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Foreign and Commonwealth Office

London SW1A 2AH

24 April 1986

Handwritten initials and a circled number '2'.

Dear Charles

UN Financial Crisis

Handwritten notes: "Prime Minister", "This is a bit better than the inadequate account of what we were going to do which you had seen."

Your letter of 27 March <sup>attached</sup> asked for a more detailed account of the action we propose to take in response to the UN's financial crisis.

Handwritten initials "CAP" and date "24/4".

A report issued by the Secretary General on 15 April makes clearer than before the problem which the UN faces. The Secretary General estimates that accumulated arrears in the payment of assessed contributions (ie excluding the peacekeeping deficit) will total between \$263 million and \$275 million by the end of 1986. (The total contributions side of this year's UN budget amounts to \$735 million.) On optimistic assumptions there will be a shortfall by end 1986 in the range \$63.8 million to \$75.8 million, plus a possible exchange rate shortfall of \$30 million. This gives a total shortfall in 1986 of about \$106 million; but in future years, if the United States continues to withhold part of its assessed contribution, the position will be more serious, since the United Nations will by then have used up virtually all its reserves.

The Secretary General's proposals for remedying the situation are inadequate. Administrative and personnel economies will yield savings of approximately \$30 million. The curtailment or deferral of some meetings and programmes, including the construction of lavish and unnecessary conference facilities in Addis Ababa and Bangkok, are intended to yield a further \$30 million. These last measures, however, require the approval of the General Assembly which is to reconvene at the end of this month. The Secretary General proposes that the remaining gap of \$46 million should be made up by advance payment of 1987 contributions, prompt payment of arrears and current assessments, and by voluntary contributions. This is Utopian. For the essential, longer-term solutions, the Secretary General appears to be relying entirely on the Group of 18 High Level Inter-governmental Experts, established at the last General Assembly. That Group has started its work in a positive manner, but we doubt its ability to produce recommendations which will be both acceptable to the General

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Assembly as a whole and radical enough to meet the concerns of major contributors.

In this situation, the Foreign Secretary believes that we should pursue the following measures:

- (a) Press the Secretary General at the resumed session of the General Assembly next week to come forward with further proposals for programme reductions to meet the shortfall. Our partners in the Twelve agree with us that voluntary contributions or the early payment of 1987 assessments are not suitable solutions to the present crisis; and we have proposed to the Twelve and to the UN Secretariat a number of specific areas of expenditure, eg colonisation, trusteeship and public information, which could be sharply reduced. We need to keep before the Secretariat the message that the present crisis is not short term policy only, and major reforms are needed.
- (b) Maintain our position of principle that the unilateral withholding of assessed contributions is inconsistent with international obligations;
- (c) Make approaches by the Twelve to all those states which regularly withhold their contributions, especially the Soviet Union and a number of East European states. This would follow up public criticism of the Soviet performance by the UK and others. The Soviet Union has announced a voluntary contribution of \$10 million and has said that it will for the first time make a contribution to UNIFIL. But this does not remove the need for the Soviet Union to make good its arrears on peacekeeping (\$164 million) and the regular budget (\$40 million).
- (d) Keep in close touch with the US Administration and work with them, preferably with the Twelve, on the changes in UN budgetary procedures they think would persuade Congress that the US should resume paying its 25% assumed share of the UN regular budget. (If the US moves to paying less, we are in danger of being pressed to pay more.)
- (e) Continue to take the lead in the Twelve on ideas for changing the procedures by which the UN programmes and budget are approved. The Twelve should then press these ideas both in New York and in Washington. We obviously will be able to use our Presidency to push forward the right approach. We have in mind such new procedures as qualified majorities in the various committees which consider the UN budget before it comes to the General Assembly, and possibly division of the budget into





separate elements to cover the running expenses of the Organisation on the one hand, and additional programmes on the other. The precise form of any proposal which we can pursue openly in New York and around the world will depend on what other major contributors are prepared to support, and on what the Americans tell us will help to solve their problem. (The Twelve pay 29.8% of the UN budget and Japan pays 10.8%.) What we shall be looking for is acceptance of a bigger say for the major contributors, without overtly raising the question of formal Charter amendment.

Sir Geoffrey Howe will keep the Prime Minister informed of developments.

With my letter of 27 March I attached a letter to the Prime Minister from the UN Secretary General. The Foreign Ministers of the Twelve have now sent a collective reply to the letter to them to which the Secretary General refers. The way is now open for the Prime Minister to reply: I attach a draft.

I am sending copies of this letter to Rachel Lomax (HM Treasury), John Howe (Ministry of Defence) and Michael Stark (Cabinet Office).

*Yours ever,*

(R N Culshaw)  
Private Secretary

C D Powell Esq  
10 Downing Street



BM 2 AJQ

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final I+

FROM:  
Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
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- Unclassified

H E Mr Javier Perez de Cuellar  
Secretary General  
United Nations  
New York

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SUBJECT:

.....In Confidence

Thank you for your letter of 7 March about the financial difficulties facing the United Nations Organisation. I understand that you will now have received from the Netherlands Foreign Minister a reply on behalf of the Twelve member states of the European Community to your separate letter to Foreign Ministers.

CAVEAT.....

You know of the concern I have expressed in the past about the failure of certain member states to make their proper financial contribution to the activities of the UN, including in particular peacekeeping. We have also deplored the tendency to impose upon the Secretariat unworkable mandates, superfluous conferences, and pointless studies, without regard to the political limits to the tolerance of those states who must provide the funding for such activities. The present crisis brings with it an opportunity for the membership of the United Nations and the Secretariat to examine rigorously the implications of such financial irresponsibility and to establish a broader consensus on how the United Nations' resources should be most effectively deployed.

Enclosures—flag(s).....

There is therefore an onus upon the Secretariat to

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instill a sense of financial responsibility among member states, and to be bold in identifying those activities which must be sacrificed if the organisation is to live within the resources available to it. Remedies for the short-term difficulties are not to be found in voluntary contributions, borrowing, or other special measures to increase income: they are to be found on the expenditure side. Hard and politically contentious decisions must be made about the United Nations' expenditure, its staffing, and its programme priorities. I do not underestimate the difficulty you face in taking any initiatives in this area, but I believe it important that you are seen to take a leading role in resolving the crisis in the longer as well as the short term.

For the longer term, I believe attention must be paid to the deficiencies in a budgetary system which allows a number of small contributors to the organisation to impose on the major donors substantial financial contributions to activities which they regard as inappropriate and wasteful. The United Kingdom has consistently fulfilled its financial obligations to the United Nations and we have already paid in full our contribution for 1986. We nonetheless believe that the present budgetary arrangements are unsatisfactory. We shall join actively in the search for appropriate and workable changes in the system, which will permit the United Nations to emerge strengthened from the present crisis.

41 am  
much looking  
forward to  
seeing you  
next month.  
with best  
wishes.

