

The United Nations: Urgent Problems That Need Congressional Action

U.S. House Committee on Foreign Affairs

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Chairman Ros-Lehtinen, Ranking Member Berman, Members of the Committee, thank you for the opportunity to appear before you today to talk about urgent problems at the United Nations.

My name is Claudia Rosett. I'm a journalist with some schooling in economics and finance, and 30 years of experience reporting from Asia, Latin America, the former Soviet Union and the Middle East, as well as from Washington and New York.

Since 2002, I have been covering the UN, beginning with the Oil-for-Food relief program for Iraq. Since those days, UN budgets and U.S. contributions have soared, and scandals at the UN have rolled on. To name just a few: procurement bribery and fraud, Peacekeeper rape, Cash-for-Kim in North Korea, currency fiddles in which UN relief funds enriched the Burmese junta, the moral sinkhole of the "reformed" UN Human Rights Council, and debilitating infighting over the staffing of the UN's own internal audit department. All this, and plenty more, has been accompanied by the UN's repeated promises of reform, and failure to deliver.

Of course, some of the money spent on the UN does end up providing blankets and bed nets to destitute people. Those same people tend to be destitute because they live under highly repressive governments that do not allow them the freedom to prosper. Unfortunately, the UN also pours plenty of resources into projects, conclaves and other doings that abet and help sustain those same tyrannical regimes -- some of them deeply hostile to the U.S., such as Iran and North Korea.

Today I would like to address some of the ways in which the UN is not only wasteful and corrupt, but actively dangerous to American interests and security -- and what might at least begin to clean this up. The issue is not solely how much U.S. taxpayer money is pilfered or frittered away by the UN, but what else the UN does with the resources it gets.

On this score, it is useful to keep in mind that the U.S. contribution to the 192-member-state UN amounts to more than the sum of its parts. The U.S., which contributed more than \$6.3 billion to the UN in fiscal 2009, funds roughly one-quarter of the entire UN system, hosts the New York headquarters (now enjoying a \$2 billion renovation) and as

leader of the Free World, lends heft and an aura of legitimacy to the UN as no other nation could. All this is right now so thoroughly taken for granted that it is received by the UN as an entitlement. The U.S. shoulders the chief burden of sustaining the UN system. A great many of the UN's other 191 member states hop a virtually free ride and have become adept at steering the vehicle where they like. When General Assembly voting blocs such as the Group of 77 and the Organization of the Islamic Conference makes plans to hold an anti-American, anti-Semitic Durban III conference in New York this September, and vote themselves the funds to do it, they are not simply appropriating the money for the conference. They are availing themselves of the entire UN setup -- the logo, facilities, and stature, in which the U.S. has invested massive amounts of money and trust over many years, with very different aims.

The UN system, for its part, invites exploitation of many kinds by the least scrupulous. The UN is a collective: labyrinthine, opaque and privileged, operating across borders with legal immunities and diehard resistance to any real transparency. To take one of the most basic areas of murk, there is no clear consolidated budget for the entire UN system. In answer to my questions about it over the years, the Secretariat has repeatedly said it doesn't even systematically keep track. There is no press corps with the access and resources to cover and connect the dots of the UN's ever-expanding global conglomerate of often overlapping and intertwined agencies, offices, intergovernmental initiatives and public-private partnerships. The worst travesties often transpire in countries where there is, in any event, no free press. The UN itself spends well over \$100 million every year on "public information," which is usually less about truly informing the public than about protecting the Potemkin facades of the UN. Small wonder that the UN goes in to countries run by despotic or even UN-sanctioned regimes, and tends to go on, replete with its job rolls and per diems, to become a collaborator with the very governments that are causing the problems.

Oil-for-Food

A spectacular example of this was Oil-for-Food. Not just because it was huge, involving UN oversight from 1996-2003 of more than \$110 billion worth of oil sales and relief purchases for UN-sanctioned Iraq. But because the UN became, in effect, an enabler and business partner of the mass-murdering, totalitarian Baghdad regime. While collecting a cut of Saddam Hussein's oil revenues, the UN gave Saddam the opportunity and cover to manipulate and erode the UN's own sanctions. While the UN advertised the program as a success, Saddam exploited it to collect billions in graft, which he used to buy everything from luxury cars to weapons, reward the families of Palestinian suicide bombers, and dispense payoffs meant to influence the UN's own Security Council. The true extent of this fraud came to light not because the UN blew the whistle, but because the fall of Saddam exposed a trove of documents none of the players ever expected the world to see -- including signs that the head of Oil-for-Food was himself on the take.

That led to many UN vows of reform, including promises of transparency, accountability and a UN Freedom of Information Act. It never happened. The same underlying

problems prevail today: a system of secrecy, immunity, self-serving management, derelict oversight, and what the UN's own auditors at one point, referring to procurement corruption, called "a culture of impunity." It was both horrifying and emblematic that when the UN Security Council held a special meeting just last month to finalize the winding down of the remnants of Oil-for-Food, not one of the participants, including the U.S. and the UN Secretary-General, bothered to note that the former head of Oil-for-Food, Benon Sevan, alleged in 2005 by the UN's own inquiry to have taken payoffs from the program, and indicted in 2007 in the Southern District of New York, remains a fugitive from U.S. law. The UN has displayed no interest in bringing him to justice. To the best of my knowledge, he is living openly on his native Cyprus, hobnobbing there with UN personnel and collecting his UN pension.

North Korea: Cash-for-Kim

An alarming and more recent example of UN collaboration with one of the world's worst regimes is the UN scandal that erupted in 2007, known as Cash-for-Kim (as in Kim Jong Il), in North Korea. Again, it was not the UN that blew the whistle. A lone whistle-blower stepped forward, from within the UN's ranks. In short order, he found himself out of a job.

Cash-for-Kim involved the UN Development Agency, or UNDP. If the UNDP sounds like just another bit of flotsam in the UN alphabet soup, it is not. Headquartered in New York, the UNDP is the UN's flagship agency, operating in 166 countries, spending close to \$6 billion per year from its own budget, mingling funds with those of client governments, and handling disbursement of billions more on behalf of other agencies. The UNDP's resident representatives in the field sometimes double as envoys of the UN Secretary-General.

The UNDP's specialty is collaborating with governments to jointly design programs for "development." In countries with highly despotic regimes, this too easily translates into the UNDP financing and empowering not the people, but the despots. It should be cause for concern that the UNDP has a substantial presence in such countries as Iran, Syria, China, Venezuela, Zimbabwe and Burma (or Myanmar). The U.S. is one of the top three donors to the UNDP, contributing \$292 million in 2009, according to the UNDP's most recent annual report.

Cash-for-Kim surfaced when the U.S. Mission to the UN, in 2006, began looking into signs of UNDP malfeasance in North Korea. This turned into headlines so troubling that the UNDP finally shut down its Pyongyang office in March, 2007, and launched an investigation (leaving in place a number of other major UN agencies, such as UNICEF and the World Food Program). It took the UNDP investigators another year to produce a report.

Meanwhile, news emerged that the UNDP, as part of its "development" efforts, had paid to help coach North Korean nuclear negotiators by ferrying North Korean officials around Europe. It also turned out that despite U.S. government concerns about North

Korea's counterfeiting of U.S. currency, the UNDP had for years been keeping a stash of counterfeit \$100 bills in its Pyongyang office safe, without informing U.S. authorities.

In January, 2008, a Senate subcommittee investigation into Cash-for-Kim weighed in with findings that the UNDP in North Korea had made payments on behalf of two other UN agencies (UNESCO and the World Intellectual Property Organization) to an entity in Macau, Zang Lok Trading Co., which according to the U.S. government had ties to North Korea's main financial agent for sales of conventional arms and ballistic missiles. Senate investigators also reported that North Korea had "used the cover of the UNDP's presence in North Korea to secretly move \$2.72 million of its own funds out of North Korea." This money was moved to North Korean diplomatic missions abroad, including \$1 million to North Korea's UN Mission in New York. This was done via Macau, using a UNDP-linked account, and referencing the UNDP in the transactions. The UNDP denied any knowledge of this, and the funds were not related to the UNDP. But it turned out the UNDP hadn't exactly been keeping a responsible eye on their own financial house either.

When the UNDP panel finally released its findings, in June, 2008, they confirmed that the UNDP office in North Korea, in its zeal to get along with North Korean authorities, had routinely violated the UN's own rules. Among the violations, the UNDP office in Pyongyang had funneled millions in hard cash to the Pyongyang regime, and turned over all handling of the UNDP-Pyongyang office check book and in-country bank transactions to local staff, provided by the government of North Korea.

"Dual Use" Development

Buried almost 200 pages into the UNDP panel's 353-page report was one of the most disturbing sections of all. It was a list of goods procured by the UNDP for use in North Korea. On the list were scores of items -- 95 in all -- found to be "dual use," meaning that though they were imported in the name of development, they could also lend themselves to military uses. North Korea is run by a regime that shunts aside the needs of its starving citizens while pouring resources into making missiles and nuclear weapons. North Korea peddles its missiles, missile and nuclear technology and other military wares to the Middle East, and with its ballistic missile tests has been working toward the ability to target places like Los Angeles.

Apparently indifferent to all this, the UNDP, with the help of its UN privileges and immunities, procured, paid for and imported into North Korea a slew of high-tech equipment which -- though the UNDP report did not go into this -- would fit neatly into the process of developing, targeting and testing missiles. Virtually all of it ended up in the hands of the North Korean government.

These UNDP gifts to Kim included advanced computer systems, digital infrastructure equipment, high-tech mapping devices and software, spectrometers and a satellite-image receiving station. (In an annex to this statement, I have appended my own

diagram, Exhibit A, of where these devices could fit into North Korean missile targeting and testing).

It's valid to ask whether North Korea might have found other ways to obtain these items, had the UNDP refused to oblige. My rejoinder would be that if North Korea comes up with a dual-use shopping list, that doesn't mean the UNDP should use its UN status to order up the goods and pay for them.

In 2009, the UNDP returned to North Korea, renovating the office there, hiring new North Korean staff and promising better oversight and compliance with the UN's own rules. Six of the many projects suspended when the office shut down in 2007 were due to resume in 2010, according to the UNDP web site. But if the UNDP has resumed procurement for its projects in North Korea, no specifics whatsoever are provided on the web site. To date, each brief project description ends with the same vague note: *"As the project activities are just resuming, information will be posted as goods and services are being procured."*

The Big Audit That Still Needs to Happen

When the Cash-for-Kim scandal broke in the press, in January, 2007, Secretary-General Ban Ki-Moon, then in the first month of his current five-year term, had a praiseworthy response -- at least for a day or two. He called immediately for **"An urgent system-wide and external inquiry into all activities done around the globe by the UN funds and programs."** His worries were well-founded. Perhaps he realized in short order that they were much too well founded. Within the week, Mr. Ban had scrapped his call for an independent system-wide inquiry.

What's going on with the UNDP offices in UN-sanctioned regimes such as Iran, Burma and Zimbabwe, or UNDP offices in other world trouble spots? For that matter, what's going on with the procurement and financial transactions of such UN agencies as UNESCO (which likes to truck in survey and construction equipment for cultural projects, and fields a four-country hub out of Tehran). Or UNICEF, which in 2009 had its Iran office soliciting financial donations for a special appeal for terrorist-controlled Gaza I via Iran's state-owned U.S. blacklisted, UN watch-listed Bank Melli? For that matter, at a UN which has no definition of terrorism, highly erratic oversight, and still secretive ways, what lines are now being drawn between dual-use procurement and development purchasing? The answers, such as they were, have largely stopped with the 2008 report on the UNDP in North Korea.

The Burmese Currency Scam

Yet another example of how rogue regimes can game the UN was the 2008 currency fiddle in Burma. Cyclone Nargis hit Burma that year, causing death and destruction. The UN went in with relief funds. The Burmese government required the UN to exchange hard cash into local currency, the kyat, at rates that made it significantly more expensive than the street rate. The UN went along with this, despite prior warnings from the U.S.

Mission in New York about exactly this sort of problem. The Burmese government profited to the tune of at least \$10 million before the scam was exposed -- not by the UN, but by an investigative blogger who covers the UN, Matthew Russell Lee of Inner-City Press.

Transparency, UN-Style

There are a great many more examples of waste, abuse, fraud and flat-out dangerous practices at the UN. Typically, they show up briefly in the news. Then, thanks to the UN's immunities, obfuscations and culture of impunity, they go right down the Memory Hole. When big scandals flare high enough to become unavoidable, the UN has a pattern of promising reforms which then fizzle out, fade into the general murk of the system, or never really materialize at all. Meanwhile, the budgets, and the scope, scale and ambitions of the UN grow ever larger.

Mr. Ban arrived in office promising to reform the UN with loads of transparency, and continues to laud himself and the UN as open and transparent. Just this month, he boasted that "It was me, who for the first time in history had all senior advisers disclose their financial assets." That's highly disingenuous. UN senior officials are required to disclose their financial assets in strict confidence inside the same UN where the acting director of the troubled internal investigations division is now under investigation. But for anyone who defines "disclosure" as sharing information with the public, Mr. Ban's version of transparency will be a big disappointment.

If you wish to see the reality of this so-called financial disclosure reform, I have appended to this statement two exhibits (B and C). They are web pages, reproduced from the Secretary-General's official web site, showing what that financial disclosure amounts to. Each consists of a one-page sheet -- "disclosure" filings for 2009 -- on which UN officials have the option of checking a box saying that they refuse to publicly disclose anything; or, as in the case of Mr. Ban himself, a one-page sheet in which the disclosure is so generic as to be almost meaningless. In Mr. Ban's case, the total information divulged consists of 18 words, nine of them being the repeated name "Republic of Korea," and no price tags whatsoever.

What Is To Be Done?

- 1) Congress could begin by asking why there is no vigorous and savvy U.S. ambassador for UN Management and Reform. This is a post at the U.S. Mission which since 2008 has been held by an acting ambassador -- a dereliction that can only signal to the UN that the U.S. is not serious about demands that it shape up.
- 2) Transparency is vital to cleaning up the UN. It is high time the UN's biggest donor required a systematic, timely, fully and easily searchable, publicly disclosed and -- I stress this last -- *intelligible* set of consolidated books from the UN system. Before the

UN comes up with any more plans for engineering the economy of the planet, it should provide the kind of openness it is endlessly promising. This should include not only a comprehensive system-wide budget, but accounts showing real spending. In our digital age, it would also be a very healthy move for the UN to devote some of its resources to producing and maintaining a consolidated and detailed database of all UN system procurement activities worldwide -- fully searchable so that it is possible to see at a glance exactly what every UN office is ordering, from where, from whom, and for how much. The UN might even take the trouble to flag dual use items for public inspection. With rare exceptions, what do they have to hide?

- 3) If the UN is not forthcoming about sharing many more details of its global procurement, the U.S. Department of Commerce might have some clues. Sensitive items exported by the UN from the U.S. require licenses for the exporters, and though information surrounding this process is confidential, there's a case to be made that for UN purchasing, Congress might reasonably ask to see, and publicly disclose, information on what the UN has been buying, and where such goods are going. If other countries are willing to share similar information about UN purchases of sensitive items, so much the better.
- 4) Secretary-General Ban Ki-Moon's term expires at the end of this year. It is high time that he, or any successor, hear clear demands from the UN's top donor to carry out that system-wide independent inquiry he promised in 2007, and never delivered.
- 5) Money is fungible, not least in the sliding panel world of UN finances. To succeed at sprucing up UN behavior by withholding funds, it would help to withhold not merely the money for a conference here, or a project there, but enough to get the attention of a UN which years ago began to treat a billion dollars as a rounding error.

Exhibit A: UNDP dual-use items supplied to North Korea, and how they could be used in missile systems.

- **Target Selection: NOAA satellite imagery (UNDP)**
- **Ballistic computation: Sun Ultra Sparc clone supercomputer (UNDP)**
- **Digital communication: Cisco/3Com/Intel (UNDP)**
- **Aiming & guidance: Trimble/GeoMapping (UNDP)**
- **IT: Dell/HP/Acer/Toshiba/SanDisk/Imation/Phillips/Intel/3Com/Oracle/Microsoft (UNDP)**

Exhibit B: The form below is reproduced from the U.N. Secretary-General's web site as a sample of the kind of information that U.N. financial disclosure actually makes available to the public. This is the most recently posted public disclosure by Iqbal Riza, a Pakistani national who served for years as chief of staff to Secretary-General Kofi Annan. Mr. Riza retired abruptly in late 2004, after investigators into the Oil-for-Food program discovered that contrary to his own orders to U.N. staff, Mr. Riza had destroyed three year's worth of U.N. executive office documents of potential relevance to the Oil-for Food investigation. In 2005, Mr. Annan brought Mr. Riza back to the U.N. to help launch the Iranian-grandfathered Alliance of Civilizations. Currently, Mr. Riza serves as a special adviser to Secretary-General Ban Ki-Moon.

Disclosure Summary

Disclosure Summary made voluntarily following a confidential financial disclosure having been made in accordance with the United Nations Financial Disclosure Programme (ST/SGB/2006/6).

Please select one of the following options:

In accordance with General Assembly Resolution A/RES/60/238, I have chosen to maintain the confidentiality of the information disclosed by me in order to comply with the Financial Disclosure Programme.

My assets, stock options, income from non-United Nations sources, or profits from the sale of personal property and liabilities need not be publicly disclosed because their value does not exceed \$10,000 USD.

I, the undersigned, disclose voluntarily:

This voluntary disclosure is made with the knowledge that a certified copy of it will be posted on the website of the Secretary-General of the United Nations.

<p>DATE</p> <p>15/09/2009</p> <p>DD/MM/YYYY</p>	<p>Iqbal Riza</p> <p>NAME</p> <p>(Please Print Clearly)</p>	<p>“original signed by”</p> <p>SIGNATURE</p>
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Exhibit C: The form below is reproduced from the UN Secretary-General's website. This is the most recent publicly available disclosure from Secretary-General Ban Ki-Moon.

Disclosure Summary

Disclosure Summary made voluntarily following a confidential financial disclosure having been made in accordance with the United Nations Financial Disclosure Programme (ST/SGB/2006/6).

Please select one of the following options:

In accordance with General Assembly Resolution A/RES/60/238, I have chosen to maintain the confidentiality of the information disclosed by me in order to comply with the Financial Disclosure Programme.

My assets, stock options, income from non-United Nations sources, or profits from the sale of personal property and liabilities need not be publicly disclosed because their value does not exceed \$10,000 USD.

I, the undersigned, disclose voluntarily:

Assets:

– Apartment, Republic of Korea – Residential Property (Lot), Republic of Korea – Land, non-residential – Kyonggi Province, Republic of Korea

Profits from the sale of Personal Property:

– Nil

Stock Options:

– Nil

Income from non-United Nations sources:

– Nil

Liabilities:

– Nil

Outside Activities:

– Nil

This voluntary disclosure is made with the knowledge that a certified copy of it will be posted on the website of the Secretary-General of the United Nations.

This voluntary disclosure is made with
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Exhibit C: The form bel