

US DEVELOPMENT

Awareness Self-interest

PREMIUM

by Julian Heißler
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The development policy measures are coordinated in the USA by the United States Agency for International Development (USAID). With \$ 30.5 billion (in 2017), the United States is the largest donor of development aid in the world.

Image: imago images

In the race for resource access, the US does not want to get involved in a financial race with China. They hope to contain Beijing's influence in other ways.



Karl Fickenscher did not bring much time when he dropped himself on a chair in the corner office of the USAID. "We have a long list of tasks to work through," he says. Just under half an hour, then he has to go to the next appointment. After all, there is currently much to discuss, plan and push.

In fact, the clock is ticking. Fickenscher is one of the leading figures behind the reorganization of American development policy. At USAID, he heads the office for Economic Growth, Education and the Environment. The promotion of private capital investment in developing countries is also one of his tasks. In this way, Fickenscher's area of responsibility includes the instruments with which the Americans want to challenge the Chinese in the race for raw materials.

Since Beijing has taken astronomical billion dollars into strategically important regions in Central and South Asia and Africa in order to secure access to important resources for China and its companies, the willingness to engage in these countries has grown again in the United States. Although the US government under President Donald Trump is currently looking particularly inward, Washington does not want to backfire in the race for raw materials. Too big seems to be the danger that American companies may be dependent on the vagaries of the Chinese leadership to maintain their supply chains of raw materials for future technologies.

As a result, US development policy is currently being overhauled. Last year, the Congress passed the BUILD Act with nonpartisan majorities in both chambers. The bill aims to help the US government invest in projects in developing countries, mobilize private capital, and create stable markets for US companies.

The core of the strategy is the newly founded US International Development Finance Corporation (USIDFC). It is expected to invest \$ 60 billion in fresh budget funds in promising projects in developing and emerging economies, to hedge private business and to buy shares in promising ventures. It is thus much more versatile than the previous investment authority, which was pressed into a very rigid corset of requirements and rules. A disadvantage that Washington can no longer afford.

The aim of USIDFC is to act as an obstetrician in strategically important countries for the most stable market economies possible. Then, as much enlightened self-interest is involved, US companies can do business there without undue risk and build reliable supply chains. "We want to turn aid recipients into partners," says Fickenscher. "Our goal is to make us redundant."

The Americans are committed to making the recipient countries a more attractive overall offer than the Chinese. They also have to, because with the huge amounts of money that are mobilized by the Chinese government, Washington can not compete for political reasons. Nevertheless, one is optimistic about USAID. After all, the Americans do not charge the recipient countries with huge mountains of debt, nor do they demand any tangible compensation, such as exclusive access to certain commodities. "Our instruments are more sustainable for the recipients," says Fickenscher. "I expect you to be well received."

American business representatives are happy that politics has now recognized the explosiveness of the topic. Even the powerful Chamber of Commerce, by far the most financially strong lobby organization in the [US](#), supports the BUILD Act to the best of its ability. After all, China is already controlling access to some important raw materials, such as rare earths. A condition that should not be repeated in the opinion of many entrepreneurs.

"In the field of rare earths, the situation will never change again," says Michael Silver. The 71-year-old is the founder and CEO of American Elements, a company that produces and markets raw materials and chemicals for high-technology applications.

The industrialized countries would have simply overslept to make an attractive offer to the countries in which important raw materials occur, the entrepreneur believes. "The elements needed for future technologies are simply not distributed evenly around the world," says Silver. "You could still produce iron almost everywhere, but that's over."

Many people still do not understand this reality. Even today, he is surprised that even Western companies in this area do not take greater risks. "If this continues, China will soon not only control the rare earths," Silver speculates.

Nevertheless, he considers the approach of the US government in principle correct. Building stable structures is the most important thing for an entrepreneur like him. However, if this succeeds better for other players, then Silver sees no disadvantage at first. "I'm ready to do business with any Homo sapiens on the planet as long as my counterpart is honest," he says. "And the Chinese are among the most reliable business partners I've ever worked with."



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