The Political Economy of the United Nations Security Council

Book Proposal

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Motivation:

In 1992, Zimbabwe entered into its first International Monetary Fund (IMF) arrangement in a decade. The IMF granted the government a loan of over 300 million dollars. At the time, Zimbabwe was also serving a two year term on the United Nations Security Council (UNSC), which was deciding the fate of the aggressor nation Iraq for having invaded its neighbor. The United States was leading an effort to dismantle the military power of dictator Saddam Hussein. During its time as a UN Security Council member, Zimbabwe voted on several resolutions regarding Iraq that the US cared a great deal about, including some resolutions that did not receive support from other developing countries. When Zimbabwe failed to support just one resolution against Iraq, however, Zimbabwe was threatened by the IMF with new policy conditions to receive continued installments of the loan! Zimbabwe subsequently supported eleven Security Council resolutions opposing Iraq. The US apparently used its sizeable influence at the IMF to change voting at the UN Security Council.

Ostensibly designed to facilitate cooperation among states, international institutions often appear simply to reflect the interests of their most powerful members, institutionalizing the advantages of these countries. The picture is, of course, more nuanced than this. Differences across the design and purposes of international institutions generate varying degrees of the direct control enjoyed by powerful countries. Yet, apparently distinct international institutions do not operate in a vacuum, and the distribution of power across institutions may serve to reinforce the dominance of key countries. Do countries exercise the authority they have in one international institution to augment their control in another? We consider this question by investigating the political economy of the United Nations Security Council (UNSC).

The UNSC has been the subject of numerous security studies focusing on the permanent members. Yet, the anecdote above indicates that powerful countries care about how the elected members of the UNSC conduct themselves during their tenure. This book explores the ways in which the powerful countries exploit direct foreign aid, trade perks, the IMF, and the World Bank to manipulate developing countries serving on the UN
Security Council. Beyond establishing the ways in which these countries are bribed, rewarded, and punished, the book also explores the impact on UNSC action as well as the economic impacts of the increased aid on the recipient countries.

After introducing a political-economy approach to the Security Council (Ch1), the book addresses a series of questions: Who gets elected to the Security Council (Ch2)? Is there favoritism (Ch3)? What are the effects of political manipulation on voting at the UNSC (Ch4)? What effects does political manipulation have on Security Council action (Ch5)? What are the political and economic impacts of the increased aid on the elected members (Ch6)? Should the UNSC be reformed (Ch7)?

In what follows, we briefly describe these chapters. We then describe the readership for this book along with the press coverage our preliminary research has received. We also provide a short biography of each author, a short description of our data sources, and working bibliography.
Chapter outline

Chapter 1: Introduction

We introduce the reader to the UNSC. We begin by providing a stylized background on the institution, highlighting relevant features necessary to understand the chapters that follow. What is the UNSC? What does it do? Why are there elected members and who are they?

Next, the chapter reviews excellent previous work on the UNSC, pointing out that nearly all work looks at the institution from a security studies point of view, in particular focusing on the powerful permanent five members. The views and behavior of temporary members, however, have also proven important. To understand why they are important and with what consequences, a political-economy approach to the UNSC is useful. Domestic politics and the economic circumstances of temporary members have as much – if not more impact – on their Security Council activities than actual security considerations.

This chapter also describes the methodological approach taken by the chapters that follow. All chapters address important theoretical questions. We corroborate our hypotheses with historical examples. Our research style is conducive to finding key cases that punctuate our ideas. The methodology for this project also involves rigorous analysis of data.

The cases enrich the research, providing substance and life to coefficients obtained through statistical analysis. Yet, the statistical analysis is vital in the world of international political economy, where policy makers like to refute disagreeable evidence on a case by case basis. Consider the reaction of a spokesman for the International Monetary Fund to press coverage this project has already received. The Washington Post reported our evidence that Tanzania never received an IMF program until rising in political prominence by being elected to the UN Security Council in the mid-1970s. The IMF spokesman replied “the evidence is anecdotal and circumstantial” (Washington Post, 1 November 2006). Such anecdotes become more convincing when backed up by the robust statistical evidence presented in our project.

Having established the rationale behind a political-economy approach to the UNSC, arming our readers with a background on the institution, and explaining the approach to the book, we then proceed with our analysis.

Chapter 2: Who gets elected?

In this chapter, we present an historical and statistical analysis of the determinants of election to the UNSC. We begin by presenting the descriptive data – the countries that have been elected to the UNSC since its inception. We then delve into the politics of
election to the UNSC, tracing specific elections. Finally, we analyze whether election to the UNSC has systematic determinants, or whether the stories of why particular countries get elected are idiosyncratic. Here we move from descriptive statistics to inferential analysis.

The results have major implications for the chapters that follow. In fact, this chapter lays the very foundation upon which subsequent analyses are based. When looking at the effects of UNSC membership, one of our primary concerns is potential endogeneity. That is, we need to be able to distinguish the effects of UNSC membership from the circumstances surrounding membership.

Importantly, our preliminary research for this chapter reveals that no economic factor has a systematic impact on election. In particular, foreign aid, foreign debt, and level of economic development do not have an impact. Domestic political variables also exhibit no pattern – for example, democracies are not preferred over dictatorships. Surprisingly, international political variables we consider – such as voting patterns in the UN General Assembly – also play no role. Only the absolute size of a country – measured in terms of GDP or population – matters, and this variable only matters for Latin America and Asia. Even the effect of this variable disappears when country fixed effects are taken into account, indicating that size matters for frequency but not for timing of election. In Africa, where countries adhere to fairly strict rotational rules, selection is truly idiosyncratic.

Chapter 3: Favoritism

Kuziemko & Werker (2006) show that UNSC members receive increased in US foreign aid and UN development aid (where the US has a strong voice). We show in this chapter that they also receive favorable treatment from other powerful countries and other international organizations. In particular, we study the effect of UNSC membership on foreign aid from the G7, the World Bank, and the IMF. We also examine preferential treatment they may receive with respect to issues of international trade with the G7. Of course, our analysis accounts for many historical covariates that are also determinants of aid.¹ Our claims are substantiated with both case studies and large-n statistical analyses.

Cases covered in this chapter include, for example, Algeria, Argentina, Bangladesh, Columbia, Côte d’Ivoire, Cuba, Ecuador, Ethiopia, Gabon, Ghana, India, Indonesia, Romania, Tanzania, Yemen, Zaire, and Zimbabwe.

As for statistical analyses, we have so far analyzed the impact of UNSC membership on favoritism from the World Bank and the IMF. For the World Bank, we consider panel data for 157 countries over the period 1970-2004. Our results indicate a robust positive relationship between temporary UN Security Council membership and the number of

¹ One obvious factor is the historical period. The politics of the UNSC differed greatly during the Cold War than today. We also consider many economic and political determinants of aid. The attached bibliography gives the reader a sense of the extensiveness of our consideration of various determinants.
World Bank projects a country receives, even after accounting for economic and political factors, as well as regional and country effects. The size of World Bank loans, however, is not affected by UN Security Council membership.

For the IMF, we consider the institution’s two primary activities: surveillance and lending. For surveillance, using panel data for 157 countries over the period 1999-2005 we empirically investigate the politics involved in IMF economic forecasts. The seven year time period we have so far considered is too narrow to find a systematic effect for the few countries that have served on the UNSC during this interval. We do find, however, a systematic bias in growth and inflation forecasts. Our preliminary results indicate that countries voting in line with the US in the UN General Assembly receive lower inflation forecasts. As the US is the Fund’s major shareholder, this result supports the hypothesis that the Fund’s forecasts are not purely based on economic considerations. In this chapter of the book we will investigate in more depth the specific cases of forecasting UNSC members.

As for the IMF’s lending activities, we consider panel data for 191 countries over the period 1951 to 2004. Our results indicate a robust positive relationship between temporary UN Security Council membership and participation in IMF programs – again – even after accounting for economic and political factors, as well as regional and country effects, and duration dependence. We also investigate whether temporary UNSC members receive programs with fewer conditions included than would otherwise be the case. Our evidence does show that UNSC membership reduces the number of conditions included in IMF programs. As with World Bank loans, the size of IMF loans is not affected by UNSC membership.

Why is there an effect on program participation but not loan size? We suspect that powerful countries facilitate the initiation of programs for elected UNSC members. If their votes are not needed, the program proceeds like many others in developing countries, although with weakened conditionality. If a crucial vote on the Security Council comes up, however, pressure is placed on governments. The IMF and World Bank, under orders from their most powerful shareholders, threaten to increase conditionality or cancel the loan. This idea is corroborated by an interesting difference between the impact of UNSC membership on US foreign aid and the effect on World Bank and IMF programs. The effect on US foreign aid varies with the importance of UNSC decisions (as measured by press coverage per year), but World Bank and IMF program participation do not. These programs are facilitated just in case votes are needed. Whether the disbursement of loans is actually affected depends on voting behavior, which we take up in the next chapter.

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2 Dreher, Marchesi, and Vreeland (2007).
3 Kuziemko and Werker (2006).
Chapter 4: Buying votes

The previous chapter establishes strong evidence that temporary members of the UNSC receive perks in terms of various forms of foreign aid. We suspect the reason is that powerful countries care about how they vote. In this chapter we analyze this question.

Being elected is not enough to ensure favoritism. Indeed, when a country is elected to the UNSC and votes against the interests of a powerful country like the US, it can face severe punishment. For this reason, Mexico has actually declined nomination to the Security Council on occasion. Its precarious geopolitical position – “Poor Mexico, so far from God and so close to the United States” – could put it in a difficult position if domestic politics push it to vote one way and the US another.

Other countries have been elected and serious pressure materialized. In addition to the illustrative example of Zimbabwe in the introduction to this proposal, consider another example: It is well known that the US threatened Yemen with dire consequences (which materialized) if it did not vote in favor for resolution 678, on the use of armed forces against Iraq in 1990. A US representative at the UN was overheard declaring to the Yemeni ambassador that it was “the most expensive vote you have ever cast.” The US subsequently cut hundreds of millions of dollars in aid.

In addition to these cases are countries on the extremes that always vote with one side. Post-Cold War Romania, for example, has been quite loyal to the US when serving on the UNSC. On the other side, there is the case of Cuba, who was a UNSC member 1990-1 and consistently opposed US-supported resolutions over the Gulf War. Note that Cuba had little to lose with respect to aid. It received none from the US and was not a member of the World Bank or the IMF. Cuba ceased to be a member in 1964, claiming the institutions were tools of the US and Western Capitalism.

These anecdotes suggest a broader relationship between aid and voting. To test this, we have collected data on the voting records on temporary members of the UNSC. We substantiate the cases with analysis of the overall voting patterns of various countries.

Chapter 5: The effectiveness of UNSC action

In this chapter, we address the question of how the political economy of temporary members influences the effectiveness of the UNSC.

We examine the actions the UNSC has taken with particular attention to actions resulting from controversial votes where UNSC members were bribed and threatened. For key votes, we may only be able to engage in counterfactual thought experiments. Yet, there are also more rigorous approaches we bring to bear in this chapter.

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4 Statement famously attributed to Porfirio Díaz, President of Mexico (1876, 1877-1880, 1884-1911).
For example, while we only observe voting behavior on the UNSC when countries are members, we always observe UN General Assembly voting. Presumably, if countries are influenced by great powers when they are participating on the UNSC, their voting behavior both in the Security Council and on the floor of the General Assembly is affected.

Thus, we examine how voting behavior in the General Assembly differs for countries when they are on the Security Council versus when they are not. This analysis provides insight into how elected members would vote when serving on the UNSC, hypothetically, in the absence of great power pressure.

Whether this is something that should be reformed is addressed in Chapter 7.

Chapter 6: The effectiveness of aid to UNSC members

Here we examine the impact of foreign aid, IMF loans, and World Bank loans on the economic performance of temporary members of the UNSC. Does membership on the UNSC lead to increases in foreign aid which in turn promotes development? Or does such aid merely serve to prop up corrupt regimes? Optimists argue that aid injects badly needed resources into impoverished economies. Skeptics argue that aid merely props up inefficient and corrupt regimes, exacerbating economic problems. The foreign aid debate is reviewed and addressed in an innovative manner.

A standard difficulty in resolving the debate is the fact that the treatment – the distribution of foreign aid – is non-random, and the reasons foreign aid is disbursed may be tied to economic development. Our approach is to make use of the findings from Chapter 1 (above): the idiosyncratic UNSC selection process. While aid from various sources systematically goes up for UNSC members, participation on the UNSC is random with respect to economic development. Election to the UNSC is thus exploited as a natural experiment to gain leverage over the larger question of the effectiveness of foreign aid, particularly politically motivated foreign aid.

One key region for our analysis is Africa, which has followed a relatively strict rotation rule when nominating countries to serve on the three seats reserved for Africa since 1966. Thus we have an instrument – participation on the UNSC is random, but participation is consequential for the distribution of foreign aid. Our results will shed light on the debate over the effectiveness of foreign aid.

We recognize that external validity is a problem. There is often conditionality associated with foreign aid that we expect to be absent for UNSC members. Certainly the enforcement of policy conditions has been shown to be lax for strategically important countries. Nonetheless, our conclusions will at least be valid for the effects of foreign aid for UNSC members, and they will be suggestive for more general questions.
Chapter 7: Reform the UNSC?

Is the manipulation of the UNSC with politically motivated foreign aid a bad thing? Perhaps we can view temporary membership on the UNSC as a mechanism of international redistribution. Here is one way of viewing the institution in light of our analysis: just about every country gets its turn to participate in important deliberations of world security and gets to receive foreign aid perks if they do not rock the boat and play ball with the truly powerful countries in the world. Their role in most deliberations may be practically inconsequential, but they rise to prominence on the international stage and are duly rewarded for their service.

Yet, previous research suggests the pernicious effects of politically motivated foreign aid. It often subsidizes inefficient policies and corrupt governments. Long-run economic prosperity suffers. If our research confirms this (Chapter 6), we can indeed consider the political manipulation of the UNSC unfortunate.

Such a conclusion, however, is still not sufficient for us to proceed to recommending reform. Perhaps the political manipulation of international institutions is a necessary evil to engage the participation of powerful countries in international cooperation. Even if non-politically motivated aid might be preferable to politically motivated aid, this may not be a realistic alternative. The alternative to a world with politically manipulated international institutions may simply be a world without international institutions. One must therefore weigh the costs of political manipulation against the benefits of having various institutions that facilitate multilateral deliberations.

The chapter thus enters cautiously into the debate over global governance. With the above caveats in mind, our suggestions for reform are conservative. Nevertheless, we do suspect there is room for improvement, to the extent that long-run economic gains matter more than short-run political gains. We conclude by offering suggestions of how the UN Security Council as well as International Financial Institutions can be reformed. Far from polemical, our suggestions are informed by our careful analysis of the political economy of elected UNSC members.
Readership:

The book is likely to garner much attention. Our first working paper, which will become part of the book, was drafted over the summer (2006). In November of that year it was covered by the Washington Post as well as other US newspapers (including Wall Street Journal), and European newspapers (including Financial Times Deutschland, Neue Zürcher Zeitung, and Frankfurter Allgemeine). We can expect potential press coverage every fall, when elections to the UN Security Council are held. We can also expect press coverage as foreign aid will surely remain a major news topic.

In terms of specific academic audiences, the book will be pertinent to both the security-oriented IR readership and the readership of international political economy. The volume will make contributions to both the literature on international institutions and the foreign aid literature.

The visibility of the authors should also impact the readership. One author is an economist based in Europe, and the other is a political scientist based in the US. We thus expect the book will be widely received.

We intend to write the book with a style that appeals to a wide readership. Each chapter will draw upon broad theories of international political economy and be peppered with historical examples. The statistical evidence will be presented in an accessible format for the broadest of audiences. More advanced techniques to demonstrate the robustness of the results will be placed in appendices. The book will be written in a way that is accessible to non-specialists and also contain the evidence required to convince experts.

Advance press coverage:


- The Wall Street Journal (page 10, 2 November 2006)
- Ashland Daily Tidings (1 November 2006).


Beyond press coverage, the authors have discussed the research on the radio and on television, e.g., DAWN Newsgroup (Pakistan); and BizRadio Network (Houston, Chicago).
About the authors:


James Raymond Vreeland  (Ph.D., New York University, 1999) is Associate Professor of Political Science at Yale University. Vreeland has written on a wide range of policy outcomes, including economic growth, income distribution, policy transparency, foreign policy, and even governmental decisions to engage in the practice of torture. His research is most known for its treatment of international institutions. He is the author of *The IMF and Economic Development* (Cambridge University Press 2003), and *The International Monetary Fund: Politics of Conditional Lending* (Routledge 2007). He co-edited *Globalization and the Nation State: The Impact of the IMF and the World Bank* (Routledge 2006). His research has also appeared in *International Organization*, *Journal of Development Economics*, *Political Analysis*, and other economics and political science journals as well as edited volumes.
Data

Data collection for this project is ongoing, but we have already worked with much of the data discussed above. Below we broadly outline the data and sources to be used in the project.

Our principal variable of interest is UNSC membership, a dummy variable coded 1 if a country is temporarily serving on the UNSC, and 0 otherwise. Currently, our data cover 191 countries over the period 1951 to 2004 for a total of 7,606 country-year observations. The mean is 0.06 with a standard deviation of 0.25.

As for other variables necessary for our project, we list the sources of principal variables mentioned above here:

- Foreign aid data for the G7 (grants and loans). Source: OECD (March 2006).
- Number of IMF conditions. Source: Dreher and Vaubel (2004).

The literature on foreign aid identifies many economic variables as potential determinants for which we must account. Our principal sources for additional economic variables are:

- World Development Indicators (World Bank, various years).
- International Financial Statistics (International Monetary Fund, various years).
- Global Development Finance (World Bank, various years).

The literature also identifies political variables that influence foreign aid. We rely on several sources for political variables:

- The Database of Political Institutions (Beck et al. 1999).
- Polity IV Project (Marshall and Jaggers 2002).
- ACLP Data (Przeworski et al. 2000, Cheibub and Gandhi 2004)
Statistical Methodology

The main body of the text will present sophisticated analyses intuitively. Advance methodology will be presented discursively (see Vreeland 2003, chapters 4 and 5). The presentation of the effects of variables will follow the guidelines of King et al. (2000). Data and statistical routines will be made available on the Internet.

Regarding advanced statistical methodologies, both authors have a proven track record. We will begin the analyses of each chapter with a discussion of descriptive data depicted in intuitive figures (see Dreher, Sturm and Vreeland 2006, 2007). We will then move on to more rigorous analysis of the data, using models (depending on the nature of the dependent variable) such as ordinary least squares regression, generalized least squares regression, negative binomial regression, Poisson regression, logit/probit, and hazard models. Where endogeneity is a concern, the authors will employ techniques such as Heckman selection models (see, e.g., Vreeland 2003) and instrumental variable approaches (see, e.g., Dreher 2006). In addition to conventional robustness tests regarding the specification of various models, we also subject our principal findings to the rigors of Extreme Bound Analysis, as suggested by Sala-i-Martin (1997) (see, e.g., Dreher et al. 2006, 2007).
Below is a working bibliography. We include many citations, but we expect to add more as we explore the UN Security Council.


Beck, Thorsten; George Clarke; Alberto Groff; Philip Keefer and Patrick Walsh, 1999, New tools and new tests in comparative political economy: The Database of Political Institutions, Development Research Group, The World Bank, Groff: Federal Department of Foreign Affairs (Switzerland).


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