Draft: Do Not Quote or Cite

Richard Holbrooke:
Negotiating U.S. Dues to the United Nations (B)*

On the face of it, the U.S. position evinced not a little chutzpah. The U.S. stance was the equivalent of having Bill Gates, in response to an IRS enforcement action on back taxes owed, agree to pay up only if the IRS agreed to lower his tax bracket in future years, regardless of what he earned. When the UN membership signed onto the deal, Senators Helms and Biden were as stunned as anyone else, and led a historic standing ovation in the Senate Foreign Relations Committee...

To negotiate a conclusion to the challenge of U.S. arrears, Holbrooke built on past U.S. efforts while orchestrating new initiatives on multiple fronts. His approach to reaching a resolution resembled a political campaign, with the various elements designed to come together during what Holbrooke expected to be the decisive U.N. negotiations in late 2000. He made this initiative his singular point of concentration: “My view is that when you're in a negotiating situation, that is what you are doing and you should focus entirely on the negotiation.”

**Resetting The Tone**

**In New York.** Holbrooke immediately set to work establishing himself as someone who understood and valued the UN’s role in the world – perhaps surprising those who knew his reputation for bluster. Even before his term began, he took a trip to Kosovo (where he was well-known from his work in Bosnia) and pointedly praised the work of the head of the UN mission there, who had been criticized by the Clinton Administration. He played a “small but critical” in the crisis in East Timor, “calling around to Security Council members and insisting that the Council pass a resolution instantly to prevent further bloodshed.” And during the U.S.’s turn in the Security Council’s rotating presidency, Holbrooke declared January 2000 a “Month on Africa,” in an effort to address persistent criticisms that the U.S. was insensitive to issues outside the developed world.

**In Washington.** Holbrooke also worked hard to raise the profile of the arrears issue inside the White House and out. His “great fear … was that the president’s domestic-policy advisers would agree to barter away the arrears at the 11th hour to get in return something that actually mattered politically to them. Holbrooke spoke out constantly on the subject, and administration officials give him credit for raising the profile of the issue…”

---

* 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.
Shepherding Helms-Biden into Law

In Washington. While he was busy establishing his *bona fides* in New York, Holbrooke was hard at work in Washington trying to push the Helms-Biden agreement through the thicket created in the House of Representatives. “Holbrooke understood that the only figure who really mattered was Speaker of the House Dennis Hastert. … But Holbrooke knew that the only way he could influence Hastert was to persuade individual Republicans that the UN was too important to be held hostage to the abortion debate.”

He buttonholed individual members of Congress, sometimes dozens in a day – not just those in leadership positions, but rank-and-file members, many of whom had never been sought out by a UN ambassador. “He made an impression just by taking the trouble to visit.”

He also carefully crafted his message for his audience. “Holbrooke never tried to defend the United Nations to a Republican in the United Nations’ own language of mutuality and moral obligation. ‘It’s about national security,’ he would say. It was precisely because the United States could not serve as the world’s policeman that it needed the United Nations to intervene in crises around the world.”

Through his persistence, Holbrooke was able to create a certain amount of discomfort in the House with the continued linkage of UN funding and the anti-abortion agenda. But Holbrooke also had to bring something to the table; under his prodding, the Clinton Administration softened its unconditional opposition to the Smith amendment and agreed to compromise language. The new amendment prohibited fewer activities by international family planning groups receiving U.S. funds and would allow the President to set it aside for organizations receiving less than $15 million (which he promptly did).

The Administration’s supporters in the pro-choice community were not happy at the setting of this precedent, but the passage of the Helms-Biden package in November 1999 was a critical first move in the campaign to salvage the U.S.-UN relationship. “Once Holbrooke was able to get Helms-Biden approved by Congress, there was finally a clear target regarding what needed to be achieved at the UN in terms of the new scales [of dues assessment].”

*Note: Need to learn more about the dynamics of getting Helms-Biden passed – in Congress and White House – and its benefits/drawbacks for U.N. negotiations.*

Reaction at the UN to the passage of Helms-Biden was mixed. Key member states publicly expressed frustration with the U.S.’s unilateral action. They were “keenly aware of the fact that the Helms-Biden agreement put them in a very difficult position. They could either capitulate to Congress … or they could take a firm stand and possibly witness the further disengagement of the United States.”
Some representatives, however, were relieved to see the impasse broken and positive progress made. "It makes a difference to us to have an American figure who can operate at the highest level," said Britain’s Ambassador Greenstock of Holbrooke. "He's able to project power to a point."9

Holbrooke quickly followed up his victory in Washington with a small but important one in New York: getting the U.S.’s seat on the UN’s budget committee restored (at New Zealand’s expense), which was one of the requirements of Helms-Biden.

UNDERSTANDING THE ISSUE AND CRAFTING THE MESSAGE

Even before Helms-Biden passed, Holbrooke was preparing to sell his message to a skeptical audience in New York. He and his U.S. team spent an enormous amount of time understanding and dissecting the nuances of the financial issues involved in U.N. dues assessment. In particular, it was vital to gain insight into how various proposals would affect different negotiating counterparts and, thereby, guess at their likely reactions.

With an understanding of the numbers and a sense of the politics, he judged that framing the issue as a “dues rate reduction for the United States” would be difficult for other nations to vote for as anything other than raw special pleading. As had been the case with prior U.S. efforts, he had to reframe the debate, to make it align with broader principles, to appeal to interests that other nations could more easily support. He decided to enlarge the discussion to emphasize “a complete overhaul of the UN’s financing system” that would correct a range of “problems” and inequities, not just the issues associated with magnitude of the U.S. dues.

The U.S. team had carefully analyzed the “problems” in the existing system of dues assessment. The then-current scheme calculated payments based on the average of a country’s gross domestic product over six years, and it granted large discounts to a variety of nations, some of which were now the richest in the world, such as Singapore, Brunei and the United Arab Emirates. Rather than merely complaining about the existing arrangement, the U.S. crafted its own detailed proposals for new scales of assessment.

Moreover, Holbrooke was keenly aware of the importance of history to the UN. As part of his argument he would invoke “the dramatic days of 1946, when Sen. Arthur Vandenberg – the Jesse Helms of his day when it came to UN dues – argued at the very first UN budget debate that the organization must cap the rate of its largest contributor, so that no country, not even the U.S., could command excessive influence over decision-making.”10

In public speeches, Holbrooke and others in his delegation first “sought to disarm critics by conceding that the arrears were regrettable, and by pleading for help in solving a problem that was admittedly – in significant part, at least – an American creation.”11 Then Holbrooke dispassionately made his case on the merits of systemic reform:
The base period [of six years], in our view, should be shortened in order to better reflect current realities. In a world where business cycles can happen overnight, and technological revolutions take hold in months rather than years, ability to pay can no longer be measured in data that is ten years old. We need action also to broaden the UN’s tax base by introducing a sliding gradient that better reflects the ability to pay of the world’s powerhouse developing economies. The debt burden adjustment should be predicated on actual debt flows rather than a theoretical estimate that is at odds with readily available, concrete data. Together, these steps will culminate in a scale that should be more transparent, more in tune with economic realities, and more fairly distributing the burden and privileges of financial responsibility here at the UN.”

However valid the merits of Holbrooke’s proposal, the politics of building a sufficient level of agreement among the member states of the world body were daunting. Said one UN diplomat, “I hope the U.S. has a plan on how to sell this. Everybody’s eyes are on Holbrooke and his famous skill as a salesman of hard choices.”

NEGOTIATING SUPPORT FOR “REFORM”

In New York. Armed with this broad appeal, a detailed plan, and slick presentations, Holbrooke engaged in countless private meetings and corridor conversations with his counterparts. In these interactions, he became a mass distributor of laminated cards that graphed the inequities in the current system of allocating dues. “This is not a diktat from Washington,” he said, “this is an effort at persuasion. It will take a long time, it won’t be easy, and we will go from country to country, from Argentina all the way to Zimbabwe. I will be doing this in New York, and Madeleine [Albright] will be doing it in capitols. It will be a very heavy hit.”

In New York, Holbrooke employed the same personal touch that he had in Washington during the Helms-Biden negotiations: visiting nearly every permanent UN representative, most at their own missions rather than summoning them to his. In addition to making their pitch, during these visits Holbrooke and his team got to know the particular concerns of each delegation, helping them tailor their approaches and build important relationships. As he stressed, “You must try to understand what each side wants and listen extremely carefully.” For example, the U.S. team learned that Oman was livid about the UN’s peacekeeping failures and did not want to invest another dime in them; the Pakistanis would help, but wanted to ensure that their troop contributions to peacekeeping were properly recognized; the Germans could not discuss UN finances without bemoaning their exclusion from the Security Council.

This represented a fundamentally different approach for the U.S. at the UN, which did not go unnoticed by member states. Rather than focusing exclusively on the powerful players on the Security Council, Holbrooke courted even the smallest of nations.
one of them had a vote, and a voice, which could be expressed despite the solidarity imperatives of “their” U.N. blocs.

Holbrooke drew on his extensive private sector experience for insight into the most effective approach: “I've spent 15 of the last 20 years as a managing director at Lehman Brothers and as a vice chairman at Credit Suisse First Boston. I learned a great deal there between 1981 and the '90s, which later helped me as a government negotiator.”

He described two complementary roles for effective dealmaking on Wall Street:

There are two kinds of bankers on Wall Street: transaction bankers and relationship bankers. To do a deal you need both of them—the brilliant transaction bankers who read the balance sheets and see the opportunities, as well as the relationship bankers who understand the company, its culture, its leadership, and who have some degree of loyalty and commitment to their clients. Since I'm not an MBA and the jungle I'm familiar with is more the government jungle, I tend toward relationship banking. But transaction banking is critical. In diplomatic negotiations the same dichotomy exists. You need both.

Both substantively and in terms of style, he commented on the influence of these two roles in this process:

In the case of the U.N. financial reform negotiation—which was my number one issue. . .I spent hundreds and hundreds of hours getting to know the ambassadors, the foreign ministers, their wives, and the issues facing each country, so they knew I took them seriously. I spent time with ambassadors from countries like Fiji and Chad—the smallest countries. I called on them in their missions, which made a big impact on them. Many said they'd never had an American ambassador visit them before, and they took photographs of the event. But at the same time, I studied the numbers, and I knew more about the contributions to the U.N. and the per capita GDP of many of these countries than the ambassadors themselves. I could sit in meetings and quote figures to them from memory that they themselves didn't know—just like a transaction banker. You have to do both sides of the equation. If you just rely on schmoozing and personality, you may end up giving something away or missing something; and if you only focus on the details, without having a feeling for the politics and the culture, you may never get there.

In foreign capitols. This would also be a campaign waged on multiple fronts simultaneously. Holbrooke relentlessly pestered American ambassadors to reinforce the message about the importance of these reforms in their contacts with their counterparts in foreign capitols; his team provided them with detailed, country-specific information and encouraged them to persist in the face of opposition. The U.S. ultimately had more than fifty embassies actively engaged in the effort. These bilateral contacts were also an important source of intelligence about foreign governments’ priorities.
Holbrooke and his colleagues were not reluctant to offer targeted individual inducements to countries in exchange for favorable consideration. They “made a point of asking other countries whether there was anything that could be done for them bilaterally. While America’s UN diplomats could not move mountains, small gestures – usually jostling a small favor loose from another area of the bureaucracy – often went a long way.” Members of the U.S. team also made it clear that they would take into consideration a country’s position in the dues debate when it was deciding which to support in contested elections to international bodies.  

Holbrooke pressed high-ranking U.S. officials such as the U.S. Trade Representative and the Secretaries of Treasury and Defense to call their counterparts in more intractable member states – drawing an implicit link to their other national priorities. Frustrating communications gaps and different agendas within the U.S. government, however, sometimes resulted in deals going through on unrelated subjects that might, for leverage, been linked to—or at least discussed in tandem with--the dues issue:

At the end of a long and contentious meeting with the Singaporean delegation, one of their diplomats pulled from his briefcase a press report announcing a U.S.-Singapore free trade agreement. “This is what matters,” he said, dismissing the importance of the dues issue while steadfastly maintaining his country’s refusal to pay more.  

**BRIDGING MEETINGS BETWEEN WASHINGTON AND NEW YORK**

Holbrooke considered it important to bring together key players from the U.S. Congress and the UN early in the negotiations. At some point it was likely compromises would have to be made, and that process might go more smoothly if the parties knew one another and had gained some insight into each other’s thinking.

In January 2000 Holbrooke arranged for members of the Senate Foreign Relations Committee to visit UN headquarters and for Senator Helms to address the Security Council – the first time a U.S. Senator had ever done so. His words were cautionary but conciliatory:

It is my intent to extend to you my hand of friendship and convey the hope that in the days to come, and in retrospect, we can join in a mutual respect that will enable all of us to work together in an atmosphere of friendship and hope – the hope to do everything we can to achieve peace in the world. … If the United Nations respects the sovereign rights of the American people, and serves them as an effective tool of diplomacy, it will earn and deserve their respect and support. But a United Nations that seeks to impose its presumed authority on the American people without their consent begs for confrontation and, I want to be candid, eventual U.S. withdrawal.
In March, representatives of Security Council nations visited members of Congress in Washington. Helms struck an uncharacteristically optimistic note about the exchange of views: “I think we have a certain camaraderie going. Let’s keep it going.”

Throughout the negotiations, Holbrooke continued to call strategically on members of Congress to help bolster his position. “Holbrooke manipulates even members of his own delegation, deploying them as props in what he likes to call the ‘theatre’ of negotiation.”

When things looked stalemated, he would invite Republicans to New York, such as Senators John Warner and Gordon Smith, who were unwilling to speak of compromise; however, when agreement seemed possible, he would host Democrats, like Senator Biden, who first offered flexibility on the peacekeeping scale if 22 percent was achieved on the regular scale.

COALITION-BUILDING

In New York. Gradually, as Holbrooke made his rounds of the member states with his charts, graphs and laminated cards, some representatives – a few from extremely unlikely allies like Nigeria, Pakistan, and Algeria – began picking up his merit-based argument and could be heard making the U.S.’s case for reform far more credibly than it could itself.

[QUERY: DID THIS HAPPEN ORGANICALLY OR WERE CERTAIN COUNTRIES TARGETED TO BE SURROGATES DELIVERING THE MESSAGE?]

The U.S. team needed to neutralize one of the most potent objections to its new financing scheme: skeptics had dismissed the U.S. effort at the outset by confidently asserting that no country would willingly pay more, a necessary condition if the United States were to pay less. After all, previous such dues-reduction efforts by the United States had come to naught. To counteract this blunt objection and begin to get others to take Holbrooke’s initiative more seriously, he “recruited” small countries like Israel, Cyprus, Estonia, Latvia, Hungary and the Philippines to “announce at the outset of the debate that they would ‘volunteer’ to contribute more for UN peacekeeping, [and] this argument fell away. Later on, when the United States needed proof that the General Assembly as a whole was ready to create an agenda item to discuss financial reform, eliciting dozens of letters of support from across the membership proved critical.”

Winning this fight, however, would not be a simple matter of persuading individual countries one-by-one to abandon their opposition. The bloc politics of the UN added a whole new dimension to the negotiations. “As long as the French held the EU presidency,” for example, “and were determined to oppose the U.S. plan, private sympathy from Great Britain, Sweden, Portugal and others did little good.”

Holbrooke was able to pick apart some blocking coalitions by peeling off their smaller, less committed members and leaving more influential players with less of a united front. Once again his strategy of targeting small countries paid off.
In foreign capitols. Efforts to neutralize potential blocking groups did not occur only in New York. “U.S. diplomats from the UN traveled the world to lobby delegations during key decision-making congresses of the Non-Aligned Movement and the Organization of African Unity. Through these efforts, the U.S. was able to influence group positions before they were finalized.”

And through its embassies abroad, the delegation “was able to ferret out some unlikely ringleaders – Oman for the Gulf Cooperation Council, for example – who were ultimately behind unfavorable groups’ positions.”

Some coalitions proved to be helpful brokers, not simply blockers:

- The Rio Group, composed of 19 Latin American countries, helped draft new scales for the peacekeeping budget and accepted higher assessments themselves.
- The Colombian mission convened a group of 20-25 countries from around the world that helped resolve differences on both budgets after two-and-a-half months of stalemate.
- The Non-Aligned Movement prevented Cuba, Libya and others from disrupting the agreement at the last minute.

[QUERY: WHAT WAS U.S. ROLE IN INFLUENCING THE ACTIONS OF THESE GROUPS?]

ENDORAME: DECEMBER 2000

With movement on several fronts, the outlines of an agreement began to emerge. Yet, as the December 2000 holidays approached, last-minute attempts by Britain, China, and South Korea to win concessions threatened to scuttle the deal. As The Washington Post reported:

Britain and China sought a provision that would ease the burden of unexpectedly high peacekeeping charges over the next six months. U.N. accountants agreed to devise a creative payment scheme to stagger their bills. … When that was resolved, South Korea, which faces a larger increase than any other country in its dues, asked to stagger its charges, too. Annan placed a call to South Korean President Kim Dae-jung, while Holbrooke and Secretary of State Madeleine K. Albright persuaded Seoul’s deputy foreign minister to accept a compromise: South Korea’s increase will be phased in over five years, two years longer than permitted for any other country. Seoul’s dues are likely to quadruple during that period from $15 million to about $60 million.

Moreover, individual nations continued to bicker over inconsequential sums of money. Said a frustrated Holbrooke:
A tremendous fight has broken out. It’s not everyone against the U.S. It’s everyone against everyone. Each country is protecting its own turf, sometimes for tiny amounts of money. … In one of the most dramatic moments, a country that shall be unnamed in print suddenly erupted and started to lecture me about their economy and that they get hurricanes all the time and how they therefore had to reduce their peacekeeping bill. So I said, O.K., Mr. Ambassador, let’s check the record. Last year you paid to the U.N. annual dues of $11,000 in the regular budget, and your peacekeeping budget was $4,000 – and you want a dramatic reduction because of hurricanes. That’s an extreme example of self-indulgence.32

Holbrooke’s forceful, personal appeals plus the effects of his multi-pronged campaign were paying off. Support for a deal along the lines Holbrooke advocated was growing, though for very different reasons among the parties. Ambassador Peter van Walsum of the Netherlands expressed the sentiment of many member states when he said, “It should be clear that we are cooperating not because we think your arguments are valid, but simply because we feel that the U.S. has to not only stay in the UN, but has to be a committed and influential member.”33 Momentum was building towards a resolution with the terms of an acceptable deal becoming clear:

- A 22 percent ceiling would be imposed on any country’s dues for the regular budget;
- The U.S. share of the peacekeeping budget was to be reduced to between 26 and 28 percent (not quite as far as Helms-Biden called for);
- The period used for calculating each country’s capacity to pay would be shortened from six years to four-and-a-half;
- Japan would get a cut of one percentage point, to 19.5 percent of the regular budget. Russia and China voluntarily increased their payments marginally. Britain, Denmark, Greece and Ireland all would see their regular dues go up, although the European Union as a whole would have only 0.3 percent added to its bill;
- A number of countries – among them Israel, Cyprus, Malta, Hungary and Slovenia – would voluntarily give up discounts immediately. Others would agree to give them up in the future.

However, even as the terms were being hammered out in the raging December 2000 negotiations, most member states had already passed their fiscal year 2001 budgets based on the existing dues structure. Countries argued persuasively that, whatever the merits of Holbrooke’s case, they simply couldn’t make up the $34 million that a reduction in U.S. dues would leave the UN’s budget short during 2001. And without action in 2001, the terms of Helms-Biden would go unmet. The “deadbeat” status of the United States would continue to rankle. Holbrooke’s elaborate negotiating strategy at and away from the table would crumble. The bureaucratic tyranny of finance ministries, treasury departments, and budget cycles combined to pose a seemingly unbridgeable $34 million gap.
Yet Holbrooke had spoken to his billionaire friend, Ted Turner, about the deadlocked talks. Turner, the founder of the CNN television network, had stunned the world community by endowing a billion-dollar Turner Foundation for the U.N. in 1997. Now Turner asked what was the sticking point: "Hell, I could do that if it got to a deal." And he offered to write a check to bridge the 2001 gap. A British diplomat characterized Turner’s $34 million offer: "That sort of lubricant actually has been quite good in getting the deal even though it is not a major building block of the deal but in easing the blocks together. It's a key element that has allowed the deals to be done." Holbrooke lauded Turner for "the most sophisticated use of philanthropic funds for a larger purpose that I can imagine…This was not simply the case of a rich person giving money to build a building, it was money to change a situation."  

On December 23rd, after several days and nights of intensive bargaining, the parties agreed to the terms outlined above. Turner’s contribution, suitably structured in legal terms, bridged the 2001 gap. (Since the United Nations cannot accept money from private citizens to pay UN membership dues, Turner had to make the payment to the United States, which then wrote a check to the UN.) Standing outside the Security Council Chamber, Holbrooke told reporters "I am extremely pleased to be able to stand here and to be able to report to you the budget has been done," . . . it was a very near-run thing. . ." "Yesterday at this time we had no idea if we were going to make it or not."  

Reaction in Washington was, if anything, more striking. “When the UN membership signed on to the deal, Senators Helms and Biden were as stunned as anyone else, and led a historic standing ovation in the Senate Foreign Relations Committee for the triumph in what many saw as an era of waning American influence at the UN.” Helms gave his blessing to the package in February 2001, and Congress agreed to release the second arrears payment of $582 million.  

POSTSCRIPT  

Holbrooke’s term as U.S. Ambassador to the UN ended in January 2001 after the election of George W. Bush as President. His success at patching up a fractured U.S.-UN relationship would prove to be short-lived.  

In May 2001 the U.S. was ousted from the UN Human Rights Commission in a secret vote. Various reasons were cited: the second arrears payment was still held up in the House of Representatives; the Bush administration pulled out of the Kyoto climate change treaty and announced its decision to develop a missile shield in contravention of the 1972 anti-ballistic missile treaty; four months into the administration there was still no confirmed U.S. ambassador to the UN. As a result of the UN’s action, the House of Representatives voted to freeze the third payment of $244 million in arrears.  

After September 11, 2001, however, the Bush administration urged the House to stop holding up payment of the arrears, arguing that failure to pay the debt was an obstacle to rallying global support for the war on terrorism. The House Majority Whip,
Republican Tom DeLay, had been blocking the payment of UN arrears, hoping to link the release of UN funds to an amendment exempting American soldiers from the jurisdiction of the International War Crimes Tribunal, and barring U.S. military aid to countries that had ratified the treaty creating the court. Two days after the 9/11 attacks, DeLay dropped his opposition to the bill, and the House voted unanimously to pay the 2nd tranche of money.

As of late 2003, the 3rd payment was unpaid and the $500 million in contested arrears was unaddressed. And the U.S.-UN relationship was challenged yet again by the U.S. decision to take unilateral military action against Saddam Hussein’s regime in Iraq.

1 Nossel, p. 96.
3 Traub, p. 66.
4 Traub, p. 43.
5 Traub, p. 43.
6 Traub, p. 43.
7 Traub, p. 42-43.
9 Traub, p. 66.
11 Nossel p. 97.
15 Wallis, op. cit.
17 Wallis, op. cit.
18 Wallis, op. cit.
19 Ibid.
20 Nossel, p. 103.
21 Nossel, p. 103.
24 Kelly, p. 86.
25 Smith, p. 207.
27 Nossel, p. 100.
28 Nossel, p. 100.
29 Nossel, p. 102.
30 Smith, p. 207.
33 Smith, p. 208 (in footnote 16).
36 Ibid.
37 Ibid.
38 Nossel, p. 96.