also thinks it would give the U.N. a greater degree of financial independence. At Oxford University, the Secretary General said, "It is time to seriously address the need for a United Nations that can operate on a secure and steady independent financial foundation." The Secretary General discussed a range of international taxes, including taxes on fossil fuels, international travel, and currency transactions—for example, a tax of a British pound on every non-domestic airplane ticket. This is not the first time the Secretary General has expressed sympathy for a U.N. tax. In 1992, he suggested that the U.N. tax either international arms sales or international air travel to pay for its peacekeeping operations. At Oxford, the Secretary General told the British Broadcasting Company, "I'm sure we will win in the end and that we will obtain from the international community [an understanding] that we need to have our own income."

The Secretary General's proposals were not made off the cuff. The idea of giving the U.N. financial independence through taxing power is supported by some member states and the U.N. bureaucracy. Numerous proposals to tax international goods and services, the use of the oceans and outer space, and international financial transactions have been made in the General Assembly. The *Human Development Report*, a publication of the United Nations Development Program, a foreign aid organization, has championed a global tax to fund the U.N. system. Malaysian Prime Minister Mahathir bin Mohamad, Australian Foreign Minister Gareth Evans, and Pakistani Prime Minister Benazir Bhutto have publicly endorsed various U.N. tax ideas.

U.N. Ambitions. The Secretary General's confidence is in keeping with the expansive course he has set for the world body. As the first post-Cold War Secretary General, Boutros-Ghali assumed office at a time of high expectations for the U.N. This was the era of the "New World Order," as pronounced by President George Bush in 1991. In his 1992 report *Agenda for Peace*, the Secretary General suggested that national sovereignty was weakening now that the Cold War had ended. This climate of opinion set the stage for the U.N. peacekeeping operation in Somalia, which essentially assumed sovereignty over that war-racked country. Boutros-Ghali also supports the creation of a U.N. standing army that would be under his command.

The ability to control territory and command an army, like the ability to tax, represents the exercise of sovereign power. The U.N. should never have this power; it would be a usurpation of the constitutional rights of the American people. These rights are protected by the U.S. government, not the U.N. The U.N. does not represent the interests of Americans; it represents the interests of its 185 member states, many of which are undemocratic and repressive.

The Real Problem at the U.N. The real problem at the U.N. is not a lack of funding. In fact, U.N. spending has been mushrooming, and that is the real problem. The U.N. regular budget has increased 20 percent since 1991. Peacekeeping costs have ballooned to \$3.5 billion a year in 1994; in 1990, peacekeeping cost less than \$700 million a year. As might be expected, such increases in spending have been accompanied by serious waste. In fact, the U.N. system wastes much of its approximately \$10 billion budget. For example:

- X In 1995, the U.N. scrapped a never-used \$1 million turnstile security system at its New York headquarters. The reason: The turnstile clocks would have tracked the arrival and departures of U.N. employees.
- X Various agencies of the U.N. spent approximately \$1 million a day at the height of the Somalia peacekeeping operation in 1993. This included renting hundreds of apartments equipped with air conditioning. After all this, the Somalia mission was a failure.
- X In 1995, the U.N. spent some \$500,000 for a two-week conference on the Sustainable Development of Small Island Developing States. The U.N. spent \$15,000 to fly representatives from the Western Sahara to this conference in Barbados. No one explained how the Sahara Desert qualified as a "small island developing state."

The U.N.'s problems go beyond waste and corruption. The U.N. needs a major organizational overhaul, and its bureaucracy needs to be trimmed. But the Clinton Administration has not been successful in promoting reform at the U.N. The U.N. Inspector General office it supported has been limited in scope and characterized as a "disappointment" by Representative Lee Hamilton (D-IN) and Senator Nancy Kassebaum (R-KS), two Members of Congress who have long championed U.N. reform. More telling is the Administration's admitted failure to keep the U.N. budget in check. In December, a high-ranking U.S. official at the U.N. noted that the organization's 1996-1997 budget is "higher than we would have preferred and recommended."

Even if the Administration did push for fundamental reform, however, it would not find an ally in the Secretary General. Boutros-Ghali has not demonstrated any desire for real change. He ordered that a 1993 report critical of U.N. reform progress, written by then Under Secretary General for Administration and Management Richard Thornburgh, be suppressed. If given more independence from critical review, which Boutros-Ghali's tax proposal implies, the Secretary General presumably would become even less interested in reform.

Conclusion. Senator Dole, Senator Helms, and others were right to oppose the U.N. tax idea. The Clinton Administration also was right to reject Boutros-Ghali's tax proposal. But U.N. bureaucrats have not given up hope. In September 1996, the U.N. Working Group on Finances will submit a report on financing to the U.N. General Assembly. This report may very well recommend a U.N. tax scheme. If it does, the proposal may gain support from other countries, leaving the U.S. once again in the position of being pressured by other nations to adopt U.N. proposals that harm American interests. If this happens, the Clinton Administration needs to make clear to the U.N. and other countries that U.N. taxes are unacceptable. The last thing the U.N. needs is more money and less accountability.

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