

March 12, 2008

Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20510

Dear Senator McConnell,

I am requesting that I be consulted before the Senate enters into any unanimous consent agreements regarding H.R.2798, to extend the authorities of the Overseas Private Investment Corporation (OPIC). I objected to the previous unanimous consent agreement, and I reserve the right to object to any future unanimous consent agreements or rule waivers regarding this bill.

I have a number of concerns with this legislation.

First, OPIC is a \$3 billion government program that provides loan guarantees, direct loans, regionally directed equity funds, and subsidized insurance. The stated purpose of the program is to induce U.S. companies to operate in unstable countries and developing markets that find it difficult to attract private investment. However, OPIC operates in many countries that have no credible threat of instability and have a variety of private market options for insurance and financing. These include South Korea, Singapore, Barbados, Brazil, the Bahamas, Jamaica, Greece, Portugal, and Malta.

The philosophy behind OPIC is to thrust politically favored investments into unstable places with the hopes that more inputs into a market will spur economic growth. Economic research and data conclude the exact opposite—growth spurs investment.^[1] Economic freedoms, not government intervention, provide incentives for investment leading to long-term growth. At best, governments can lay the foundation for economic prosperity by creating a healthy, free-market climate for growth to occur.

The Office of Management and Budget assessed OPIC and found there is little independent evidence that OPIC is effective and achieving results. For example, while some argue OPIC strengthens the U.S. economy by increasing investment opportunities in developing countries, data indicate the growth in U.S. direct investment is not from OPIC but market-oriented reforms in poor countries.^[2]

^[1] Magnus Blomstrom, Robert E. Lipsey, and Mario Zejan, "Is Fixed Investment the Key to Economic Growth?," *The Quarterly Journal of Economics*, Vol. 111, No. 1 (Feb. 1996), pp. 269-276

^[2] Organization for Economic Cooperation and Development, *Development Assistance Committee Statistics*, June 2003; and *Overseas Private Investment Corporation Annual Report* (Washington: OPIC, various years).

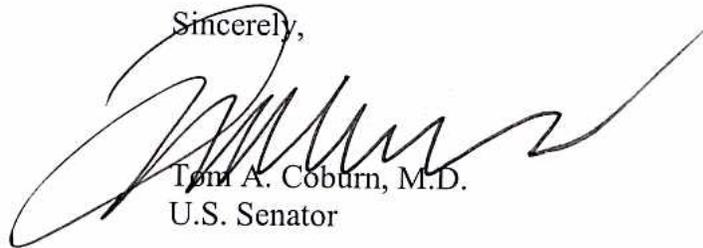
OPIC tends to favor large corporations and is heavily concentrated on a few firms. Past research indicates the top ten OPIC beneficiaries received more than half of all OPIC subsidies. For example, in fiscal year 2002, these large corporations consumed 87% of OPIC subsidized financing and services. From fiscal years 1999 through 2002, these top ten recipients of OPIC subsidies included Citibank, Enron, Bank of America, and Unocal.^[3]

Many consider OPIC to be corporate welfare as it transfers resources from productive activities to politically favored activities. Income gains achieved create politically favored exports for OPIC beneficiary companies against whom other American companies in the global market have to compete.

Finally, H.R. 2798 vastly expands OPIC's mandate to include a vigorous climate change mitigation agenda. These new policies are unproven remedies for an unproven problem. The U.S. taxpayer already spends up to \$2 billion annually on climate change science even though peer reviewed research continues to contradict the theory that human activities have a significant impact on cyclical climate patterns.^[4] Regardless of the diverse views about the weather, these policies diminish economic growth which is antithetical to OPIC's stated mission.

Thank you for protecting my rights on this legislation.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Coburn', with a long, sweeping flourish extending to the right.

Tom A. Coburn, M.D.
U.S. Senator

^[3] Vásquez, Ian and John Welborn, "Reauthorize or Retire the Overseas Private Investment Corporation," Cato Institute, 2003 September 15.

^[4] For documentation, visit the minority's website from the U.S. Senate Committee on Environment and Public Works: <http://epw.senate.gov/public/index.cfm?FuseAction=Minority.WelcomeMessage>