

May 24, 1991

AREAS FOR U.S.-SOVIET COOPERATION AT THE UNITED NATIONS

The United Nations used to be a main Cold War ideological battleground between the United States and the Soviet Union. But now the ideological struggle between Washington and Moscow has abated as the legitimacy of Marxism-Leninism has crumbled. This fundamental change in relations between the two nations raises the possibility of selected cooperation by the world's two great powers.

The U.N. may be a place to start. Together the U.S. and the U.S.S.R. dominate the U.N., paying nearly 37 percent of the regular budget. A first test of American-Soviet cooperation could be the selection of a new U.N. Secretary General when the current five-year term of Javier Perez de Cuellar expires this December 31. Perez de Cuellar has been a modest improvement over his predecessor, Austria's Kurt Waldheim, whose activities as a German officer during World War II have left a black mark on the U.N.

Slow Approach. The problem is that Perez de Cuellar has been slow to tackle the U.N.'s most pressing problems. Together the U.S. and U.S.S.R. could recruit a new Secretary General committed to a U.N. housecleaning. The U.S. and the Soviet Union could push for reform of the U.N.'s policies, organizational structure and budgetary procedures. Washington and Moscow also could call for the repeal of the 1975 General Assembly resolution that proclaims: "Zionism is a form of racism and racial discrimination." This resolution has discredited the U.N. and tainted the U.N.'s efforts to assist in mediating negotiations on the Arab-Israeli conflict.

◆ ◆ **Begin an aggressive campaign to root out U.N. waste and duplication.** The two-year (1992-1993) regular budget for the U.N. will be \$1.9 billion, of which the U.S. pays 25 percent. This money supports what even the *New York Times* calls "a torpid bureaucracy of 14,000 civil servants scattered in 26 baronies."² Washington and Moscow should form a joint task force to identify areas of duplication and waste.

◆ ◆ **Guarantee that the June 1992 U.N. Conference on the Environment and Development balances environmental needs with an appreciation for economic costs and the need for more scientific knowledge about these atmospheric problems.** This potentially important conference, to be convened in June 1992 in Rio de Janeiro, ostensibly will focus on the effect of economic development on environmental quality. Washington and Moscow should ensure that the session truly addresses environmental issues and is not used, as many previous U.N. conferences have been, to endorse policies that stymie economic growth and transfer aid to Third World governments.

◆ ◆ **Ensure a thorough reform of the Food and Agriculture Organization (FAO).** The Rome-based FAO is one of the U.N.'s largest specialized agencies. It is the lead international organization on agriculture, fisheries and forestry. There are two major problems with FAO: First, it has moved beyond its task of disseminating technical and scientific information intended to increase agricultural output and instead urges adoption of agricultural programs that ignore market pricing signals; and second, it is badly managed and unaccountable to member states. Though the Soviet Union is not a member of FAO, Moscow publicly should support U.S. efforts to: 1) compel FAO to put its financial house in order by adopting standard accounting procedures that will produce honest budgets; and 2) compel FAO to reform its programs thoroughly to focus its efforts again on becoming an expert collector and disseminator of technical information relating to food and agriculture, and to do this within a free market economic framework.

◆ ◆ **Repeal the "Zionism is Racism" resolution that was passed by the U.N. General Assembly on November 10, 1975.** General Assembly Resolution 3379, which equates Zionism with racism, has not helped the Arabs who sponsored it nor has it been good for the U.N. Among other things, it discredits the U.N. in dealing with the Arab-Israeli conflict. If the U.N. is to regain credibility with Israel and become a player in any future Middle East peace process, this gratuitous attack on Israel must be rescinded by the General Assembly.

2 "Start the U.N. Search Now," editorial, *The New York Times*, April 15, 1991, Sec. A, p. 16.

For a number of reasons, the Soviet Union would benefit from working with the U.S. at the U.N. Among them:

◆ ◆ Soviet assessments at the U.N. could be cut if a dynamic manager became Secretary General.

◆ ◆ Soviet free market economic reforms at home would be mirrored and reinforced by new U.N. positions favoring a market strategy for economic development.

◆ ◆ Abolishing U.N. institutions, such as the Centre for Transnational Corporations, that are hostile to multinational corporations would provide a friendlier environment for direct investment in developing countries, including the Soviet Union.

◆ ◆ Keeping the 1992 U.N. Conference on the Environment and Development focused on environmental issues and the need for cost-effective, scientifically-sound recommendations can spare the Soviet Union the potentially enormous costs of poorly-conceived environmental programs.

◆ ◆ Redirecting FAO's policies toward market-based economics would provide intellectual support and legitimacy for similar policies in the U.S.S.R.

A SUCCESSOR FOR PEREZ DE CUELLAR

The most pressing reform issue before the U.N. is the selection of a new Secretary General. The U.N. Charter requires that the U.N. Security Council place a nominee for Secretary General before the General Assembly. Of the Security Council's fifteen seats, five are permanently held by America, Britain, China, France and the U.S.S.R., each of which can veto the selection of the Secretary General. In addition to the votes of all five permanent members, four other votes are needed for the nomination to pass the Council. Though the Security Council's nominee can be rejected by the General Assembly, this has never happened.

During the depths of the Cold War, successful candidates for Secretary General had to avoid offending either the U.S. or the U.S.S.R. Candidates thus became champions of the status quo. Perez de Cuellar's successor must break this mold and bring aggressive management to the U.N. The new Secretary General should be committed to:

1) **Reform as the foremost objective.** This must begin within the Secretariat itself. Decades of cronyism, poor hiring practices and almost non-existent work incentives have left the U.N. with a work force far less productive and more demoralized than that in the private sector and even in many governments. Poor management practices have become so entrenched that only a dogged effort by the new Secretary General will reverse them.

2) Boost the efficiency of the U.N. and its specialized agencies. Assistant U.S. Secretary of State Bolton points out that virtually all parts of the U.N. system have expanded beyond their original tasks and often duplicate each other's work. The new Secretary General will need to prune the organizational responsibilities of the U.N.'s committees and specialized agencies.

3) Turn the U.N. into a tutor for Third World economic development. The U.N. must shed its persistent advocacy of statist, anti-market economic strategies and instead promote policies that favor entrepreneurial risk taking, economic growth, the isolation of economic activity from political interference, and the protection of property rights.

4) Find an acceptable way to make the Security Council more representative of the current distribution of world power. In particular, this means finding a larger role for Germany and Japan.

ABOLISH THE U.N.'S CENTRE ON TRANSNATIONAL CORPORATIONS

With the collapse of Marxism in Eastern Europe and the Soviet Union, these countries now realize that multinational corporations are not enemies of economic development. On the contrary, these firms effectively and rapidly transfer technology and capital to developing economies. This newfound recognition is at odds with the U.N.'s open hostility to multinationals for at least the past fifteen years. The time has arrived for the U.S. and the U.S.S.R. to oppose this harmful anti-business economic doctrine espoused by various organs of the U.N.

Most vocal in its opposition to multinational corporations at the U.N. is the Commission on Transnational Corporations, established in 1974 by the Economic and Social Council (ECOSOC) in its resolution 1913 (LVII). This resolution was the product of a 1974 report, "The Impact of Multinational Corporations on Development and on International Relations."³ The report is hostile to free market economic practices in general and to multinational corporations specifically. The report calls on governments to regulate the multinationals.

The secretariat of the Commission is the New York-based Centre on Transnational Corporations. It was designed, when created in 1974, to be an antagonist to international business, a fact attested to in 1987 by the Soviet representative to ECOSOC, A. V. Trepelkov. He observed that "the Centre's main task [was] to identify the negative consequences of the activities of transnational corporations and submit proposals on ways to eliminate such

³ E/5500/Rev. 1, ST/ESA/6, 1974.

consequences."⁴ The Centre's preferred method of dealing with the problems of multinationals always has been to impose state-sponsored regulatory controls.

Hidden Budget. The 1990-91 bi-annual budget for the Commission on Transnational Corporations does not appear directly but is hidden within figures for the Centre for Transnational Corporations itself. The budget, however, does explicitly provide the Commission with airfares of \$125,200 for 16 expert advisers to travel to the annual sessions of the Commission.⁵ The Centre and its joint units with regional commissions have a much larger regular budget, some \$11.6 million, of which the U.S. pays 25 percent. The Centre is spending \$5.5 million on "minimizing the negative effects of transnational corporations and enhancing their contribution to development." Nothing is being spent on identifying the positive effects of transnational corporations.

The Centre is spending another \$3.9 million on "strengthening the negotiating capacity of developing countries in their dealings with transnational corporations." This spending is described as "technical assistance" for the "promotion and regulation of foreign investment, technology transfer and other business arrangements with transnational corporations...." This means that this U.N. body helps governments impose laws and regulations to prevent foreign investment in the Third World.

Preventing Free Market. The Centre for Transnational Corporations has tried to assist the Soviet Union and Eastern Europe by addressing the accounting procedures used when centrally-planned economies are involved in joint ventures with the West.⁶ Yet a U.N. Secretariat official has told The Heritage Foundation, "It has yet to provide any guidance on accounting for free-market economies." In its study *The Challenge of Free Economic Zones in Central and Eastern Europe*, published this year, the Centre, according to the Secretariat official, "No longer considers the concept of free economic zones even as a transitional step in the road to a free market economy, but in fact as an attempt at preventing the development of a free market by making it the island exception in a sea of socialist economic control."⁷ With respect to the economic prospects for these zones inside the Soviet Union, while a number of reasons are given for allowing free economic zones, the emphasis is on how to preserve socialist institutions.

4 Juliana Geran Pilon, "The Centre on Transnational Corporations: How the U.N. Injures Poor Nations," Heritage Foundation *Backgrounders* No. 608, October 5, 1987, p. 2.

5 Budget figures for the 1990-1 biennium come from the *Proposed Programme Budget for the Biennium, 1990-1991* (New York: United Nations, General Assembly, 1989), Section 9. Some figures have been updated.

6 UNCTC, *Curricula for Accounting Education for East-West Joint Ventures in Centrally Planned Economies*, UNCTC Advisory Studies, Series B, No. 6, (New York: United Nations, 1990).

7 Conversation with a U.N. official who wished not to be identified.

The Commission for Transnational Corporations and its administrative Centre have become obstacles to Third World economic development. They promote theories and strategies now vociferously rejected by Moscow. The Soviet Union may want to begin acting at the U.N. in a manner consistent with the best Soviet economic thinking. As such, Moscow should join with Washington in calling for the repeal of the ECOSOC resolutions establishing the Commission on Transnational Corporations and the Centre on Transnational Corporations. Failing that, both countries should work in the U.N.'s budget committee to reduce the funding of these organizations.

ELIMINATE DUPLICATION AT THE U.N.

"We have all noted the proliferation of committees, councils, conferences, and meetings, all of which cover essentially the same issues. Numerous governing bodies (however denominated) all spend precious time and fiscal resources discussing the same issues in different cities," complained Assistant Secretary of State Bolton at a Geneva meeting almost two years ago.⁸ As an example, Bolton cited the United Nations Development Programme which has seen its role as development policy coordinator eroded by the intrusion of other specialized agencies. The result: resources are wasted and the various bodies work at cross-purposes.

Payment Reduction. The U.S. and the U.S.S.R. have two reasons to cooperate in eliminating activities at the United Nations: to reduce their payments to the U.N. and to reduce the time their officials devote to U.N. matters. To correct the situation, Bolton proposes what he calls a "unitary United Nations." This would assign each organization within the U.N. a specific role. Central to Bolton's plan is a common set of financial reporting rules that would make budgets comprehensible. Though these are common sense ideas, they have been ingored at the U.N. Senior Soviet officials at the Soviet Mission to the U.N., however, strongly endorsed Bolton's proposal.

The U.S. and U.S.S.R. should form a joint task force to identify areas in which duplication can be eliminated at the U.N. One hopeful sign that the member states are becoming interested in serious reform is the passage of General Assembly resolution 45/264 on May 13, 1991, which enacted a number of needed changes of the Economic and Social Council's activities.

⁸ John Bolton, "The Concept of the 'Unitary UN,'" Current Policy No. 1191 (Washington, D.C.: U.S. Department of State, Bureau of Public Affairs, July 1989), p. 1.

THE U.N. CONFERENCE ON THE ENVIRONMENT AND DEVELOPMENT

U.N. General Assembly Resolution 44/228 of December 22, 1989, calls for a U.N. Conference on Environment and Development (UNCED) to convene in Rio de Janeiro, from June 1-12, 1992. The stated purpose of the meeting is to promote "environmentally sustainable" development, an issue first raised at the 1972 U.N. Conference on the Environment in Stockholm.

Coercing Aid. There are two ways in which Washington and Moscow can work together on UNCED. The first is to focus the conference's efforts on proven environmental problems and to assist international cooperation on proposing economically effective solutions to them. The second is to prevent the Third World delegates from transforming the conference into yet another forum for attacking the industrial nations with the aim of coercing still more aid from them.

The Soviet Union already is concerned about what could come from the Brazil Conference. At the U.N. Intergovernmental Negotiating Committee on Climate Change, which met in Chantilly, Virginia, this February 5, Professor Yuri A. Izrael, the head of the Soviet delegation, said that the "viability" of any agreement in Brazil "would be greatly determined by the reality and effectiveness of its provisions."⁹ He added that "we are deeply concerned by the absence at present of reliable and sound methods for predicting regional extreme indications of climate change..." Then he stressed that the negative impact of climate change must be balanced by the possibility of "enormous and unjustified costs."

Mirror Positions. The American position on the environmental conference mirrors that of the Soviets. Both governments agree on the general approach for solving environmental problems. Both governments are aware of the significant regulatory costs that an ill-conceived environmental program would impose on their economies and those of the developing world.

There already is evidence, meanwhile, that the Third World plans to use UNCED to squeeze more financial assistance out of the industrial nations. An official U.N. publication notes that "developing countries maintain that their ability to deal with global environmental risks will depend on access to 'additional' resources necessary to integrate considerations about the environment into development plans and practices."¹⁰ It is this attitude that will divert the meeting in Brazil away from a discussion of pollution, economic development and scientific research and turn it into an "us-against-them"

⁹ See United Nations General Assembly Resolution 45/212, A/RES/45/212, January 17, 1991, paragraph 7. Work on this international convention on global climate change commenced with the intention that it would be completed by the opening of UNCED in June 1992.

¹⁰ "United Nations to Hold World Conference on Environment and Development in Brazil in 1992," *United Nations Focus*, UN Department of Public Information, DPI/1072 — July 1990 — 3M, p. 1.

fight for money. In fact, U.S. government officials privately describe the first preparatory conference, held last August in Nairobi, Kenya, in these terms.

BUDGET REFORM AT THE U.N. FOOD AND AGRICULTURE ORGANIZATION

The Rome-based Food and Agriculture Organization is seriously in need of reform. Though the Soviet Union is not yet a member of FAO, mainly because of Moscow's reluctance to contribute to another costly U.N. agency, the Soviets could back the U.S. in its drive to reform this specialized agency. This would reduce FAO's costs and thus the eventual cost of Soviet membership in it.

Obscure Accounting. FAO was established in 1945 to raise levels of nutrition and standards of living worldwide. A number of FAO technical programs merit praise; the Codex Alimentarius Commission, for instance, apparently does a good job setting international standards for processing food products. The International Plant Protection Commission (IPPC) also functions well. The annual budgets for both total \$4.2 or approximately 1/65th of FAO's total effective budget of \$284 million per year — of which the U.S. pays about 25 percent. For most of FAO's other programs the problem is that obscure accounting methods make an assessment of their effectiveness impossible.

The greater problem at FAO is the general policy that the organization advocates. For decades it has championed the centralized and state controlled agriculture which has impoverished most of the Third World. FAO publications, for example, advise governments "to upgrade their planning and administrative machinery to develop and manage their agricultural sectors."¹¹ Not only does FAO ignore the agriculture successes in the U.S. and elsewhere in the West, it has been oblivious to the agricultural revolution in mainland China by which market forces since 1978 have boosted output dramatically. Rather, FAO continues universally to stress state-managed programs. Absent from FAO thought is the recognition that prices relay critical information about production costs, supply and demand. Central to FAO thought is that the state should manipulate food prices and the quantity of production.

Angry U.S. Curiously, the FAO angered the U.S. more for its accounting irregularities than for its statist policies. It ran afoul of the U.S. Congress in the 1980s for a number of reasons. First, FAO refuses to adopt consensus-based budgeting by which donor countries such as the U.S. — that pay for the lion's share of FAO activities — would have a veto over FAO spending. This budget principle has been approved by the budget committee of the U.N. and by many of its specialized agencies. It is rejected by FAO and its controversial

¹¹ Juliana Geran Pilon, "The U.N.'s Food and Agriculture Organization: Becoming Part of the Problem," Heritage Foundation *Background* No. 626, January 4, 1988, p. 5.

Director General, Edouard Souma of Lebanon, who has held the post since 1976.

Second, FAO exaggerates figures for inflation and distorts staff rosters to escape the U.N.-wide discipline of holding real budget growth to zero percent.

Souma Slush. Third, the Congress has been angered by what many call Director General Souma's slush fund. This is the misnamed Technical Cooperation Program which amounts to nearly \$68 million, or 12 percent of the FAO's total effective two-year budget (1990-91) of \$569 million. Sources in the State Department have described the Technical Cooperation Program as a slush fund because it is not allocated in advance in the normal budget, but is distributed *ad hoc* at the discretion of the Director General in response to requests by individual governments. Officials in the U.S. government believe that the TCP has become Souma's political tool.

The U.S. must demand FAO reform. First, Congress should warn that it will fund FAO for only two years longer unless the FAO 1) adopts consensus-based budgeting; 2) holds spending growth to zero percent; 3) eliminates Souma's Technical Cooperation Program slush fund; 4) removes Souma; and 5) adopts clear accounting rules and management practices.

Private Ownership. The U.S. should press the Soviet Union to support these FAO reforms in the General Assembly and in relevant committees. After budget and management reforms, the more important phase in FAO reform then can begin. This phase would transform FAO's policies from those supporting agricultural stagnation to those supporting increased food output. A model for this could be the plan proposed by Stanislav Shatalin — a

A CHECKLIST OF U.S.-SOVIET COOPERATION AT THE U.N.

- ✓ Find a reform-minded Secretary General to replace Javier Perez de Cuellar whose term is expiring.
- ✓ Eliminate the Commission on Transnational Corporations and its secretariat, the Centre on Transnational Corporations.
- ✓ Establish a U.S.-Soviet task force to identify further areas of waste and duplication at the U.N.
- ✓ Ensure that the 1992 Conference on the Environment and Development applies sound economic analysis and scientific data to environmental problems; prevent the conference from becoming a Third World soapbox for demands for more aid.
- ✓ Reform thoroughly the Food and Agriculture Organization's management practices so that FAO stresses free market solutions to agricultural and forestry needs.
- ✓ Repeal U.N. General Assembly Resolution 3379 of 1975 that brands Zionism a "form of racism and racial discrimination."

former economic adviser to Mikhail Gorbachev who now works with Boris Yeltsin – to reform the Soviet economy including agriculture. This now-famous Shatalin Plan calls for private ownership of land, the elimination of centralized production quotas, “market relations in all elements” of agriculture, and an end to “the monopolistic position of producers, processors, and trade enterprises.”¹² If FAO refuses to reform its policies, the U.S. should quit the organization (saving almost \$70 million in annual contributions), and the Soviet Union should not join. FAO’s useful technical programs, like Codex Alimentarius, could be supported through trust funds at FAO.

REPEAL OF ZIONISM RESOLUTION

The U.S. and Soviet Union should make a determined effort to repeal the U.N. General Assembly’s Resolution 3379 which states that “Zionism is a form of racism and racial discrimination.” It is this resolution, enacted in an anti-U.S. and anti-West frenzy in 1975, that disqualifies the U.N. as a means of ending the Arab-Israeli conflict. It also justly discredits the U.N. in the eyes of Americans.

The “Zionism is racism” resolution has not been revisited by the General Assembly since its passage on November 10, 1975. Repeal would be a significant first step by the U.N. to eliminate its anti-Israel bias.

The Soviet Union could be willing to consider repealing Resolution 3379. In February 1991, Ambassador Yuily Vorontsov, the Soviet Union’s permanent representative to the U.N., told an interviewer that “the idea of the Zionism resolution was false, it should be repealed.” Senator Daniel P. Moynihan, the New York Democrat who was the U.S. envoy to the U.N. when the resolution passed in 1975, introduced Senate Joint Resolution 110 this March 22. It urges “that the United States and the Soviet Union should lead an effort to promptly repeal” resolution 3379. The Senator said that “for almost a year, Soviet representatives have continued to signal this important change of policy in meetings behind closed doors.”¹³

It would be appropriate for Moscow to support the repeal of this resolution, for the U.S.S.R. was the only developed nation to co-sponsor it.

¹² Foreign Broadcast Information Service, Soviet Union, Economic Affairs, “Transition to a Market Economy,” September 28, 1990, pp. 66-8.

¹³ *Congressional Record*, March 22, 1991, p. S4136.

CONCLUSION

With Cold War tensions easing, the U.S.-Soviet conflict at the U.N. too can ease. By working together the two nations, which together contribute nearly 37 percent of the U.N.'s regular budget could control many, and probably most, of the U.N.'s actions. Together Washington and Moscow should identify and then push for an aggressive reform-minded manager to replace Javier Perez de Cuellar as Secretary General. The two nations should insist that the U.N. end its hostility to multinational corporations and to direct foreign investment in Third World countries. The two nations should push the "unitary U.N." concept to eliminate waste and duplication, cooperate on preparation for the June 1992 U.N. Conference on the Environment and Development, demand reform of the Food and Agriculture Organization and repeal the 1975 "Zionism is Racism" resolution.

Cooperation between the U.S. and the U.S.S.R. on these issues will have many benefits. A well-managed U.N. will cost less, saving money for both nations. A U.N. that supports market economics will assist developing nations, not only in the Third World but also in Eastern Europe, including the Soviet Union. A U.N. that becomes a champion of foreign investment will speed the transfer of high technology, investment capital, knowledge of finance, and industrial engineering to less-developed countries. A U.N. that crafts anti-pollution programs that are not specifically designed to penalize economic development will contribute to rising living and health standards throughout the world. And a U.N. that repudiates the "Zionism as Racism" Resolution will contribute to a peaceful resolution of the Arab-Israeli conflict.

Christopher M. Gacek, Ph.D.
Jay Kingham Fellow in
International Regulatory Affairs

All Heritage Foundation papers are now available electronically to subscribers of the "NEXIS" on-line data retrieval service. The Heritage Foundation's Reports (HFRPTS) can be found in the OMNI, CURRNT, NWLTRS, and GVT group files of the NEXIS library and in the GOVT and OMNI group files of the GOVNEWS library.