

ISSUE BRIEF

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The U.S. Should Not Rejoin the United Nations Industrial Development Organization

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The United States withdrew from the United Nations Industrial Development Organization (UNIDO) in 1996 after concluding that the organization lacked a clear purpose and was generally ineffective. With support from the Clinton Administration, Congress refused to pay arrears that the organization claims are owed by the United States. Since this decision, UNIDO has periodically requested that the U.S. rejoin the organization, and news reports indicate that the Obama Administration has considered that possibility.¹

This would be a mistake. In recent years, other governments have chosen to withdraw from UNIDO after concluding that the organization is of marginal importance and provides poor value for money. The evidence indicates that the U.S. was correct to withdraw from UNIDO, and there is no compelling reason to reverse that decision.

Original Intent

UNIDO was established by U.N. General Assembly Resolution 2152 (XXI) in 1966 to “promote and accelerate the industrialization of developing countries.”² In 1975, the General Assembly endorsed the recommendation that UNIDO be made a U.N. specialized agency in Resolution 3362 (S-VII). During

this debate, the U.S. “expressed doubts about the wisdom of transforming UNIDO into a specialized agency” and continued to strongly oppose policies and positions advanced by the organization, specifically “rejecting the concepts of setting world prices, manipulating the terms of trade, and indexing commodity prices so that they would rise automatically as the prices of some industrial goods rose.”³

Nonetheless, the U.S. signed the UNIDO Constitution in 1980, and President Ronald Reagan submitted the treaty to the Senate for its advice and consent in 1981. The Senate approved the treaty on June 21, 1983.⁴ In the transmittal letter, the Reagan Administration justified this action on the basis:

The Constitution would give UNIDO a new governing machinery that will make it more responsive to its member governments and that will give greater recognition to the special role of major donors, including the United States, other industrial democracies, and the Soviet bloc. If they act together, the major donors will be able to block decisions on UNIDO’s program and budgets. In this respect, the Constitution is a precedent-setting document.

The Constitution would also provide a specific right of withdrawal from UNIDO if the United States should ever determine that its interests are not served by continued membership. This could not be accomplished under UNIDO’s current statute without withdrawal from the United Nations.⁵

Thus, the U.S. ratified the convention in expectation that the major donors, including the U.S., could

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more easily guide UNIDO's agenda as a specialized agency than as an organ of the General Assembly, and if this expectation was not met, UNIDO's constitution provided an advantage not present in the previous arrangement—a means of withdrawal and termination of U.S. financial support.

Falling Short

The UNIDO constitution entered into force in 1985, and it became an independent specialized agency on January 1, 1986. Over the subsequent decade, despite the increased influence hoped for by the Reagan Administration, UNIDO was characterized by unsound financial management, ineffectiveness, anti-market economic policy recommendations, and poorly performing projects.⁶

Faced with congressional cuts in contributions to international organizations, the Clinton Administration conducted an assessment of U.S. participation in U.N. organizations. The assessment was particularly critical of UNIDO, arguing that “UNIDO has not been able to define its purpose and function very well, much less become effective in its programmatic activities,” and urged member states to consider phasing the organization out.⁷

The U.S. informed the U.N. Secretary-General, who serves as the depositary, that it intended to

withdraw in accordance with Article 6 of the UNIDO constitution on December 4, 1995. U.S. withdrawal became effective on December 31, 1996.⁸ Based on similar assessments, Canada withdrew from UNIDO in 1993, and Australia withdrew at the end of 1997.

Financial Consequences

U.S. withdrawal from UNIDO deprived the agency of 25 percent of its total assessed contributions. UNIDO claims that the U.S. still owes it €69.1 million (\$87.9 million) in outstanding assessed contributions from 1994–1996.⁹ The U.S. does not recognize these arrears and, as part of the Helms–Biden legislation on payment of U.S. arrears to the U.N., enacted a prohibition on payment of UNIDO arrears.¹⁰ According to then-Senator Joe Biden (D–DE), this was done with support of the Clinton Administration:

I asked the administration to give me a bottom line figure for arrears to the United Nations with which they could live. The administration responded with a memorandum to me which stated they were willing not to pay \$68 million in arrears to UNIDO, an organization that we withdrew our membership from earlier in this decade.

1. For instance, see Scott Hartmann, “UNIDO: Citing Its Transformation, Agency Asks U.S. to Consider Rejoining,” *UN Wire*, February 11, 2002, <http://www.unido.org/fileadmin/import/userfiles/timminsk/invitationtousa-unwire-feb11-2002.pdf> (accessed October 27, 2014), and Patrick Goodenough, “U.K. Becomes Latest Donor Country to Withdraw from U.N. Development Agency,” *CNSNews.com*, March 2, 2011, <http://cnsnews.com/news/article/uk-becomes-latest-donor-country-withdraw-un-development-agency> (accessed October 27, 2014).
2. U.N. Industrial Development Organization, “A Brief History,” <http://www.unido.org/index.php?id=1003389> (accessed October 27, 2014).
3. U.S. Department of State, Bureau of International Organization Affairs, *U.S. Participation in the UN: Report by the President to Congress for the Year 1975*, October 1976, pp. 104 and 125–126, <https://archive.org/details/usparticipation1975unit> (accessed October 27, 2014).
4. Library of Congress, “Constitution of the United Nations Industrial Development Organization,” <http://thomas.loc.gov/cgi-bin/ntquery/z?trty:097TD00019:/> (accessed October 27, 2014).
5. Ronald Reagan, “Message to the Senate Transmitting the Constitution of the United Nations Industrial Development Organization,” October 5, 1981, <http://www.reagan.utexas.edu/archives/speeches/1981/100581c.htm> (accessed October 27, 2014).
6. U.S. Department of State, “U.S. Participation in the UN: Report by the President to Congress,” 1986–1994, <http://archive.org/search.php?query=%28collection%3Ausdeptofstateunreports%20OR%20mediatype%3Ausdeptofstateunreports%29%20AND%20-mediatype%3Acollection&sort=date> (accessed October 27, 2014).
7. Warren Christopher, “Readying the United Nations for the Twenty-First Century: Some ‘UN-21’ Proposals for Consideration,” U.S. Non-Paper, July 20, 1995, p. 3.
8. United Nations, *Treaty Collection*, Chap. X, End Note 1, https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=X-9&chapter=10&lang=en#1 (accessed October 27, 2014).
9. U.N. Industrial Development Organization, “Financial Situation of UNIDO,” IDB.42/4-PBC.30/4, May 28, 2014, pp. 2 and 5, http://www.unido.org/fileadmin/user_media/PMO/PBC/PBC30/pbc30_4e.pdf (accessed October 27, 2014).
10. Public Law 106–113, Appendix G, § 952, “Prohibition on Payments Relating to UNIDO and Other International Organizations from Which the United States Has Withdrawn or Rescinded Funding,” p. 484, <http://www.gpo.gov/fdsys/pkg/PLAW-106publ113/pdf/PLAW-106publ113.pdf> (accessed October 27, 2014).

Their judgment is that a total of \$68 million in arrears is owed to an organization in which we are not a member, and to which we have no intention of paying membership dues.¹¹

Continued Irrelevance and Ineffectiveness

There is substantial evidence that the original Clinton Administration assessment of UNIDO remains accurate today. In its 2011 Multilateral Aid Review (MAR), the United Kingdom's Department for International Development assessed the relative value for U.K. aid money disbursed through multilateral organizations. Its report identified four U.N. agencies, including UNIDO, as providing poor value for money and recommended that the department withdraw core funding:

The MAR could not find any evidence of UNIDO having a significant impact on global poverty. It is small, lacks a strong country level presence and has a narrowly focused role. There are more effective development actors with a greater impact on the ground. Key elements of UNIDO's work are covered by other UN organisations such as the United Nations Development Programme and the United Nations Environment Programme. UNIDO also has a wide range of organisational weaknesses including limited transparency, weak results reporting and weak financial management. UK aid is therefore more effectively spent in other parts of the multilateral system. The UK will therefore withdraw from membership of UNIDO.¹²

Following the announcement of the U.K.'s intent to withdraw from UNIDO, which became effective in 2012, other countries followed suit. Lithuania also withdrew in 2012, and New Zealand followed suit in 2013.¹³ Both France and Portugal have sent instruments of denunciation to Secretary-General Ban, and their withdrawals will become effective at the end of 2014.¹⁴

Notably, these decisions were based primarily on the organization's irrelevance and ineffectiveness. As the New Zealand government summarized,

UNIDO's role in the international aid system is marginal,...and its overall performance is mediocre.

Withdrawal will help ensure that the funds allocated to the International Agencies programme of the New Zealand Aid Programme are invested in agencies that are able to demonstrate effective delivery on the ground and meet expectations around value for money and performance.¹⁵

In other words, appeals from the organization or its supporters for the U.S. to rejoin based on improved management or reforms, which are questionable, do not address the central problem. It is the organization itself, particularly its unclear mission and purpose, and that fails to merit support.

Recommendations

Ambassador Laura E. Kennedy, Chargé d'Affaires at the U.S. Mission to International Organizations in Vienna, made a courtesy call on Director Gen-

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11. Joseph Biden, in *Congressional Record*, June 22, 1999, p. 13719, <http://www.gpo.gov/fdsys/pkg/CRECB-1999-pt10/pdf/CRECB-1999-pt10-issue-1999-06-22.pdf> (accessed October 27, 2014).
 12. U.K. Department for International Development, "Multilateral Aid Review: Taking Forward the Findings of the UK Multilateral Aid Review," March 2011, p. 17, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224993/MAR-taking-forward.pdf (accessed October 27, 2014).
 13. U.N. Industrial Development Organization, "Former Member States," <http://www.unido.org/en/who-we-are/structure/member-states/former-member-states.html> (accessed October 27, 2014).
 14. U.N. Secretary-General, "Portugal: Denunciation," December 31, 2013, <https://treaties.un.org/doc/Publication/CN/2013/CN.1050.2013-Eng.pdf> (accessed October 27, 2014), and "France: Denunciation," January 8, 2014, <https://treaties.un.org/doc/Publication/CN/2013/CN.1053.2013-Eng.pdf> (accessed October 27, 2014).
 15. New Zealand Parliament, Foreign Affairs, Defence and Trade Committee, "International Treaty Examination of the New Zealand Withdrawal from the United Nations Industrial Development Organization (UNIDO)," p. 8, http://www.parliament.nz/resource/en-nz/00DBSCH_ITR_11522_1/1d70c66b0649f343b49f5b6b7dd1169bab5a14ce (accessed October 27, 2014) (paragraph numbering omitted).

eral Ll Yong of the UNIDO in early October.¹⁶ Visits by new ambassadors—Kennedy assumed her duties in September 2014—with the heads of international organizations are commonplace and should not be interpreted as a signal that the U.S. may be considering rejoining UNIDO. Nonetheless, the U.S. position could benefit from clarification.

Specifically, the U.S. should:

- **Confirm that the U.S. is not considering rejoining UNIDO.** The Obama Administration should instruct Ambassador Kennedy and the U.S. Mission in Vienna to release a public statement that the U.S. does not intend to rejoin UNIDO.
- **Reiterate that the U.S. does not recognize arrears claimed by UNIDO.** Congress should remove any ambiguity by enacting a standard prohibition on payment of outstanding arrears to international organizations to which the U.S. is not a member in annual appropriations and continuing resolutions.

Conclusion

President Bill Clinton made the right call when he decided to withdraw the U.S. from UNIDO in 1995. UNIDO is an ineffective organization without a clear, distinct mission. Analyses by other governments in recent years have concluded that UNIDO provides poor value for money, affirming the U.S. assessment in the mid-1990s.

The U.S. demonstrated foresight in withdrawing nearly two decades ago and should not reconsider.

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16. U.N. Industrial Development Organization, “United States of America—Courtesy Call,” October 2, 2014, <http://www.unido.org/en/who-we-are/structure/directorgeneral/meetings.html> (accessed October 27, 2014).