



Remarks Prepared for Delivery

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I. OPENING

Thank you, John, for that kind introduction. It's my pleasure to be here on behalf of two U.S. Government agencies at this wonderful conference celebrating two things close to my heart – entrepreneurship and international trade.

I'd like to acknowledge the fine work of our U.S. Ambassador to Sweden, Michael Wood. He's an ambassador whose clear and targeted agenda is making a real difference on both sides of the Atlantic.

I also wish to thank Ambassador Jonas Halfstrom for this assistance in making this visit possible. He is doing a marvelous job representing Sweden in Washington, D.C., and I have enjoyed my many interactions with him.

The United States and Sweden have a long history of friendship and cooperation that is built upon a shared commitment to democracy, human rights, and freedom. This friendship is buttressed by the presence of nearly 14 million Americans of Swedish heritage – who I know are very much looking forward to King Gustaf visit to America later this month – as are all Americans. We are honored by his visit.

Beyond our friendship, commercial ties between the United States and Sweden are extensive, mutually profitable, and growing. With bilateral trade between our great nations of nearly \$18 billion annually, and bilateral business investment of nearly \$60 billion, each country has an increasingly large stake in the health and openness of the other's economy.

Sweden is not one of America's 10 largest trading partners. However, the impact of Sweden in America far outweighs that ranking. Sweden has a reputation as an innovative country. Everyday lift things – from auto safety, to clean energy, to do-it-yourself furniture – Sweden has made the world, and America, a better place.

That is why an open and continuing dialogue between our nations is so important, and events like Edays are great opportunities to advance this dialogue and promote U.S.-Sweden trade and investment. Edays, with its focus on entrepreneurship, is a particularly interesting dialogue to me given the critical role that small businesses play in both in the American economy and in the worldwide marketplace. In the U.S., 97% of all exporting companies are small

businesses. Entrepreneurs are the chief beneficiary of the promise of strengthening international business partnerships with countries like Sweden.

As we discuss at this event how to bolster business opportunities between the U.S. and Sweden, I would like to share with you some thoughts with you for your consideration on what I consider to be the “new realities” of the 21st century worldwide marketplace in which we are all working and living.

II. U.S. ECONOMIC DISCUSSION

Before I do that, however, some context can be helpful in terms of where our economies stand today. We meet at a time when many Americans are facing challenges. Americans are concerned about their economy. Gas prices are high by U.S. standards (\$3.65) – although they currently decreasing. High gas prices have driven up the price of getting to work, the cost of food, and has hit sectors such as transportation especially hard.

Up until earlier this year, the U.S. was engaged in the longest job expansion in our history – about 50 months of continuous job growth. Now, we’re seeing an uptick in the unemployment rate, and have gone through several months of job loss. The credit markets are slowing investment and home prices are stabilizing after a period of decline – all of which has impacted the confidence of the American consumer.

It’s important to understand, however, that while some pieces of our economic fabric are slowing, what is most important is the overall direction the economy is headed. The American economy posted a strong gain of 3.3% at an annual rate in the second quarter, which demonstrates the resilience of the American economy.

This resilience is due, in large part, to America’s success in exporting our goods and services. In 2007, American companies and workers scored a record-breaking \$1.6 trillion in goods and services exports, 12% over the record in 2006. U.S. exports account for over 12% of our GDP, compared with only 5% forty years ago.

This is important, because the jobs associated with exports have higher wages than other jobs, which helps drive our national prosperity.

Imports to the U.S., on the other hand, provide lower prices and more choices for American consumers, and Foreign Direct Investment in the United States provides 5 million U.S. jobs that pay 36% higher wages than other jobs – and we continue to welcome investment in the U.S.

So, while the United States is facing some economic challenges, thanks to our active engagement in the worldwide marketplace, our economy is resilient and is growing.

III. LOOKING FORWARD – FIVE NEW REALITIES

The challenge we face – that we all face – is that maintaining economic growth – and strengthening our competitiveness – will not just happen on its own. It will take effort. It will take both smart pro-growth national policies and forward-looking action in order for America, or any country, to compete successfully in the worldwide marketplace. As I see it, there are 5 realities of 21st century competitiveness that are central to the practice of economic development.

Reality #1 of the 21st Century economy: While perhaps the most obvious, it's also the most important; and it's that we are truly in a Global Economy, or as New York Times columnist Tom Friedman says – the world is...flat. In our new flat global marketplace, competition is not just from the company next door, the city next door, or even the county or state next door; our competition today comes from any person on any point on this globe with a good idea, a good education, and a good Internet connection.

On the other hand, our partners too can now be anywhere on the globe. Global markets present not just new competition, but also new opportunities for partnerships, such as the Flint, Michigan – Swedish Biogas project that I mentioned during the panel discussion. These types of international partnerships, which are on the rise, create a blurring line in terms of just what is an American product versus a Swedish product.

Here's an example. Not too long ago I was having dinner with a bunch of economists – this fact alone should prompt you to question my judgment. During the dinner, the topic turned to did we drive a foreign or domestic car? The gentleman next to me voted that he drove an American car. I voted that I drove a foreign car. Turns out that we both owned the same Volvo. He voted his Volvo as “American” because Ford owns Volvo.

The examples are endless, even if you stick to just the automobile example. What's more American? A Toyota built in the United States, or a Ford built in Mexico? Of course, the United States and Sweden are not the only countries dealing with these types of questions. I can see a German government official addressing an audience asking, what's more German, a Ford built in Germany, or a BMW built in South Carolina? Interesting questions, with perhaps no right answer.

Part of the reality of the flat global marketplace is that 95% of America's potential customers live in a country not called America. The vast majority of our customers – current and potential – live outside our borders. I can imagine there is a similarly impressive statistic here in Sweden.

The fact that 95% of our customers are outside the U.S. is why, under President George Bush, we are actively pursuing Free Trade Agreements to help level the international playing field by eliminating or reducing tariff rates, improving intellectual property regulations, opening government procurement opportunities, easing investment rules, and much more.

When President George W. Bush took office, we had Free Trade Agreements with just 3 countries – Israel, Canada and Mexico. Today, we have free trade agreements with 15 countries with three more in the approval process.

I see one of my jobs as a government leader involved in entrepreneurship and economic development to educate companies on how to take advantage of the benefits of Free Trade Agreements – because only a small percentage of businesses today are exporting, and they are missing out on a world of opportunity.

Reality #2: The pace of change will only continue to accelerate. We live in a dynamic, changing world. While some may wish for the simpler, slower times of our past, the world doesn't work that way. Think of this: it took 55 years for the automobile to spread to one-quarter of the U.S. population. It took only 7 years for the Internet to reach that same milestone. Imagine how quickly we will adopt the next big thing.

The nature of innovation itself is changing: innovation is becoming multidisciplinary as different technologies converge, creating new fields...fields that didn't even exist a few years ago.

Alternative energy technologies are a great example, and one in which Sweden is a world leader. Sweden's reputation as the 3rd most environmentally friendly country is well earned. This is why, when President Bush asked his friend Michael Wood to represent him in Sweden he said, "see what they are doing in alternative energy – I'm sure they are ahead of us." This is the kind of innovation that we need to connect to the American marketplace.

This new reality where cycle times for products and ideas continue to shrink will require all institutions – public, private, educational, and non-profit – to continually adapt and change. Those that don't are at risk. Those that do have the opportunity for reward. The ability to change and adapt will likely be the critical skill of the 21st Century.

Reality #3: The world becomes more complicated every day. In order to respond to this increased complexity, we must realize that we have reached a point where the components of economic competitiveness can no longer be pursued separately. Just as technologies are converging to create new fields of innovation, the components of economic competitiveness are merging to shape economic growth in the 21st century. This reality holds two important lessons for the local and regional level in both the U.S. and Sweden:

First, the idea of workforce development, community development, economic development, educational programs and research occurring in separate silos can no longer be tolerated. The interconnected challenges of these components of competitiveness must be tackled in concert – which requires the coordination of the public and private sectors as well as cooperation between various levels of government.

Second, in our new 21st century global marketplace, we must acknowledge what we all learned on the school playgrounds of our youth, that we are stronger when we stand together than when we stand alone.

Standing together means that we need to look beyond traditional institutional and political jurisdictions – the city boundary, the county line, even the division between States and between Provinces – and work together. Because the competitiveness of companies is in large part tied to the competitiveness of the economic regions in which they do business.

This is a particular area where Sweden is a leader. The creation of Regional Growth Agreements to build regional partnerships throughout Sweden presents a best-in-class example of working together at a regional level to pursue

economic competitiveness. RGAs bring multiple jurisdictions together with the private sector, institutions of higher education and regional authorities to work collaboratively to capitalize on the unique features of each Swedish region in order to stimulate sustainable economic growth.

It's no wonder that Sweden is a step up on concept of regional growth, since Sweden has one of the world's thought leaders on competitiveness just a few blocks away in downtown Stockholm. Dr. Christian Ketels is a Senior Fellow at the Stockholm School of Economics and Director of The Competitiveness Institute, a global network of professionals interested in competitiveness and cluster development. Dr. Ketels is working with another world thought leader on competitiveness, America's own Dr. Michael Porter of the Harvard Business School. Their work together to advance the art and science of regional competitiveness is illustrative of the close bond between our nations, and it is a privilege for me to have had the opportunity to work with them both.

Reality #4: Public-Private partnerships become more critical every day. While governments at all levels, universities and other non-profit institutions are important players, let's not forget that the private sector is the most important element of any successful economic development strategy. Unless the private sector is ready, willing and able to invest in a community, economic growth simply will not occur, regardless of how much government spends.

The private sector should be helping to shape – within the parameters of public accountability, of course – the development strategies that will lead to more higher-skill, higher-wage jobs. If the private sector is not fully engaged as a partner for long-term economic development, it is the responsibility of the private sector to demand to be included in the economic development planning activities that will directly impact the economic fortunes of a region.

I understand that the participation of the private business community is considered a prerequisite to creation of regional partnerships in Sweden. This demonstrates that Sweden truly “gets it” when it comes to the importance of private sector engagement in development.

Reality #5: At the end of the day, it is the ability to innovate that is the only possible sustainable competitive advantage in the 21st century. It's not location. It's not the cost of doing business. Factors such as these will continually shift in a dynamic worldwide economy. But if a nation, region, or company can maintain its edge in innovation, it will grow and prosper.

The U.S. and Sweden are world leaders in innovation – and innovation is the fuel for economic growth. From the light bulb and the artificial heart (U.S.) to the turbo engine and the battery-powered pacemaker (Sweden), our nations have brought tremendous technological breakthroughs to the marketplace – and this has made both of our nations, and the world, safer, healthier, more productive and more prosperous.

If innovation is the fuel for economic growth, then entrepreneurship is the engine. That is because, in reality, jobs are created not by government, but by the private sector, and entrepreneurs – small businesses – create the most jobs. Small business and entrepreneurs drive our economies. In the U.S., they:

- Create 70 percent of new jobs;
- Are responsible for most of the innovation in our country – developing 13 times more patents per employees than their larger competitors do;
- Employ half of the private sector workforce; and
- Are where most Americans get their first jobs.

In Sweden, most businesses are small, with 94% of businesses employing less than 10 people, and just 0.2% employing more than 200. Small businesses provide more than 60% of all Swedish private sector jobs. In these statistics, we see similarities between the U.S. and Sweden.

However, entrepreneurship is an American competitive advantage in the global marketplace. Entrepreneurship is uniquely engrained into the American culture. In the U.S., taking risk – financial or other – having a bold spirit, and a willingness to be independent sets us apart from many and drives our quest for “what’s next.” Also, importantly, in America, failure is okay – as long as you try again.

Of course, entrepreneurs need capital. In the U.S., despite the current tightening of the world-wide credit markets, capital is generally available for promising business ventures. I’m proud that the U.S. Small Business Administration is a key source of capital to America’s entrepreneurs and small businesses.

I understand the challenge facing Swedish entrepreneurs – both from a mindset and access to capital standpoint. I applaud the Swedish government’s efforts to create and support a new entrepreneurial class.

If we want strong and expanding economies, we need more people who take risks, work hard, advance innovation, and start new enterprises. In the 21st

century, we will need relatively fewer large and established organizations and more pioneers in new industries using strategies and inventions unheard of five years ago. This fact is emphasized by the realization in the U.S. that our largest companies have shed jobs, but our small companies have added jobs at an impressive clip – driving our solid job growth in recent years.

Many U.S. corporate icons today – especially those on the cutting edge of innovation and profitability – were small firms a generation ago. Apple Computer, Intel, and FedEx are prime examples, and all three got help from the Small Business Administration. In fact, three-quarters of Fortune 100 companies were not on that list 25 years ago. That is the business story of the last half century, and it's all about entrepreneurship – the engine of economic growth – and the fuel that drives that engine, innovation.

IV. CLOSING

So those are – as I see them – the five realities facing the United States, Sweden, and all countries in the 21st century:

- We are in a global economy.
- The pace of change will continue to accelerate.
- The components of competitiveness can no longer be pursued separately – and we must work collaboratively.
- Public-private partnerships are more critical than ever.
- And innovation – the only sustainable competitive advantage – is linked to entrepreneurship.

We all must deal with these realities as we contemplate policies that are aimed at improving the economic condition of our citizens. John Young, former CEO of Hewlett-Packard stated that: “We have to earn our standard of living every day in the marketplace.” The strategy of the United States for earning a higher standard of living in a 21st Century economy is built around the following equation:

Entrepreneurship drives innovation...

Innovation drives productivity...

Productivity drives higher wages and higher standards of living.

And, a higher standard of living for more of our citizens is a goal that all nations share. It has been my pleasure to be here with you, and thank you all for allowing me to spend this special time with you.

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