

How and Why of Promoting Entrepreneurship Abroad
Hoover Institution
Stanford University

Panel II: U.S. Embassy Role in Promoting Economic Dynamism Abroad

Richard Boly- Good Afternoon, I hope the quality of this is worth the wait. It is my great pleasure to introduce Bill Draper. If there is somebody who is the father of Silicon Valley, Venture Capital, I think he would qualify. He is currently the general partner of Draper Richards. He was also the founder of Sutter Hill Ventures and he was also the president and chairman of the Export Import Bank, the head of the UN Development Program. He is a member of the Counselor on Foreign Relations and is an undergrad from Yale and his MBA from Harvard. What's maybe not as well known is Bill's father was the first UN Ambassador to NATO. So it is perfect that he is handling our Ambassadors this morning.

Bill Draper- Before I introduce the panel, I'd like to call attention to the fact that many of the countries are run from the top down and I had two interesting experiences. I'd thought be appropriate because the two men, one did and one does run a portion of forty percent of the world. First is Deng Xiaoping, who I think had more positive impact on more people in the 20th century than any other single man. I met with him in 1981, two years after he had taken over from Mao.

When I was president of the Export Import Bank, I went over with Don Regan, who was the Secretary of Treasury. We met with him and he said, "You know, I went down and found my old territory Sichuan and they were all poor and it was because Mao had them all grow rice for the iron rice bowl. And I said 'You grow anything you want', and now, two years later, they are all rich." And this dynamic man made such a dramatic change by opening up a country to entrepreneurship and encouraging people to become rich in a communist society. A real trick. By the way, Don asked him what the income per capita would be in the year 2000 (and this was 1981). He said it would be one thousand dollars per capita. There were three other Chinese in the room and for five minutes there was a great Chinese discussion with nobody interpreting. And then he said, "Well actually, in the year 2000, the income per capita will be between eight hundred dollars and one thousand dollars."

Truthfully it came right in the middle according to reports, whether they are accurate or not, I do not know. So, one story of great dramatic success on a huge portion of the world promoting entrepreneurship. The other man is [Manmohan Singh](#). When I went over to China with my partner, Robin Richards to start the first venture capital company that was started from the U.S. We then called on Manmohan Singh who was then Minister of Finance. I had known him through an organization called the Tide Water Group where some people in international affairs get together and talk about problems such as jobs. We were talking about the problem of employment in a developing world in Leed's Castle, Kent, England. This was a very big affair.

He and I didn't say anything all morning when they were talking about jobs. I came on and I said, "Nobody has mentioned the private sector. It's all government does this and government can make jobs." And somebody earlier on the panel pointed out that government doesn't create

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many jobs that are productive. Having worked in the government, I think that's not quite accurate but there is a lot of productivity that goes on in Washington, but it is not the kind that makes toothbrushes and cars. So anyway, I gave him all this advice along with these others about "let's get the private sector in and get the government out of the way of business!"

So, two years after he had taken over in 1994, I told him "Congratulations Mr. Minister. You did everything I told you to do." And he had. He had opened up the economy dramatically in that first two years. For a socialist it was a brave step and I am astounded that he is still prime minister and his team has just gotten reelected. I think the man deserves tremendous credit because he is a straight honest bureaucrat or technocrat and a very fine and intelligent man, Manmohan Singh. So it starts at the top.

So, you ambassadors, I'm going to ask you how you are going to pull this off. In Italy and perhaps Mexico, they know what the private sector is about. But I think that is something we do want to concentrate on. Ron Spogli is a very interesting guy. He is Phi Beta Kappa here at Stanford, he went to the Harvard business school, he went to start up with a guy named Brad Freeman, the Freeman & Spogli Private Investment Firm has been a tremendous success. And much of that success, or a small slice of the success, has been steered right here into Stanford, at the Freeman-Spogli Institute, which used to be the Institute of International Studies of Stanford. And of course, we all know the ambassador of Italy and the first ambassador to San Marino. It's such a tiny little place that we wouldn't know that it is still there.

Jim Jones, ambassador to Mexico has an equally strong résumé. He is now CEO of Manatt Jones Global Strategies. Prior to that he was ambassador to Mexico and the President of Warner Cove, Chairman of the American Stock Exchange, U.S. Congressman from Oklahoma-he went to Oklahoma University where they have a lot of voters and Jim got elected there-and he was ranking member of the House Ways and Means Committee and Chairman of the House Budget Committee. He has been a member of the American Stock Exchange for five years and that was when the market was going up.

Steve Wesley, successful controller of the state of California. As controller in chief and financial officer for the state, prior to that what set him up as being a brilliant controller was he was head of marketing for eBay...just kidding. (the numbers did help him out though). So, vice president of marketing doesn't define his whole job. He is a founder and a major player in the eBay success. But then, he is more in love with the fact that he started and is the president of the California Public Utilities Commission. He is a big player in California and a big player nationally because he's got a lot of international focus and we are pleased to have him here.

Alec Ross is currently the only one who has power by the way. He is in charge of innovation at the State Department and the special assistant to the secretary of state for innovation and started something called "One Economy" which is a very dramatically successful NGO that has gotten millions of people on four continents going to help bring digital information and capability to those millions of people. So, we've got a wonderful panel and I'm going to start off the first question for Ron, Ambassador Spogli, would you follow up with the presentation that was made by Richard just how you got this going and why this is important to you as Ambassador to Italy?

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Ronald Spogli- What I think I should do is comment on San Marino very quickly because as you know, San Marino is tucked in that area between Venice and Bologna in a very difficult place to get to which is the reason why it can claim to be and is the oldest republic in the world. So it is continuous from about 1,200 as an independent republic about 35,000 inhabitants and an enormously pro-American. And to let you know that Richard left no stone unturned. We promoted heavily the Partnership for Growth in San Marino and it was well responded to as well.

The first thing I would like to say about the whole initiative is that, Richard really did take an idea, which was a good idea and like all successful people, turned it into a fabulous idea. It was interesting that in promoting economic dynamism and entrepreneurship, it was key that Richard was the best living example of practice-what-you-preach, and clearly was able to be successful with this program because he was differentiated and unique among foreign service professionals.

The first question you may have is, why was the United States interested in promoting economic dynamism in Italy? First of all, there were two fundamental reasons for that from a policy perspective. First is that we have an excellent political/military relationship with Italy. Italy has been a very important ally to the U.S. since WWII, but really stepped up their efforts since 1999. So when you move forward from the engagement of the Balkans in 1999 and you look at Italy's participation in places like the Balkans, like Afghanistan, in the Middle East and in particular Lebanon, there is no one on the continent today doing more to promote interests of the UN and the U.S. than Italy.

We were very concerned that because of very anemic economic growth in Italy in the new millennium that they simply wouldn't be able to generate the resources necessary to sustain that kind of level of participation. Average economic growth since 2000 has been less than one percent. Two years have been negative before the current crisis. Literally their economic growth rate is the slowest in Western Europe with the exception of Portugal. So clearly that was unsustainable if they were to continue to be a great supporter and ally of U.S. policy interest.

The second point is related to the position that says, "we don't do a lot of business together even though we are great allies." We don't do a lot of bilateral trade relative to GDP. Something with respect to other major economies in Europe. And we don't do a lot of investing in Italy. In fact the cumulative foreign direct investment from the U.S. since WWII in Italy is the lowest of any country in Western Europe with the exception of Portugal. So again, we wanted to do something that would begin to lay down the ground work for the ability to turn around these two very negative trends...

Bill Draper: I got to say one thing though. My wife has invested a lot in Europe with Italian fashion...

Ronald Spogli: That is very true, as has mine to my great detriment and to Stanford's ultimate loss I would say. Let me make some comments on what the impact was because I think that is what you really want to hear from me because you have heard a lot about the "how" from Richard and let me make a couple of comments on how it was received. Judging by the number of Italian participants, judging by the breadth of their participation, and judging by the number of

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ongoing initiatives that exist today without our having to provide additional stimulants, the program in its earlier stages obviously was very, very successful.

This was an initiative that we carried across the country and literally every aspect of the embassy was deeply involved with this. So this was a country-wide initiative that was engaged in. It turned out to be the best public diplomacy tool we had. And it didn't start out with the notion that this was going to be a great PD tool, but it turned out that it was a subject that every major constituency in Italy wanted to talk about. Obviously, the governments were interested in it at the national and local level, Universities were interested in it, and the business community was very interested. And so from that stand point it was the kind of thing that people really wanted to talk about. It is not always easy to reach another constituency, which are the young people. They don't always agree with us on all of our policy initiatives, whether we are talking about the Balkans or the Middle East, Afghanistan or certainly Iraq.

But on this subject it was amazing how relevant this conversation was to their future because they are all concerned with their economic future. So from that stand point, it was an enormously positive diplomatic element. Plus I would say the other aspect of it, then I will pass the baton, is that we often times are advocated in U.S. policy positions where clearly we find head wind. That's appropriate given our leadership position in the world. This was a case where we were talking about a partnership. We were not trying to impart lessons as much as we were trying to share experiences. And ultimately I think the Italians really appreciated that particular perspective and it's thanks to the fact that the program was conceived as a partnership, executed as a partnership, existed and was and is stated as very successful because it was a partnership and I think it created an enthusiasm that ended up helping it.

Bill Draper: Thank you. I'd like to move to you Jim Jones, by the way at age twenty-eight he was chief of staff to Lyndon Johnson, can you imagine? He has the background to be able to tell us how the U.S. government began to be interested in this whole concept of enterprise abroad.

James Jones: When I was a junior member of congress in the late 1970's, at that time we had a twelve billion dollar trade debt with Japan and everybody was crying wolf that Japan was going to eat us alive and we didn't have a chance to compete etc. etc. So I was appointed chairman of the task force to look at U.S. trade policy. In the course of doing that we came up with a number of recommendations. But one of the things that I found in the embassies, our embassy in Japan as well as others, was that our commercial officers couldn't sell anything. While other commercial officers from other countries were selling their country's products, goods and services, we couldn't sell anything.

Looking into it, the Commercial Officer in the State Department hierarchy of the Foreign Service was the lowest person on the totem pole. They were the last to be promoted etc. You had political officer first, the economic officer second, and so those were the days when we could have cooperation between Democrats and Republicans in congress. And my ranking Republicans on this task force were Bill Frenzel, Republican from Minnesota and Barber Conable from New York.

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One of the things that we recommended in the past as a law, we passed an amendment to take to commercial office out of the State Department and put them in the Commerce Department. We had hoped to actually abolish Commerce and make it a new Department of Commerce and Trade, but that was politically not feasible. So in any event we started the Foreign Commercial Service with admission to sell and promote U.S. goods and services and to promote businesses in the countries where they are. It was not really used that much in the first part of the Reagan administration and was not used until Bush 41 came in.

He brought in a young woman named Susan Schwab to head the foreign commercial service and then it started taking off and getting a lot of very talented people in there. In the first Clinton administration when our new Secretary of State came in and he made commerce as a major part of our foreign policy. I went to Mexico in 1993 and I was only going to stay one year because I had never had any interest in being an Ambassador. So I agreed to do it for one year to help pass the North American free trade agreement and help implement NAFTA. I went to Mexico with six objectives.

The number one objective was to develop more commerce between the U.S. and Mexico and obviously to pass NAFTA and implement it. I did that because I had a theory in the mid 1980's- again the same Republicans, Sam Gibbons and myself traveled a lot as part of the trade sub-committee on Ways and Means. In the mid 80's, we could see, particularly in Central and Eastern Europe, there was a desire for change and for openness etc. And so I had the theory, and of course then there was debate, do you open the political system first, such as Glasnost with Gorbachev, or do you open the economic system first as with Chili? And to go from a closed society to a more open society, I had always had the theory that you open the economic system first and create wealth-wealth is worth defending- and the opening of the political system will follow.

So, Mexico was a great, not only theory but laboratory of practice. And with NAFTA and the things that were done in Mexico, within a year they opened their economic system. You have to recall that just a little over twenty years ago, Mexico was one of the most closed economic and political systems in the world. Today it is one of the most open competitive economic and political systems in the world. When they opened their economic system, there was the political pressure to open the political system and that happened just a year or so after NAFTA was passed and implemented. So the government started promoting more commerce, more business and getting people in...

Who had that particular attitude, and I think that is the way to go and it has proven to be the right way to go.

Bill Draper: Steve, if we're going to take this on and really promote entrepreneurship, there's a lot of risk taking and there is likely to be some backlash when there are failures and there are obviously going to be, you're a good political player, how do we measure that and is it worth the game?

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Steve Westly: That's a great question and before I answer that I just want to say that as impressive as it is to be chief of staff to the president at age twenty-eight, even more impressive is that he was elected as a Democrat from Oklahoma. That is no easy feat.

I think that one of the most important things that the State Department can ever do is to promote entrepreneurship and capitalism abroad, it is just a smart thing to do. Obviously, if it doesn't work and there are some failures here and there the U.S. will get some push back, but this is far better than us lecturing countries on how to run their economies, which no one likes. To be helping create entrepreneurs, which is one of the most powerful things. If you go to any country in the world, they will look to the U.S. and they will say "well your political system, maybe, maybe not – but they all want to be Bill Gates or Steve Jobs, or Larry or Sergey and the list goes on and to the extent that we can give them those skills, teach them to be entrepreneurs, teach them to create those jobs. That is the most stabilizing thing, not only for the planet, but it's the best thing for their economy, and I would submit to you for ours.

Bill Draper: Good short answer too, amazing!! Alec, what's it like to be in power? Alec, I will remind you is in the Innovation Office in the State Department. No, let me ask you a straight question. How does promoting growth for entrepreneurship fit with the mandate of the U.S. Diplomatic Mission?

Alec Ross: I think we all know that one of the key ways of executing against all of our foreign policy goals is to help create economic opportunity abroad. If you look at those places where the house is on fire, proverbially speaking, in the federally administered tribal areas in northwest Pakistan, in Afghanistan, in Gaza, these are all places where one of the common traits is a perception of a lack of economic opportunity. So what the United States has to do is respond to that.

Poverty is what foments extremism, and so as Foreign Service officers we have to think about how we can respond to both the threat and opportunities that come from the changing nature of the economy. I would say that I actually think this is going to be exceedingly difficult. I actually don't think that the Foreign Service is presently positioned necessarily to be engines of entrepreneurship abroad. I think that our Foreign Service officers are the most highly trained, highly professional, excellent core of employees in the federal government. But I don't think that they have necessarily been trained to catalyze entrepreneurship per say.

So I think that the two shortest term opportunities within this administration to play a catalytic role out of the State Department is potentially in two ways, 1) to do what Ambassador Spogli and Richard described, which is to create exchange between entrepreneurs and the targets of entrepreneurship, so rather than saying "OK mister Foreign Service officer, go catalyze entrepreneurship", what we need to do is turn to people like so many people in the audience here, like Ted Dintersmith and others, and say "OK, we want to create some exchange between successful entrepreneurs and people in countries where we want that to take place." But then the challenge becomes scaling that, how do you scale that around the world and how do you sustain it? And this is where we need to realize that we live in a networked world and perhaps the role of the State Department is to create a network of networks and by that what I mean is to leverage the internet, so we can exchange information, so that we can exchange best practices.

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One of the big gaps right now is, we can take lectures from Stanford and post them online, but one of the challenges is that they are not translated. Just the act of translating lectures from the Stanford Business School into on hundred different languages, I think would be enormously beneficial. So part of what we need to do is look at the internet, look at web 2.0 applications, and say ‘how can we use these to reach far more people than we can by doing individual person to individual person state craft.

The second thing that we really need to tackle that was brought up by Bob Litan, who talked about the correlation between oligarchic capitalism and our foreign assistance programs. This is a very, very, very, big problem and if you look at our foreign assistance programs in this present day in 2009, I think they are very much the creatures of the approach we took during the Cold War and then the adjustments we made for the War on Terror. I think that today if we set out as one of the goals of our foreign assistance programs to help create economic self-sufficiency and to foster entrepreneurship, then part of what we need to do is to tackle what Bob Litan mentioned as this phenomenon of oligarchic capitalism.

Part of what we can do hear is turn to information communications technology because what ICT does so well is it devolves processing power to the individual. It takes individuals and gives them access to information and by virtue of access to information, access to markets. Even the rickshaw driver, you know the rickshaw driver rather than standing in a three hour long line to pick up one person. With a cell phone can now build a client base. The fisherman coming into port can know what port to take his haul of fish to depending on where there is a gap in the market.

There are 3.3 billion mobile phones in the market, there will be five billion mobile phones by the end of 2010. What do we do about that? How can we leverage this massive distribution channel to get information out, to get America’s message out? So I think that the opportunity to foster entrepreneurship is the most interesting and has the highest potential when we think about ICT, when we think about information communications technology and how it can scale the expertise of people, the likes of which are filling this room and secondly to think about how we can be empowering for the individual.

Last week Hillary Clinton introduced a term which she calls ‘[21st Century Statecraft](#)’ and 21st Century Statecraft as we define it means: changing the nature of statecraft so that we go beyond just government to government interaction, but people to government and people to people. And using the power of our network to execute against our foreign policy goals. So that’s the beginnings of it I think.

Bill Draper: Steve, do you want to add to that?

Steve Westly: Yes, there are two things. I think one of the most important things that the U.S. can do is to appoint ambassadors like Ron, who are entrepreneurs that cannot only represent the U.S., but can in fact represent our most precious export which is entrepreneurship. I think he has done just that. One of the things that makes me most hopeful about the Obama administration is that in their effort to get out stimulus dollars quickly in the green area, they appointed one guy to

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give out forty-seven billion dollars to stimulate clean tech in the economy and instead of choosing a GS-15 who had been at the federal building for twenty-eight years, they did a global search and found the guy who headed the tech sector at the McKinsey office in San Francisco. He's got five boxes under him and has filled three of them so far, every one with Silicon Valley investment professionals. So, slowly but surely the government is getting the message, that if you want to create jobs quickly you should get people who have done it. We are awfully fortunate sitting in Silicon Valley, we have a disproportionate number of those, and I am proud to say that an awful lot were educated at Stanford.

Bill Draper: Any of you want to comment on some of the comments that were made earlier in the panel, before we go to questions, which we are going to do in about three and a half minutes. I would like to stand up for the venture capitalists, by the way, and point out that many of these companies, like Cisco had a very creative and innovative idea, but the guy who really took that was more Morgridge and he was put in place by the venture capitalists, and the same story for Yahoo, they brought in a CEO together with Jerry Yang and Jerry Yang asked for that, it was part of the package.

A good venture capitalist works on the management, direction and is a voice and ear for the CEO to talk to. So I have to say that I am also pleased that Secretary George Schultz mentioned immigration, because as you pointed out, the interaction and the diversity in this community is what makes us strong. But, the other thing, with John Hennessey in the audience, there are a lot of people abroad that have said that they should get a Silicon Valley going in their country, but it is Stanford University, more than any other factor that brought about Silicon Valley. That is why I give as much to Stanford as I do to Yale even though I didn't go here. So I wanted to get those points out.

Ronald Spogli: The comment about the observation that was made earlier about the necessity of having the right kind of a framework. Clearly, that is the political framework, the judicial framework, those are critical elements in competitiveness rankings and so on. Italy ranks typically 70-80th in the world and we have pointed out for decades that they can't continue to be long-term at those particular numbers and expect to be a leading economic world power. All the demarches that we have done over the years to get the judicial system more in line with economic reality, liberalize labor markets, all those elements that we have done regularly have really produced little change to the framework.

One of the thoughts that we had with creating this bottoms up approach if you will, with the Partnership for Growth, is that over time, were it sustained, we could have a thousand small bonfires out there in various parts of the country, which would ultimately begin to be powerful enough to create some momentum for change that would ultimately effect the framework. So if we can't effect the framework from the top, you have no other alternative than to try to do some things that will that will push that kind of change.

Bill Draper: By definition entrepreneurship is bottoms up.

Ronald Spogli: Entrepreneurship is the way to go in that particular regard. Jim you want to add something..

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James Jones: Just three quick points, number one: all the talk about Stanford, I had to marry into Stanford, my wife was an undergraduate here and spent a lot of time at the Hoover Institute on Eastern European studies. Our oldest son did both his bachelor's and his MBA here and I also contribute more to Stanford than my own University. Second point on venture capitalists, I also want to defend them. I co-founded a little software company in Texas a few years ago and the venture capitalists have kept going. This was not intended to be a not-for-profit-organization, but it has turned out that way so far, but we still have hope and we are putting lots of lipstick on that little pig.

The third point has to do with U.S. foreign policy. I want to particularly focus on Latin America. One of the benefits of the 90's in Latin America and our move to help open up the economic systems, was that it did create higher standards of living. It did create more democracy and political openness, but what it didn't do was help spread that to the entire population, so throughout Latin America, thirty to sixty percent of the people live in poverty, still. They have no tangible benefits out of democracy, they have no tangible benefits out of free markets and you can not sustain a political system with that many people that are disenfranchised and disadvantaged.

So, how do you do it? I think that you do not go in with traditional foreign aid. There are four things that I think you need: 1) education, and that is one of the things we could help support as a foreign policy; 2) is health care, we put a plant in one of the nations in Latin America, they were very willing workers that were trained well, but they did not have enough health care to come to work on a regular basis, so we finally provided that in our own company; 3) you have to have an infrastructure so that you can produce something and get it to market as mentioned in the previous panel; and 4) the legal system, where you have those oligarchies you also have a top down legal system. Generally the French Napoleonic code of law, where it is all top down and you are protecting the status quo from the top. So, we should be helping the countries in those four areas and not trying to predict what businesses they'll start, but to give them an opportunity to be a part of the system.

Bill Draper: Alright, Let's open it up to questions.

Bob Patterson: One incentive for entrepreneurs around the world is that they want to change their net worth, or they want to prove to the society around them or to their family or whatever. Now, the capital markets and venture capital in the United States are frozen now. There is no public market for securities any longer and there's not likely to be one any time soon, unless something changes. So when you think about creating entrepreneurship internationally, when the capital markets that we have here don't even begin to exist, what is the process by which entrepreneurs can enjoy what they are trying to achieve?

Steve Westly- Three quick points, First, I am bullish on the American economy and on the global economy. I mean look, just this week we've seen Solar Wind go out on a huge billion dollar IPO and Open Table out of Silicon Valley, so I think the markets are starting to open back up.

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Bill Draper- Venture Capitalists put the money into those companies.

Steve Westly- By the way, at least one of those companies was taken public by a Stanford person, so President Hennessey you should be calling him shortly for contribution. So I am bullish, but here is what doesn't work, and that is for the U.S. to try to lecture China, or for that matter, any other of one hundred other smaller economies. Here is what does work. Because self advancement is a powerful trait, and that is why in China, everyone wants to be Bill Gates, Steve Jobs, and now Jack Ma who founded Alibaba.

See, we can talk to them about transparency until the cows come home, but we should just send one message, which is, if you want to take your company public on Nasdaq or any other exchange, you must have accounting transparency and truly audited financials. All of the sudden, there is a stampede to do that. The most valuable commodity in the world right now is and Stanford, Berkeley, or UCLA MBA, who speaks Chinese. They can get a job like that with some of the most promising companies in the world in China. If you have that ticket, your future is golden.

Alberto Sangiovanni Vincentelli: I am on the other side of the Bay, so I would like to say a few words about Berkeley as being an important factor. My point is that, since I am Italian and we did something together with Partnership for Growth. I think in all this debate about venture capital we are using the wrong term, we should talk about venture capitalists, meaning that the most important figure in bringing new companies to market is helping to find the right management, recommending them to not make certain mistakes. Also, creating a network with venture capitalists. So, in many countries that I know, the lack is in venture capitalists. By venture capital, I mean capital that can be used to foster new enterprise is available. What is missing is the right person that is going to link the two. So the question is, "How do you grow venture capitalists in foreign countries?"

Steve Westly: Can I just say a quick word on that because I am going to China in two weeks and I think what they have done there is stunning. Because what you really need is someone to seed the capital that will finance the firms and what the Chinese government has done is create their own entities and is funding venture capital firms at a stunning rate. Some of them are government run, and we'll see what their results look like. In other cases, well look, you don't want to bet against the Chinese government, their track record of success over the last decade is pretty good. But I think that they are a role model for really jump starting an entire industry. I'll just tell you one other quick point. If you rewind to five years ago, this section of venture capital called clean tech venture was an asterisk, it virtually didn't exist. Say what you want about government, myself and a few others that are sitting on the boards of CalPERS and CalSTERS, set aside a billion dollars specifically for clean tech investing.

The result was it legitimized this whole space is now the third largest sector in venture trailing only software and bio-tech. So governments can play a pretty important role as long as they do their part and get out of the way.

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Well and this is, Vinita Gupta made a very good point earlier, that some of the very most, the biggest breakthroughs like DARPA. I think the best use of government money for that kind of thing, frankly, is towards the universities and research programs.

Cari Guittard: I'm the Executive Director of Business for Diplomatic Action and prior to that, I actually worked at the State Department. I was hired as a hacker, spent five years hacking into computer systems overseas and leading red teams mostly in the Middle East and Asia. So I worked a great deal with our Ambassadors. And then was brought back, actually by Secretary Powell, to work with Charlotte Beers and the whole Public Diplomacy experiment that we all know where that went. So I applaud what you did in Italy. It is absolutely fantastic.

And just to get back to this whole notion of where the U.S. Department of State can engage and really encourage this issue. What I wanted to propose possibly for a discussion point is really this whole notion of the foreign commercial service, because we, as an organization, our entire purpose is to engage the private sector between companies, non profits and universities and public diplomacy efforts around the world separate from the government. Because the government has, obviously, political issues, you're dealing with the media 24-7.

But the Foreign Commercial Service and our Commercial Officers report directly to the Ambassadors, they have a tremendous amount of leeway. We, as an organization, as an NGO, have worked so well with not only the Commercial Officers but with the Ambassadors that get it. What's so frustrating is that so few Commercial Officers have any resources to really do anything and to have forums like this and communities that so desperately would love to have this dialogue. So that was just one point. The second that I wanted to raise is that...

Bill Draper: Could I just ask you one question?

Cari Guittard: Sure

Bill Draper: Is the Foreign Commercial Officer, is that out of Commerce or is that...

Jim Jones: Yeah, out of Commerce...

Cari Guittard: It's our of Commerce but, for example, the current lead Commercial Officer in Cairo is responsible for Egypt, Syria, Libya, Lebanon, I mean, it's insane, it's one person with very little resources though he would love to do a great deal more. And he even has a supportive Ambassador. But the second piece is really something to that is to the heart of what we're all talking about here today. I think we're very lucky in that we're here in this environment today and in California which is steeped into entrepreneurship and it has the culture – right?

What we found is that there is very little being done to really capture and tell the story of what's being done overseas as well as share the best practices. And I know for the companies that we work with every day that's a huge point of frustration because they get almost no credit for the capacity building they do locally, the skills transfer, you know, any of the things they do to support local suppliers so there's no mechanism to really capture those stories and tell those

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stories. And, In fact, we just partnered with Wharton about a week and a half ago to try and do some of these things. But I wondered what you would say about that.

Bill Draper: Let's ask Alec. Alec and Ron to comment on that.

Alec Ross: Yeah, I mean I think the role of the private sector abroad has got to be, I think, dominant to that of the State Department in terms of fostering entrepreneurship because, again, you made a very good point yourself when you talked about, ok there's one Foreign Commercial Service Officer covering all of this territory. So what I think, frankly, needs to happen is that I think that the private sector, if there is, in fact, this problem that you're where there's this, there's this, to this point there isn't a story-telling that's taking place, there isn't an exchange of best practices.

It almost sounds like there is a new institution that needs to be built that's private sector dominated. I mean, I would be very careful about mission creep for the State Department or the Commerce Department we are not going to massively, we aren't going to do massive, incremental resourcing of our posts abroad. So, I would suggest two possible responses for that: one is a Chamber of Commerce-type entity or something needs to be created to drive the solution to the problem you articulated. Or two, I am a true believer in this concept of the network of networks.

So, I do believe too that what we need to do is figure out how we can take what are place-based discussions and bring them to the web. So the best way to share best practices is to do it on the web. And so if there are things that your clients are doing that are worthy of being shared and worthy of being scaled then figuring out a way for that to be captured and communicated online I think is going to be more efficacious than hiring thirty people to try to scale them on a place-based strategy.

Ronald Spogli: I alluded in the beginning to the notion that Partnership For Growth came about because it was deemed to be the economic question, broadly defined, was the primary long-term issue between the United States and Italy; not the political-military relationship, not the intelligence relationship but that one, large issue. And that was the conclusion that was reached by an off site of ninety of the top members of our embassy who agreed from virtually all the twenty-three agencies and departments of the U.S. government that this was the most important question. And when we put together, if you will, the way to approach the Partnership for Growth, we enlisted everybody's participation including Commerce, including Justice, virtually everyone because ultimately the economic question has implications for everyone.

And so, it was a bit of, initially, people said, "Yes, we need to do this but we don't know how to break down the stove pipes." But we said, essentially, "Well you all agreed that this was the most important issue. We need to focus on it in a way that we haven't done historically." And so, we need to find a way to break some of those stove pipes down which we were able to do to an extent that surprised a lot of people. And so, that was one of the ancillary benefits, if you will, of this process that we said it's a big issue, it requires a broad-base approach and we got some very good buy in from, virtually, everyone in the embassy and across the country in the consulates to

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go ahead and achieve this particular objective. So, from that stand point, it did have some real benefits of bringing people together that, historically, had a hard time working together.

Jim Jones: Two points. About two weeks ago, I was attending a board meeting of a company head-quartered in Kansas City and, just by happenstance, I was on the same plan with the new [Secretary of Commerce Gary Locke](#), who had been to the Kauffman Foundation to get briefed on this whole issue: commercial and entrepreneurialism, and one of the things I told him was that the Foreign Commercial Service is very uneven in quality and quantity and that's one of the things he ought to pay some attention to.

The second point I mentioned is I think we can do a lot, it doesn't exactly fit in to the entrepreneurial part, but microfinance. If we did more through microfinance to help in the poorer areas around the world have at least some seed money to be independent, to start a business and to grow that business. I think that would do a great deal for U.S. foreign policy.

Cari Guittard: Just on the leadership point, I think the benefits that were articulated in the first panel need to be something that's reiterated at the highest leadership level beginning with the Secretary of State as to what the benefits are for our economy as well as those economies that we're partnering with because I've given about fifty speeches in the last two months about U.S. engagement with the world. Primarily because of the work we do with our non-profit and, I gotta tell you that Americans right now, the notion of promoting entrepreneurship abroad – not exactly anywhere high on the agenda – they'd like a little of it promoted here. So, that political capital that we need, needs to be at the highest level with many of the talking points that the experts have been and you've all been sharing. You all get this right? But it has to be articulated at the national level so that the entire nation can really support these efforts that our ambassadors are going to.

Bill Draper: I think that's a very good point. There's one more question – we'll make that the last question. Before he asks it, I'd like to put in a plug for the Overseas Private Investment Corporation, which encourages investment abroad, American investment abroad. I don't know how much you guys have come across that, but it's to the developing world. It helped me get going in India. It encouraged me to get started in India. They made money on it. And that's sorta of unusual in the government. A little like the SPIC program – you borrow two dollars for every dollar you invest in a developing country and it worked out in India; we made sixteen times our money.

Amir Jahangir: My name is Amir Jahangir and I am a media entrepreneur. I launched CNBC in Pakistan and I am currently associated with another television channel. And, but, previously I was also responsible for a competitiveness project, and in that project we were encouraging entrepreneurship and innovation. And, one of the greatest challenges for us was to get visas for the entrepreneurs and the journalists who were responsible for the innovation journalism program. And it took – it usually used to take I think around four to six months, and do you think there is something that can be done on that part?

Ron Spogli: It was...

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Amir Jahangir: Because this is something that is increasing the trust deficit between the two countries – people-to-people trust deficit.

Ron Spogli: Let me just comment on that issue, and again I don't know the time frame the questioner is referring to clearly. Post 9/11, there were periods immediately afterwards in which the visa process was, uh, was – was truly, completely obstructed. Uh, it was an issue in Italy, it has been an issue in Italy. I think over time in the three and a half years I was there from mid two thousand five to early two thousand and nine. That process improved dramatically, and therefore, it was no longer the big issue that it was, for example, in 2005 when I arrived. So we have been making progress in that regard. I don't know how it is today in a lot of parts of the world. Maybe there are still some real issues there

Jim Jones: In India, I think it's about a year and a half wait and that's just – just – ridiculous. Number one, we have to have a new immigration law as Secretary Shultz said, but that's an internal political issue. And until we get the political base to support that, we're not gonna get a law. And one of the reasons we don't have a political base to do it is we have a lot of illegal immigrants who come here without papers, and the now up to ten-twelve million people. And they're able to be employed, live in the shadows of our society, help our society grow, but not be a part of our society. And until we clamp down on that, through employment, not walls – but through employment, until we stop that, until American people realize we do need immigrants, we're not going to have a realistic immigration bill.

David Nordfors: If I could just clarify Amir's question, we have a program taking top Pakistani, Mexican, Finnish, Swedish journalists into the newsrooms of the Silicon Valley to build networks with their Silicon Valley colleagues, learning how to report in the Silicon Valley ecosystem, interviewing the Drapers and others, bringing that home to Pakistan, where Amir started a TV channel that now has like seven hundred employees, started the first series ever on innovation in Pakistan. Now, this is funded by the U.S.A.I.D., and I applaud you and the State Department for that – we are very grateful. But, this year, the Pakistani top journalists missed the introductions with the Swedes and the Fins because they didn't get their visas. So its – if one could have a quicker coordination between the U.S.A.I.D. and the embassies, this type of operation would be good for both entrepreneurship and U.S. public diplomacy because it doesn't really look good when, when the U.S.A.I.D. pays top journalists to come and they don't get the visa, and miss half the introduction at Stanford.

Jim Jones: I have a..

David Nordfors: but thanks, I think its great we're getting the funding. I love it. Thank you.

Jim Jones: I have a feeling Alec will take your comments directly back to the Secretary of State.

Alec Ross: dually noted

Bill Draper: And I think we all agree with that comment and I think we'd all encourage it. I want to thank the panel. I think you've had an extraordinary morning, and thank you all for coming. Good job, good job.

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