

## **Environmental Defense, AFL-CIO**

**Oxfam America, Friends of the Earth-U.S., Greenpeace USA,  
International Rivers Network, Institute for Policy Studies, Pacific  
Environment, Rainforest Action Network, Bank Information Center**

July 18, 2002

C. Fred Bergsten  
Director, Institute for International Economics  
1750 Massachusetts Avenue, NW  
Washington DC 20036

Dear Mr. Bergsten,

We are writing to express a number of concerns and offer comments as a follow-up to the three sessions of the OPIC Study Group held at the Institute for International Economics, on March 4, April 22, and May 20 2002. We understand that the input of the Study Group will help inform a report on OPIC's role and mission that IIE will release this autumn, timed to influence Congressional deliberations on the reauthorization of OPIC's charter. Our comments relate principally to the lack of substantive consideration of the elements of sustainable development in what we have witnessed in the approach of the IIE Study Group, and, so far as we have been able to ascertain, a similar lack in what we have witnessed in the apparent methodology and approach for preparing the report. Our understanding of sustainable development relates to how the term has evolved in international fora over the past decade in the broadest sense: it includes environment, labor and human rights, and social impacts (including the issues of corruption and the need for greater transparency in project finance and investment) in OPIC host countries and in the US. We are especially concerned because, at least according to the statements of some OPIC representatives in the Study Group, including OPIC President Peter Watson, a major rationale for the IIE study would be to set out a framework in which OPIC could refocus and better justify its operations in a development context.

Our comments address the following issues: 1., the one-sided composition of the Study Group, and its lack of development and human rights expertise and input; 2, the process and methodology through which the IIE report is being produced; 3., the insufficient consideration of the need for OPIC to learn from a number of highly publicized and controversial projects involving large-scale economic, environmental, social and human rights abuses (these include, but are not limited to, the Indonesia Paiton and India Enron Dabhol power plants; the Bolivia-Brazil Enron Cuiaba pipeline; the Indonesia East Kalimantan Unocal oil and gas production and pipelines project; the Philippine Casecan power and irrigation project; and the Guatemala Tecu Power Services San Jose Power Station project); 4., the need for OPIC to articulate specific measures and staffing changes to improve the implementation of its existing environmental and labor standards;

5., the need for improved policies and procedures to adequately address social, environmental, labor rights and human rights issues in OPIC operations; 6., the need to fully evaluate the development benefits and the impacts on U.S. employment brought by OPIC support for investment in labor-intensive manufacturing and processing industries abroad; and 7., the need for OPIC to articulate new measures to fight corruption in investments it supports. Finally, in our view, all of the above considerations lead to the conclusion that there is an urgent need for greater selectivity in OPIC's choice of investment projects, not an indiscriminate broadening and expansion of OPIC activities.

We have set out in detail these concerns and recommendations in an attached memorandum and appendices. We hope that these comments will help inform the IIE report so that it more accurately analyzes OPIC's need to adopt new measures and institutional changes to ensure a more credible contribution to sustainable development.

Sincerely,

Bruce Rich  
Director, International Program  
Environmental Defense

Thea Lee  
Chief International Economist and  
Assistant Director, Public Policy  
AFL-CIO

On Behalf of:

Jo Marie Griesbacher  
Director of Policy  
OXFAM America

Julieta Majot  
Executive Director  
International Rivers Network

Jon Sohn  
Policy Analyst  
Friends of the Earth, U.S.

Douglas Norlen  
Policy Director  
Pacific Environment

Gary Cook  
Climate & Energy Campaign Director  
Greenpeace USA

Christopher Hatch  
Executive Director  
Rainforest Action Network

Daphne Wysham  
Fellow  
Institute for Policy Studies

Bruce Jenkins  
Policy Director  
Bank Information Center

cc:

The Hon. Peter Watson. President & CEO, Overseas Private Investment Corporation

The Hon. Paul Sarbanes, Chairman, Senate Foreign Relations Committee, Subcommittee on International Economic Policy, Exports and Trade Promotion

The Hon. Henry J. Hyde, Chairman, House Committee on International Relations

The Hon. Patrick Leahy, Chairman, Senate Appropriations Committee, Subcommittee on Foreign Operations

The Hon. James Kolbe, Chairman, House Appropriations Committee, Subcommittee on Foreign Operations, Export Financing and Related Agencies

Attachment:

Memorandum on Sustainable Development Issues Relating to the Forthcoming Report of the Institute for International Economics on the Role and Mission of the Overseas Private Investment Corporation