
Preparing OPIC for the 21st Century

OPIC's Statutory Requirements and the Agenda for Reform

The “new” OPIC that emerges from the preceding pages will have enlarged its capacity to support development, will have strengthened its resilience to withstand rigorous scrutiny in the midst of private-sector activity, and will have enhanced its capability to support firms, workers, and communities in the US home economy while promoting sound environmental practices and labor standards around the globe.

Many of the reforms needed to reposition OPIC to operate more effectively in the 21st century can be brought about through revision of its internal policies. Others will require changes in OPIC's authorizing legislation.

OPIC's support for foreign direct investment in developing countries strengthens the US home economy in the large majority of cases but may not do so in every instance. OPIC's measurement of “US effects” needs to be reconfigured to test for this positive or negative relationship. The new net US economic benefits test proposed here will assess how OPIC's support for a particular project will affect the competitiveness of the firm and the number and quality of US jobs, in comparison with denying support for the same project. The use of this new test will require a change in OPIC's authorizing statutes and revisions in its other reporting requirements.

Greater OPIC support for outward investment in manufacturing and assembly would likely enhance favorable worker treatment and observance of core labor standards around the world, providing that host countries are

not permitted to use derogation of labor standards (e.g., prohibition of union organizing) to attract foreign investment. As a result, OPIC's legacy of skittishness toward labor-intensive projects should be replaced by a much greater receptivity toward supporting manufacturing investments, subject to the net US economic benefits test outlined above. This fresh attitude, which will considerably expand OPIC's potential client base within the United States, can be accomplished through changes in its internal procedures without requiring changes in authorizing language.

As part of a vigorous strategy to market its services more proactively, OPIC can support small and medium-sized enterprises most efficiently by targeting those firms that find themselves on the cusp of moving from exports to setting up distribution and assembly operations abroad. To accomplish this, OPIC can utilize the established apparatus of the US Export-Import Bank, the US Export Assistance Centers, and the US Foreign Commercial Service—together with the Small Business Administration and with state and municipal support services—to help identify the most promising candidates. Movement in this direction can be accomplished through changes in OPIC's internal procedures, in the spirit of repeated urgings on the part of Congress to support small and medium-sized companies.

Finally, OPIC's eligibility criteria need to be revised—now that the United States has become the world's largest host economy for foreign multinational companies—to facilitate foreign-owned, US-incorporated firms in using the US economy as a base for developing distribution channels and supplier networks abroad. This will require changes in OPIC's authorizing legislation to allow any firm with a “significant presence” in the US market to apply for OPIC services, and so bring OPIC into line with already established US Government Advocacy Guidelines.

As part of OPIC's determination to enhance cooperation and minimize competition with the private sector, it can use coinsurance, cofinance, and reinsurance more aggressively. This can be accomplished through changes in OPIC's operating procedures, in consultation with the Office of Management and Budget, without requiring changes in OPIC's authorizing legislation.

To strengthen its monitoring of workers' rights and environmental practices—and enhance the credibility of its efforts in these areas among outside parties—OPIC should make its procedures much more transparent, moving toward industry best practices of posting information about controversial cases, internal and third-party inspection results, and remediation follow-up on the OPIC Web site. OPIC must also abandon its practice of making informal negative determinations on environmentally sensitive projects in private so as to avoid disclosure that they do not meet its standards.

These reforms can be self-initiated within OPIC. Similarly, greater attentiveness to the possibility of bribery and corruption on the part of

OPIC-backed entities—and greater readiness to turn credible cases over to the Department of Justice—can be accomplished through internal changes in monitoring procedures.

To make itself more user friendly, OPIC can streamline and simplify its operations in numerous ways. Several suggestions involve reducing what investors consider to be burdensome reporting and monitoring requirements. If OPIC were to undertake such an endeavor, however, the goal of streamlining and simplifying would frequently conflict with the concerns about human rights, workers' rights, and environmental protection embodied in its authorizing statutes.

A particular quandary is whether OPIC should alter its screening process to help projects get going in areas with urgent humanitarian needs or with important foreign policy consequences for the United States. In general, however, the recommendation that OPIC follow procedures that approach industry best practices on transparency suggests that it can find workable screening techniques that are not excessively burdensome to investors.