

**Remarks by Special Adviser to the Secretary David Thorne
IN3, June 9, 2016**

Buenos días. Es un gran placer estar con ustedes. Thank you, Ambassador Costos, for inviting me to speak at “IN-cubed” this year. This is a great event and I applaud the efforts undertaken by the U.S. Embassy and the Chamberí Valley Association in organizing it. Thanks especially to Dave McClure for joining us here today.

I am excited to be here today because this event involves an issue that is close to my heart, which is to energize entrepreneurs around the world and create opportunities for inclusive economic growth.

Like Ambassador Costos is doing here today, I made bolstering entrepreneurship one of my top priorities when I was U.S. Ambassador to Italy – a country not unlike Spain. There, we helped to push entrepreneurship and the digital economy onto the national agenda. We also organized conferences called “Digital Economy Forums,” which offered discussions on best practices as well as networking opportunities between young U.S. and Italian entrepreneurs.

As is the case here in Spain, it was clear that Italians wanted to do more business online and better understand entrepreneurship. It was also clear, as it is here in Spain, that there can be some cultural resistance to going out on your own and starting something new. In a recent survey only 18% of young people in Spain were interested in doing that, while the majority was interested in working for established businesses or being civil servants. But, my friends, that is a good number to start with -- it is enough to lead the way!

How many in this room have started or want to start your own business? You are the future of Spain! You must lead the way!

I am encouraged by recent success stories in this very room. Online ticket platform Ticketbis was recently acquired by eBay. Location intelligence and data visualization company “CartoDB” late last year secured \$23 million in Series B financing, while ride service “Cabify” secured \$120 million in Series C financing. These are great stories and highlight the value being created by entrepreneurs in Spain.

In the United States, the digital economy now represents 6% of our GDP, that’s over \$1 trillion -- and growing. Twenty years ago I attended a presentation by a leading venture capital firm in California about this new thing called the “internet.” They gave expectations for the next 20 years. Let me tell you, those all fell way short of what happened. Imagine what the next 20 years will bring! The truth is that the digital economy is now critical for economic growth, job creation, and the ability to compete globally.

This is especially important for countries like Spain and yes -- also Italy. Youth unemployment here is almost 50%. Young people in Spain, as in the United States, want opportunities to find good jobs as well as outlets for their creativity. They are a tremendous asset, and unemployment among young workers represents a missed opportunity. The question is: “Where are the jobs going to come from?”

I was an entrepreneur before I became a diplomat and got an inside view into the job-creating power of new businesses. This power is very real, and there is concrete evidence to back it up.

Since the early 1990s, for example, nearly all net new job growth in the United States has been generated by businesses that are less than five years old. That represents over 40 million net new jobs.

Take a moment to think about that. Tens of millions of new jobs have been created thanks to the entrepreneurial efforts of people like all of you in this room.

The fact is that entrepreneurship is not just the driving engine behind job growth and prosperity, it empowers individuals. That is why we all have to find ways to make it easier for people to turn their good ideas into great businesses.

The energy and courage of individual entrepreneurs is, of course, the most important element of this kind of growth. But what is the role of governments? Public sector policy frames are also essential to enable this activity.

In the United States, we have worked to create policy conditions that allow scale-up companies (like the ones in this room) to thrive. We have fostered an educational system that prizes innovation and creativity. And our legal system is structured to nurture and protect new ideas, allowing these to grow into successful ventures.

Amid this environment, we have seen places like Silicon Valley in California, New York (now known as “Silicon Alley”), Research Triangle in North Carolina, Austin, Texas, and Boston, Massachusetts, alongside countless other places take root as productive entrepreneurial eco-systems.

In order to create an enduring, productive business environment, there is no question that there must be a corresponding focus on supportive, good government policy. There is no “one-size-fits-all” approach. Countries have different cultures and governments. But there are some common themes.

First, we need to keep encouraging and simplifying the process of new business formation. Spain has made strides in recent years, but there is still room for improvement!

At the same time that we streamline the process of business formation, we need smart bankruptcy measures -- ones that do not discourage individuals from taking on the inherent risk associated with business creation in the first place.

On this front, it is an important first step that Spain has recognized the need to take action. Last year, the Spanish parliament passed landmark reforms called the “second chance” law that were aimed at making it easier for debtors to start over should their venture fail or should they encounter financial distress.

We’re enthusiastic about the government’s efforts to help redraw bankruptcy protections here, and we encourage additional steps when the next government is seated, to continue the positive momentum.

We must also institute improved intellectual property protection. As the world becomes more digitized, strong intellectual property protections are vital to ensure the profitability of our knowledge-based economies -- which are so fundamental to entrepreneurial activity.

At the same time, we must ensure free flow of data and encourage a unified digital architecture. As you know, the United States and Europe are working together toward common digital standards. This important step will help entrepreneurs and improve the conditions for e-commerce.

Furthermore, we should foster development of new financial technology -- such as mobile banking and blockchain transparency to allow fast, secure transactions at lower costs. Financial technology (so-called “Fintech”) promises to break important new ground and investors have taken notice.

A Wall Street Journal article last month noted that \$21.6 billion in venture capital went to start-up financial technology firms last year alone. And big banks are accelerating their investment in development of new technologies. These efforts will provide the backbone to e-commerce activity that is so important to continued growth. Moreover, FinTech can support transactional transparency and take out middle-man interference and corruption. The easier it is to move money around safely, the more it will encourage new business growth here in Spain.

We must also be mindful of the important synergistic relationship between university research and business. There was an article in the newspaper “El Pais” a couple of weeks ago that said many discoveries in Spain never make it to market, in part because their commercialization yields few profits back to the university that generated the patent. This is troubling given that we have seen in the United States how technology transfer is so important for new ventures.

Of course, there are famous examples such as Google and sports drink Gatorade, which can be traced back to university research -- even the internet itself! But there are also countless products within the technology sector, pharmaceuticals, medical equipment and procedures, agriculture, or innovative materials that have generated tremendous economic activity around the world. So it is important to keep up vibrant and productive technology transfer in our countries.

Finally, we need increased flexibility of labor laws and expansion of educational opportunities so that young people can gain marketable skills and enjoy the freedom to move between companies and sectors. And so that companies can expand and contract easily as markets change!

I encourage governments at all levels here in Spain -- national, regional, and local -- to take a close look at what young, growing businesses need most to grow and then implement policies that will help them prosper.

Looking more broadly, we can support entrepreneurs by opening new markets. The United States and the European Union already have the largest trade and investment relationship in the world with \$3 billion in goods and services traded every. T-TIP is a next vital piece in this vibrant economic relationship.

T-TIP will eliminate tariffs, cut red tape, and bridge differences in regulations -- all of which will make it easier to invest and trade, including for our small businesses. T-TIP will not lower standards, as some claim. It will broaden and improve standards.

T-TIP will help encourage growth across the 28 nations of the EU, including Spain, and allow for long-term growth that Europe needs to create more jobs, including for young people.

To conclude, I have two last points.

One vital issue beyond the regulatory environment is that of raising capital. This involves the question of seeking investment versus borrowing -- which I know is a tradition here as it is in Italy! In the United States, we are accustomed to “angel investors” -- those people beyond family and friends who are

willing to take a risk on a good idea. Our start-ups in America simply couldn't do what they have been able to do if they had been burdened with debt from the start. For that reason it is important to develop "angel investor" networks and start-up venture firms that can help finance new companies.

Second, is the importance of mentors. A social entrepreneurship firm in the United States, called "Endeavor," has been helping start-ups around the world. In fact, "Endeavor" has been a key partner in putting together IN-cubed here in Madrid -- both this year and last. During its efforts in Latin America, "Endeavor" observed something very interesting. It found that the presence of a successful local entrepreneur -- one who had already succeeded in founding a new successful venture in that local environment -- was a key determinant in assuring the success of another new venture in that environment. I urge you all to seek out the support of such a mentor -- it will improve your chance of success!

Finally, let me say a few words about cultural norms, because I became aware of this challenge in Italy. There, I saw societal conventions that tended to stigmatize business failure. But, as you know, entrepreneurship is about navigating through risk. In my experience, even the most savvy investor can expect half of the ventures he or she backs to fail. Another quarter of them will break even, and only the top quarter will yield sizeable gains -- and that's the record of the best venture firms. Failure isn't an anomaly. It is to be expected at some point if you are doing something truly innovative. Entrepreneurship requires perseverance through uncertainty and even "instructive failures" that provide needed lessons. The leadership of people in this room will hopefully change the cultural perception!

I firmly believe that one indispensable ingredient behind the success of entrepreneurship in the United States is that, as a society, we have embraced the notion that initial failures do not disqualify you from future success. We celebrate those among us who have the courage to try something new and who take a chance to create something on their own -- even though many do not succeed on their first try. Let me put it plainly. The United States could not have become what it has, if not for the fact that we were able to overcome the fear of failure. The quicker this notion takes root around the world, the quicker economies will grow.

In closing, I want to stress that the United States believes strongly in what you are all doing here. We believe in the "do-ers" who are creating jobs by taking an idea, creating a start-up, and then scaling up that company to serve ever increasing numbers of people.

We believe in the investors who identify brave new enterprises and help them grow. And we believe in enlightened government that seeks to create the conditions under which entrepreneurs can thrive.

Government, educational systems, and private investors working together in common cause can help create a supportive business ecosystem, expand the economy, and improve the lives of all our citizens. I commend your commitment to creating the economic growth that entrepreneurship and innovation provides.

Adelante España!