

THE BROOKINGS INSTITUTION

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PEACE THROUGH ENTREPRENEURSHIP?  
IMPROVING MIDDLE EASTERN SECURITY  
BY CREATING JOBS

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**Panelists:**

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## P R O C E E D I N G S

MR. YARAGHI: Good morning, Ladies and Gentlemen, my name is Niam Yaraghi. I am a fellow here at the Brookings Institution and one of the very many perks of my job is working with people who have coupled their deep domain knowledge with extensive real world experiences. Case in point here is Steven Koltai. He is a successful entrepreneur and businessman. He cofounded SES, one of the world's largest satellite providers, and served as the VP of Warner Brothers.

He believes that the worst thing that could happen to a society is its violent breakdown and observing what is happening in the Middle East, I have to agree with him.

But how could an entrepreneur help prevent this tragedy? This is the quest that he vigorously and successfully pursued when he joined Secretary Clinton at the State Department as one of the first Franklin Fellows.

In his book Steve lays out a clear pathway toward stabilizing countries in turmoil through entrepreneurship. He tells us about his experiences in countries such as Egypt, Indonesia and Turkey, among others. He tells us how he helped found the first incubator in Cairo, which by the way, is still operating. The book answers two crucial questions. First, why entrepreneurship is important and second, how should we become smarter in investing in entrepreneurship. To discuss peace through entrepreneurship two great panelists will join us today.

First, Under Secretary Tara Sonenshine, which was the former Under Secretary of State of Public Diplomacy and Public Affairs at the U.S. Department of State, and Second, Ambassador Cameron Hume, who was the former Ambassador to Algeria, South Africa and Indonesia. They both have first-hand experiences with such projects and have been the supporters of Steven's efforts.

Well, I know you're here to hear from Steven and the panelists, so without further ado, I would like to invite Steve to take us through his book. Thank you.

(Applause)

MR. KOLTAI: I thought this day would never come. (Laughter) I tell everyone this is my first and last book and it is a great pleasure so many friends and family here and I thank you all for being here. I especially thank Brookings, from the program that I affiliated with, which is the Government Studies Program. I have been a guest scholar here for a little over three years, and of course, Brookings has published the book, and it would not have happened without Brookings support, so I am very deeply grateful.

I particularly also just want to thank one or two other people before I dive in. Especially my co-author, Matt Muspratt, who flew from Kigali, Rwanda to be here. Matt, I wonder if you could just stand up? (Applause)

He is another one of those people without whom the book absolutely would not exist. The book is about suggesting a major change in American foreign policy. To some, it is obvious and to others it will be so once you stop to think about it. But the fact is, what I'm talking about is happening today and what I argue for in the book is that it should be a major part of American foreign policy. It's about entrepreneurship as a tool in the service of foreign policy.

Today's presentation is organized much like the book. These are the sections of the presentation that we'll run through, it's about a twenty-five to thirty-minute presentation which then we'll have followed by a conversation by Ambassador Hume and Under Secretary Sonenshine, who as Niam said, are not only friends but have been invaluable supporters of the work that I've tried to do. And then there will be a little time for Q & A at the end.

So, I want to start off by explaining how it is I came to write this book. I am basically a business guy. I spent 30 years in the private sector. I did have a background in international affairs, I went to the Fletcher School and I am a very proud

alum of Tuft's as an undergraduate as well, but all of my work career was in the private sector. I was an investment banker, I was a management consultant at McKenzie, I spent half of my life in the entertainment industry. I was at Warner Brothers for over a decade and I had several entrepreneurial ventures but they were also entertainment related. Most of them were miserable failures and only one was successful, which was the one Niam mentioned, which was the television satellite system that I helped start, which is today called SES Astra, which is about a 20 billion market cap company that has 52 satellites distributing 62 hundred channels of audio, video, and data, and most of the commercial cable channels outside the United States from Al Jazeera to Sky Television to MTV.

So, how did I get into this? Well, I got into this by way of my birth. I am the son of Holocaust survivors, and I am very, very proud that my mother, Kathy, is here with us today. (Applause)

I was born in 1954 and in 1956 we fled Communist Hungary during the Hungarian Revolution coming to the United States. So, I was born with a very personal sense of how badly things can go when they go wrong politically and I have spent much of my life trying to understand why that is. A lot of it was inspired by a quest my father, who was a well-known educator, also had in trying to learn about this, and what I've realized is that the one single most common factor in these terrible paroxysms of history that ended up killing millions and millions of people, was joblessness. Enormous joblessness.

In 1932, during the inner war period, Germany had a jobless rate of 24 percent. Now, that was astronomical. You will see in the presentation that is nothing to the jobless rate in a lot of the world's most troubled places today. So, I consider that there is a direct connection between entrepreneurship, which is the biggest creator of jobs that we know, and peace, and so my book is premised on this very simple chain.

In order to talk about entrepreneurship, we have to start with some definitions, you know, what and who are entrepreneurs. To me, an entrepreneur is a person with a vision to see a new product or process, and the ability to make it happen. This is a terribly important, seemingly simple, concept. But embedded in it are a few key elements that I just like to unpack. One is, I am a big believer in what I call no-tech, low-tech and hi-tech entrepreneurship. In the United States we tend to think of entrepreneurship always connected with technology. And of course, that is a major sector and it receives a huge amount of press and that's appropriate. But the fact of the matter is, that in the developing world, which is where I spend most of my time, it is as likely to be no-tech or low-tech as it is to be high-tech and particularly when you talk about the job creating benefits of entrepreneurship they're especially likely to be no-tech or low-tech.

I always site the fun fact that more people work for Starbucks in Santa Clara County, which is Silicon Valley, than for Google all over the world. Starbucks did not invent coffee they changed the process for selling coffee. And so it is very important - and I do this a lot when I am talking to entrepreneurs in developing countries -- every one of whom, by the way, every developing country in the world, without exception, is going to have its own Silicon Valley. Silicon (inaudible), Silicon Delta, every place you ever go, and I always say that's good, but remember there are lots of other parts of entrepreneurship that are important and the other thing that is really key is the ability to make it happen. This is one of the great lessons I learned in government.

You know, in the start-up world we have a saying: it's five percent inspiration ninety-five percent perspiration. We tend to think in government that it's about policy, policy is what's important. Actually, policy in this space is not very important. Its - I hope you'll be convinced by the end of this presentation -- that it's a fairly straight forward proposition to explain that job creation is central to the stability of an economy.

What is difficult is implementing that policy and that's where, I think, we have a lot of room for improvement.

So, in the United States entrepreneurs are rock stars. They are the fighter pilots of the world, they are the people who everyone wants to be and it's very, very, cool to be an entrepreneur. In fact, there are some people who go so far as to pay you a lot of money to drop out of school to start your own company. We won't say who that is, but in my world, in the developing world it's totally different, entrepreneurs are not cool people. Entrepreneurs are like the crab grass that grows up in the cracks between the broken pavement and the broken bottles and the beer cans and the detritus of a society. They're what you do when you have no other choice.

Now, it's important that -- what I have found and we'll talk about this more -- entrepreneurs exist in every country but they are viewed very differently in the developing world than they are here. So, why is entrepreneurship so important? Well, actually, Matt and I have a chapter in the book called "A Million Reasons Entrepreneurship is Good for You" but don't worry, I'm not doing a million. There are actually a baker's dozen, thirteen, in the book and I'm going to just highlight a few of them in my effort to persuade you why this is so important.

So there are -- by far and away the most important is job creation and there are several of these that we're going to drill down and talk about in a little more detail, but just to gloss over a few that are key -- entrepreneurship is the essential link between innovation and commercialization. Without entrepreneurs, innovation remains in the laboratory and in the academic journal. Entrepreneurship is essential in post conflict and fragile states in starting to rebuilt societies and return normalcy. It's one thing to provide food, water, and shelter, but it's another thing to provide jobs and that's what entrepreneurship does.

Entrepreneurs are usually people who respond to actual market needs

not government policy. The two are very often not the same thing. Entrepreneurs organically promote a regulatory environment which coincidentally happens to often be one that the U.S. foreign policy promotes. That is respect for an intellectual property, that is a regulatory structure that allows companies to be established and to prosper, and entrepreneurs are very often that class of society that is most actively advocating for transparency and for what we call formal rather than informal economies, because it is only formal, i.e., not unregistered companies that can borrow money, that can rent space, that can export, that can scale. So entrepreneurs tend to be a major driving force for a lot of the governance reforms that we all so value.

But, having said that, clearly the root and most important reason why I have dedicated so much time and energy to this cause, is that I firmly believe the joblessness is the root cause of unrest and extremism all over the world and we know that entrepreneurship is the single biggest creator of jobs. The Kaufman Foundation, which is the leading or at least the best funded U.S. philanthropy devoted to the study of entrepreneurship, estimates that all new job creations from 1985 to 2005, all net job creation in the United States came from small and medium size businesses and from start-ups. Large companies had a net decrease in their payroll.

And even after that 2005 period in 2007 12 of 15 million jobs that were documented and researched that year also came from those same new and small businesses. So, what happens when the unemployment rate is high, we saw what happened in Germany at 24 percent, this is what a few sample countries look like today and I think it is important to note that it isn't just in Arab countries or it isn't just in Muslim countries, though that is where the bulk of my work was, certainly at the State Department and my original passion for this, but Molenbeek, which is the suburb of Brussels that the terrorists came from, has an unemployment rate that is just about the same as the countries they come from. And, by the way, the unemployment rates in a lot

of these places we don't even really know because they're failed states and they have no reliable data.

So, I have really embraced the view of two people who I respect enormously, Ahmed Alfi, who is an Egyptian American businessman who has become a very good friend and was really the creator of the Flat6Labs incubator that Niam kindly referenced in his introduction, who really has probably, in my opinion, done more than any other single resource including, by the way, all aspects of the U.S. government combined, to spur entrepreneurship in Egypt and he believes very simply that we have to give people a reason to live for rather than a reason to die for.

Hernando de Soto, who we all know, is the famous Peruvian economist, who has studied development for a long time, has also come to the conclusion that it's about economics, it's not about -- generally speaking -- the headlines, the politics, the religious differences, and we'll talk about that some more.

So, job creation is the single most important thing, but there are a couple of other things and these are items that both Under Secretary Sonenshine and Ambassador Hume know very well. When I worked at the State Department, which was really my first government job and quite eye opening, I worked for Secretary Clinton and learned a whole lot about women and girls which I didn't know and hadn't really thought about. One of the things I learned was that entrepreneurship is very often the only leg up, the only path up, available to women and girls and for that matter, to people not born to privilege. So, one of the things that is a critical aspect of entrepreneurship is that it broadens the reach of a society.

The second thing I learned, which again is something that, you know, people who have far more experience in diplomacy and foreign affairs than I do, recognize is that entrepreneurs are a great bridge class of society. Entrepreneurs are the same person everywhere in the world. Whether they are in Boston or Bombay or



Jacksonville or Jakarta, they are the same person. They are more interested in talking about their business than they are about talking about Shia and Sunni struggles, than they are about talking about the Arab-Israeli problem, than they are about talking about sectarian issues between Protestants and Catholics in Northern Ireland.

And one of the things that was most interesting in my work was that I spent all of this time in exclusively Muslim countries, so I'm a nice Jewish boy from Los Angeles, and I spent all of my time exclusively in Muslim countries and people knew that I had, you know, lived in Israel, and I had connections there and in the neighboring countries, in Lebanon and Jordan and the West Bank in Egypt, the first question that entrepreneurs would always ask me, is: is it possible for the State Department to organize an event in Washington so we could meet Israeli entrepreneurs in VC's because we live next door to the start-up nation, we know it's a start-up nation, we can see it from our balcony and we have zero way of interacting. We can't pitch our products, we can't pitch our companies, is there any way you can help with that.

So, it's a bridge among people. It also happens to be very good public policy. One of my favorite examples is from a researcher I respect enormously, Josh Lerner at the Harvard Business School, who among many books on U.S. development policy has written "Boulevard of Broken Dreams" which is a fantastic and very sober look at U.S. development assistance. But one of the points he made in the book was that, you know, the role of entrepreneurship as an economic development policy tool, you don't need to go much further than Singapore and Jamaica to see the difference. Singapore and Jamaica were the same size, they were both British Colonies, they were both islands, they were both English speaking, they had the identical per capita income in 1965, and 50 years later they could not be more different.

And while I am the last person to say that entrepreneurship was the only thing that explains the difference, of course not, and certainly I am the last person to say

that Singapore in all that it does is a role model for what we should all be doing, that is also not true. But, given that this is a social science, and given that there is never a direct cause and effect relationship between one thing and another, you cannot help but notice the connection between economic policies clearly implemented through much, much, better governance than was true in Jamaica, but economic policies in Singapore that explain its astronomical success and the same is true in places that are not quite so obvious, Rwanda. Rwanda, arguably 20 years ago at the end of genocide, was probably the country in the history of world that was the most devastated. You know, the average age in Rwanda was 12. 70 percent of the men between the ages of 18 and 30 were dead. 64 percent of the women were HIV infected and there were two medical doctors. Today Rwanda has had the greatest increase in its per capita income of any sub Saharan African country quadrupling and that's reflected in the fact that it's also had the greatest improvement in what I'm sure many of you are familiar with the World Bank doing business indicators, which I think is actually one of the best things the World Bank ever did, was publish the transparent race of who is actually making progress. They have the best improvement in history moving from 143 to 67 in 2008 and 2009.

So, entrepreneurship is definitely good for you. Now it also happens to be very American. In fact, entrepreneurship is so American that we don't even as Americans sometimes realize that for foreigners sometimes after our movies and music it's the number one thing they like about us, and again, because there are so many of my friends and colleagues from the foreign policy establishment here, they're a lot of people who don't like a lot of things about us these days so finding one thing that they really do like is not insignificant, right Tara?

So it turns out that American's sort of entrepreneurial and innovation culture is very widely admired all over the world and therefore it is an asset, it's a tool that we could use if we wanted to use it. So, are we using it because it makes such great

sense to use it? No, we're not using it and we're not using it big time. Spending on entrepreneurship development is less than one percent of the what is already less and one percent of the U.S. budget that is development assistance. So we're one percent of one percent.

It makes us behind such titans of entrepreneurship as the Netherlands and Sweden who are famous for their entrepreneurial cultures. In fact, it puts us right about the same level as Australia which as 23 million people and is an island and is 15 hours from anywhere on earth and has one-fifteenth the population of the United States. So, we're right about the same level as Australia. And I think that's terrible. And I think that has to change.

Not only do we not spend very much money but what money we do spend we spend very poorly. The U.S. government is completely disorganized when it comes to using this tool. Programs that relate to this are spread across 12 departments, 26 agencies and 60 offices within the U.S. government. And for those of us who have experienced working in or with the government, which I would imagine is more than half of this room, you'll know that even if it's within the same agency, like my agency at the State Department, that is absolutely no guarantee that people will work together anyway and in fact it's quite likely to prevent them from working together.

So, when we started the global entrepreneurship program which was the beginning of this whole adventure which I helped start with a great deal of mentoring from Sue Sarnio, who is also here, and which is today run by the head of the GEP today, who I think is the fourth one since I started it, Tom Larson, and I'm grateful that you're here. This is one of many tiny places that are trying to do this work and I need to point out the office continues to have zero dollars of funding which was the case throughout my tenure as well.

When we do fund entrepreneurship how well do we do at funding it? Not

very well. USAID is by far and away the U.S. government agency that provides the most funding for entrepreneurship and the way the USAID works or doesn't work, Josh Lerner's Boulevard of Broken Dreams is a good example of that, a third of all USAID funding goes to just three firms. 75 percent of all USAID funding goes to 20 firms and virtually none of the people who work in innovation and entrepreneurship who are new to the game are actually able to participate. I have a consulting firm, which in full disclosure I actually should have said right at the beginning -- I work for a number of funders development agencies and others -- I don't bid for USAID work.

So, we have the problem that I call turning a screw with a rubber screw driver. We have the policy. Everyone talks about the policy. All of us who have worked in government have written talking points for everyone from the President to the Secretary of State, to every Under Secretary, Assistant Secretary, Deputy Assistant Secretary, Ambassador on down. They are all the same talking points. Sometimes the data is refreshed but even that is hard to do using the State Departments IT system. But none of them actually result in functioning programs. So, it's why I call turning a screw with a rubber screw driver. It is almost impossible to connect the dots and achieve what it is that we are trying to do.

And one of the reasons is that so much of the work of government today is done by outside contractors. Depending on which numbers you use, some number north of 50 percent of all U.S. government programs are delivered by outside contractors. In some cases, like USAID, 100 percent are delivered by outside contractors. The agency has essentially no program officers who actually deliver programs on the ground any more.

The U.S. government spends over 500 billion dollars a year on outside contractors making it by far and away the largest customer in the United States. The way in which these contracts are awarded, the procurement process, while not a very sexy

subject, is extremely important. I think it is especially relevant when we talk about start-ups, because in the world of start-ups and innovation it is very, very, difficult for new, young, entrepreneur companies to get contracts. It's what I call the "mouse and hippo dancing with each other" problem. A small start-up is never going to be able to even understand the bidding procedures much less complete the bid, much less win the contract, much less meet the reporting requirements once they do. Which is why I wrote in a Brookings log some time ago in the case of Healthcare.gov the company that won the contract to program Healthcare.gov, which by the way as somebody who ran an IT company once, is not a hugely complicated issue. I mean, FedEx's tracking system does more on an average Tuesday than Healthcare.gov does in the 20 questions you have to answer.

But the fact is that the entire bold, audacious reform plan, regardless of whether you think it is the right policy the wrong policy, it's certainly bold and audacious, was almost torpedoed because the website didn't work. And why didn't the website work? Because the contractor who was selected to program the website was expert at winning federal contracts, by the way it was not even a U.S. company, it was a Canadian company. But, they'd never actually programed a website like this. But that was not relevant in making the decision of who you pick because they did all of the other things that were required in the contract except know how to program the website. That's what I mean about the mouse and the hippo dancing with each other. It makes it very difficult.

So, what should we be doing? Well, I believe that entrepreneurship development is one of those few things in the world that is actually influence able. You can turn that one scraggly scrub into a garden and, unlike most things in international politics that are intractable issues, centuries old animosities, religious and ethnic hatred, battles over land and increasingly water, entrepreneurship is actually something we can do something about and it doesn't even cost all that much money. And, by the way,

we're experts.

The particular method that I use is something I developed called the Six Plus Six Model for Entrepreneurship Ecosystem Building and the basic premise is simple, there is no one magic bullet, there is no one single thing you do to move the needle in entrepreneurship development rather it's a combination of things. So, it's not about just starting a venture fund or just building a business incubator or just hosting a business plan competition. It's about a combination of things. There's six categories of activity: identify, train, connect and sustain fund, enable public policy and celebrate entrepreneurs, and six categories of players: corporations, foundations, universities and (inaudible) investors and government, who must be woven together through specific programs that move the needle.

The way that I work in the consulting work that I do is in a three step process where we first diagnosis an ecosystem then design a program to bolster that ecosystem and finally implement that program. This is an example of a diagnostic that we did for GONA, and the entrepreneurial ecosystem of GONA, who was about three years ago -- right, Matt? But the diagnostic exercise and the methodology that I've described are universal. So, the analogy that I use is it's a little bit like being a doctor. Every human being on earth has exactly the same biology, physiology, anatomy and chemistry. Everyone who goes to medical school learns better or worse the same facts. The remedies that are available to solve a problem are also relatively standard. Particularly in industrialized counties where they are all available. What is different is the actual treatment regimen that is recommended for any specific patient. So someone who has exactly the same problem, medical problem, is likely to be treated differently than someone else based on a whole bunch of other factors that are unique to them. So creating programs to bolster entrepreneurship is a bespoke trade. It's a customized trade and you have to do it on a case by case basis.

We know that entrepreneurship is good, and we know that America could do this, but why should America do this?

Well, I'm of that generation that are trekkies, and so my answer is because it is the role of government to do what needs to be done in a society and what no other aspect of society will do. So, I think for example, to the Marshall plan. The investment and the return on that investment from the Marshall plan were very widely spaced in time. Huge amounts of capital were required with a 15-20-30-50-year time horizon vision. Private investors who are looking at quarterly returns are not likely to make those kinds of investments. Yet having made those investments the United States both politically -- but especially economically -- has reaped benefits that are unimaginable. They have given us the highest standard of living in the history of humanity and that is primarily because we rehabilitated Europe and Japan after the war and the sum of the parts was much greater after we did that. I use the same analogy in entrepreneurship development.

One of the other million reasons entrepreneurship is good for you is that everyone makes money and the biggest benefits of the start-ups that are successful in developing countries will be to those you invest in them. And if we aren't among that group then we're not participating in that.

So, I believe there are a lot of reasons why the government, and particularly the U.S. government needs to be involved.

Too close, there are four main areas in which we need to change what we do. Funding, organization, procurement and people. First, we have to spend more money. Second, we have to spend it smarter by organizing ourselves in a more rational business like fashion. Third, we have to reform procurement and contracting mechanisms at least as relates to entrepreneurship and innovation. I am not here to argue that we revamp all of the procurement and contracting of the entire U.S.

government. I had the pleasure of taking a course on the way that the U.S. government buys goods and services, FAR. The Federal Acquisition Regulations. There are 54 volumes of the FAR, each has 2000 pages, and they are the thickness of the phone book, if you remember phone books. Those of you who are old enough to remember phone books.

So, it's very unlikely that anybody who does not make a career out of federal contracting can be successful in federal contracting.

And, last, I genuinely believe deep down in my kishkes as we say in Yiddish, that you have to have people. At least some people who have experience as entrepreneurs. There is general view in the State Department that distains subject matter experts because everyone is supposed to be generalist and if it's Tuesday I'm a counselor officer in Brussels and if it's Thursday I'm on the desk in Bagdad and I'm universally trained and universally applicable.

As a business person, that's absurd. You would never in a million years hire somebody for a responsible position who hadn't had experience in that particular line of work. At Warner Brothers you're not going to give somebody the budget authority over a 200 million-dollar picture because last week they worked on an animated strip that was worth 5 million dollars. How different could it be? It's totally different.

I know this is an alien concept in government but expertise matters. Experience matters and we don't have America's best working on some of America's biggest problems, in my humble opinion.

So, that is the end of what the presentation is about. I want to ask at this point Ambassador Hume and Under Secretary Sonenshine to come and sit up on the dais and while they are doing that I'm going to tell you how amazing they are.

Tara Sonenshine is a former Shapiro Fellow and Distinguished Fellow at George Washington University School of Media and Public Affairs. She's Under



Secretary of State for Public Diplomacy, which in the capacity in which we worked together she was Executive Vice President of the U.S. Institute of Peace. She served in the Clinton Administration in several capacities. At the White House she was an editorial producer of ABC. She's a career journalist and a reporter for Nightline and she holds ten news Emmy Awards for coverage of international affairs. She is also a proud alum, as am I, of Tufts University.

Cameron Hume is one of the Foreign Services most distinguished career senior ambassadors. He retired after over 40 years in the Foreign Service. He served in posts in Italy, Tunisia, Syria, Lebanon, the United Nations, and the Holy Sea. He was Ambassador to Algeria, to South Africa, and Sharjah in Sudan, though I met him working on global entrepreneurship programing in Indonesia, in which he was one of the few and strongest supporters. He's been a fellow or guest scholar at the Council on Foreign Relations, the Harvard Center for International Affairs, the U.S. Institute of Peace. He's a lawyer admitted to practice in New York and D.C. and now teaches at Georgetown. Ambassador Hume is a graduate of Princeton and the American University School of Law.

What do you guys think? (Laughter)

UNDER SECRETARY SONENSHINE: There's an open ended question. Can you hear me? Good, I see heads shaking.

Firstly, a round of applause for a very inspiring and enlightening presentation. (Applause)

I have two or three additions or building upon what was said today and that is first I'm going to just throw out some interesting things that the Ambassador and all of you can weigh in on. There are some bad people in the world who might have seen this presentation because they are working off it, and I'm talking about extremists and I'm talking about groups like ISIS. Just because you have bad intentions does not mean you

don't know how to be entrepreneurial and we best get our entrepreneurial act together if we're going to do things like counter violent extremism. Because these groups know how to give away money, how to recruit, and how to be flexible and adaptable. So there is a security reason that we have to get this right. So I want to throw that in the mix and ask the Ambassador comment on it.

The second thing is the tech, hi-tech, low-tech. I want to mention a sector that I believe needs and can do peace through entrepreneurship, and it's the media communications information sector. I see colleagues of mine, Anthony Garrett at Inter News. These are organizations that are building radio stations, television stations, internet capability, in societies that would be dark without that entrepreneurial light and we have to fund that stuff. We can't complain about the media if we're not going to fund entrepreneurs who are journalists, investigative reporters, or media communicators.

So I want to put that in your basket and the third is international education and exchange, which is part of the work I was doing at the State Department. If we don't create the cross-cultural engagement, we will be siloed. I mean, entrepreneurship works because there is an ecosystem and because it is not owned by one agency or one person or one entity. It is fundamentally about teamwork and unless we are going to create those cross-cultural mechanisms I think we will deprive ourselves of the oxygen that you need to make this system work.

So, I turn to my colleague to see if any those rattle around in your brain.

AMBASSADOR HUME: There is a lot of rattling, I'm one of those State Department generalists that Steve talked about. (Laughter)

Yeah, I think you started out, Tara, I think we have reason to fear. The situation that Steve points about, unemployment, is likely to get worse. It's not going to get better. You look at the situations of societies and stress for example, in Africa, Niger case in point, the median age is 15. Now, that implies no matter what happens you're

going to have a lot more people living in Niger, and it's going to be a Niger which is hotter, and it's going to be a Niger which is under greater water stress with a population three or four times that of today. And people don't sit still, some do, but many others hitch a ride on a truck and they go to the coast of Libya or Algeria and they try and find their future. Today they are trying to find their future in Italy or Spain. But don't think for minute they won't look for a future in Florida. These are just things that are happening and we know from the international system today that while we can make it difficult for people to cross borders it's impossible at least for states in the west to truly control their borders. We don't have the will to shoot people crossing borders. We don't. I'm not saying we should.

UNDER SECRETARY SONENSHINE: Nor should we necessarily want to and this is one last point to build on that. Steven mentioned in the presentation how much people want to come to America to avail themselves of the spirit of entrepreneurship.

One quick story: Pakistan. As an Under Secretary you're sent -- I was sent to Lahore to convince people or persuade them of our good American values and our foreign policy and the young people were very hostile to an Under Secretary in Lahore when I got there. And in the Q & A, just like this, I said I want to take questions, the Embassy said please don't, I said I came to take questions I didn't fly here to give a speech. I could have done that on Skype. I came to engage with people and I want to take questions. People got up to the microphone and they asked why do you send drones over our country. Second question, why did you come in here looking for Bin Laden? We don't go to Chicago looking for your mobsters. Why did Ray Davis, a contractor -- it went on and on and on, and the Embassy was trying to yank me out of there and then I said, well, I'll stay behind and talk to students one on one. Made them hysterical -- the Embassy. Just absolutely hysterical.

And a line formed around the room and quietly, young Pakistani students from Kanir College in Lahore whispered a question: How do I get on one of those Fulbright programs? How do I get to one of those peace tech camps? How do I get to one of your universities? Do not for a minute underestimate the magnet and the magnitude of that spirit, and I think you were trying to say we are underutilizing it.

(Applause)

MR. KOLTAI: Since we worked together a little on Indonesia as a case study as an example, and since you have an extraordinary depth of experience in the Department, I'd love to hear you talk a little bit about realistic going forward solutions.

AMBASSADOR HUME: Well, first I'd say when you look at most of the countries you're talking about they went -- since becoming independent -- initially they were more or less praetorian states, militaries controlled them and the government was the main investment vehicle. Today they are what I call gate keeper states. Egypt is an example where the economy has largely been privatized but the habits don't change and for the entrepreneur they can't crack through and get access to credit so they grow from being a firm with five people to a firm with twenty people and all of the things that you need to create that entrepreneurial society with rule of law, with jobs, with opportunity, with exactly the things the Under Secretary mentioned. It is things that people find appealing about our own country, so the need and the possibility is there.

I think what happens often in government, and I know there are lots of people here today who work in this environment and I'm not being accusatory, but my experience with people who would say, "we have problem do you know how to solve it?" and you'd go out, you'd look at the environment, and you work and you go back and say, "look, this is something we can do, it's not going to cost any more money we'll get the results you want." They'd say, "you can't do that". Well, why can't we do that? Well, we didn't do it last year and those of you who work in government know I'm not making that

up and somehow it is beaten into the minds of people you can't find the opportunity and it's not true. Things do change, particularly when they get bad enough and the problems that are going to be caused by people particularly in North Africa though Southwest Asia part of the world by not having jobs, those problems are going to get worse, and change is going to have to come.

Fortunately, we have things we could use as a society if we sort of bucketed it up a little bit.

UNDER SECRETARY SONENSHINE: But, I want to give you a positive on this, and credit to President Obama on one aspect of this, the annual we have to do something every year. The Global Entrepreneurship Summit, sense the Cairo speech in 2009, has taken place every year, and we can argue whether the White House is the best home for it, whether it really is anything more than a talk shop in Tunisia or Stanford, but I must say that is leadership. That is taking ownership of something, so I don't want us to throw out all the bad.

AMBASSADOR HUME: Well, absolutely, and as you know, I helped plan the first one, and we launched the Global Entrepreneurship Program at the first one, and so you're right. The government is great at convening and catalyzing, it's just now so great at then following through and funding.

MR. KOLTAI: Before we run out of time I do want to invite people, we just have little bit of time, but maybe let's have three questions one after the other and then we'll answer them all together but please make them brief so we can get to a lot of people.

Yes, ma'am?

SPEAKER: -- and I share your views on the ability of the hippo to be able to dance with the mouse. One of the problems is that we're not supposed to lose any money, we're supposed to invest and get the money back, and you mentioned you

had a couple of miserable failures before you made a hit winner and I think if the process were -- I would like your views on how to adapt that, because you have to be able to take some losses in order to develop in entrepreneurs.

MR. KOLTAI: Okay. Yes, Ma'am?

SPEAKER: I'm Mitzi Wertheim (, I'm not supposed to announce where I work. (Laughter)

I think this is a global problem. I think the problem of not having jobs exists in the United States as well. I don't think our economists have metrics that measure it well, I mean, here in the U.S. when you use the GDP and you average it out, you don't pick up that data so we don't understand how bad it is. I think her point about process is absolutely key, and I would argue that on the whole nobody really understands how these processes work, and if I could make a recommendation it would be that academics, when they explain about stuff, have to identify the story in five pages -- what have you learned -- so the general public can understand it and I would also say, because these processes are so complex they need to be illustrated because there are so many piece parts nobody understands it.

One final thing, Jim Clifford at Gallop has a book out called "The Jobs War" where he talks about this. I recommend it for everybody to read. I think it's after the environment, the most difficult problem we face universally worldwide.

MR. KOLTAI: Thank you. Can you just hand the mike to the person behind you -- the gentleman?

SPEAKER: Thank you, Steven. Just real quick -- at the end of your book you talk about a business plan and we've talked briefly on it. I'm just curious on your thoughts as far as how veterans and front-line civilians who have actually served on the front lines there, can help you scale your notion of that Six by Sixty Ecosystems so we can actually build off of that.

MR. KOLTAI: Great. Well, let me try these three first really quickly and if we have any time we can have more, but just to start with that last question which is terribly important and it's something I've become increasingly interested in recently. I think that when you talk about bridge populations veterans are really, really, interesting and have not been at all sufficiently utilized example of that, of a bridge population.

Here are people who have lived and worked in some of the toughest, most inhospitable places on earth. They have figured out, seen, learned, observed, how things actually work on the ground. What things are needed. What opportunities for new businesses there are. They have also seen and met some people who are incredible. Those are all ingredients for success in helping to create a start-up and we don't use veterans, we don't empower veterans who are interested in this. Which, of course, is not going to be everybody, but those who are interested in this, there are some, I think, really interesting innovative potentially deeply impactful things we could be doing with veterans with respect to start-ups. Especially in some of these post conflict and fragile states.

On the question of OPEC and our need to always be breaking even, this, of course, is a point I hit head on with respect to the Marshall Plan. You know, the need to quote unquote break even, that may still be true but let's not look at it as a one-year, five-year, ten-year thing. Let's look at it as a 20-year, 30-year, 50-year thing. So, on a 50-year, you know, there's no way that the investment that the United States made after the second world war broke even, you know, in the first year or two or five. It broke even and returned many, many, times the dividend that we paid over the subsequent years. That's point one.

Point two, and this is one of the most important objections I have to the way that the government operates now, OPEC, which frankly is at the top of my personal list of agencies that already exist and would be well positioned to take this on as its mission, operate under, in my view, under the wrong assumption that government is not

supposed to take the first loss, that government is supposed to take the same loss, i.e. no loss, as the private sector. So, my question then is: when you look at the World Bank or other development institutions or publicly funded agencies, if they are not in fact the ones that are designed to boldly go where no man has gone before, where no other private investor is prepared to go, then what is their purpose? Why are they here? If the private sector would do it anyway, why do we need them?

So, to me, the fact that OPEC doesn't lose money is an example that it's not working. OPEC should be losing money early; it should be making money if you take a longer time horizon. But it's immediate -- it should be going to those places that are most in need of immediate support to pave the way to make places investment ready and investable going down the road.

And then the last point, I'll just make on Mitzi's comment is I couldn't agree more. The data is, you know, very difficult and if you think it's bad in the United States then try finding the data for Afghanistan. It's just virtually impossible.

I don't know if either of you, Tara or Cameron, want to make a closing comment, because I think we're just about out of time.

UNDER SECRETARY SONENSHINE: Sure, I will yield the last work to my colleague. I think I would only say on the Marshall Plan, to make this entrepreneurship and peace and global impact work, for me you need PR, not in the traditional PR sense, you need patience and risk. The patience we had with the Marshall Plan was that we would be patient for 50 years. I would argue that Greece and Turkey today need a Marshall Plan. The 50 years are over, it's up and they both are not in great shape. So, you have to be willing to take the risk and reinvest. You have to be patient but you've hit a point where it needs a new infusion you've got to be there to take a bit of risk, and I guess the problem is government is risk adverse and often impatient. But you can tell us how to solve both of those. (Laughter)



AMBASSADOR HUME: Well, I doubt the answers will be found in Washington, they have to be found on the ground and I think if you want to find those answers you have to look at the functioning parts of a society and what opportunities they offer and I think particularly for the people who do official development assistance, I think we have to be more open to working with enterprises that may produce a surplus because if a project does not over time produce a surplus, not just do a social good for someone, the local community will not take the ownership, it will not have those dynamic impacts that create more respect and demand for rule of law and democracy and freedom, and I think we have to open up our silos, or maybe blow up our silos. Thank you.

MR. KOLTAI: So let me just say in closing by way of thanks, I particularly want to thank Darrell West who runs the governance studies program here who wasn't able to join us in the beginning and who was kind enough to give me both a home and most importantly encouragement to do this work, so thank you Darrell, and thanks to everyone for coming today. I will be out there to talk to people and sign books if you'd like to do that, and obviously would love to hear from people who are excited or interested in this kind of work. Thank you so much. (Applause)

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