

Peterson Institute for International Economics

Making the EU friendlier to high-growth businesses

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[00:00:30.07] - Nicolas Véron

Good morning, good afternoon, good evening, wherever you are in the world. I'm Nicholas Véron. It's my pleasure to introduce this third session of our series at the Peterson Institute for International Economics, What Now, Europe? And one of the things that Europe is often taken to task for is the fact that it doesn't generate global champions. There are lots of startups, there are lots of entrepreneurs in Europe, uh, and but they don't grow to the, uh, scale that would make them globally significant. So, uh, this is a well-known, um, challenge in Europe. Um, there's a willingness apparently to take action because the president of France and the chancellor of Germany, Emmanuel Macron and Friedrich Merz, have tasked two experts to produce a report on this question. The report is titled Financializing Innovative Ventures in Europe, which with a crisp acronym, FIVE. There are 5 recommendations. We'll come to this. One of the 2 authors of the report is Jörg Kukies, and I'm very grateful that Jörg accepted to be my guest today. Jörg Kukies studied at Gutenberg University in Mainz. He studied economics. He also was at Paris I University in Paris. At that time, he already showed that a taste for politics as he led the regional branch of the youth wing of the Social Democratic Party.

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And he continued his studies then at Harvard Kennedy School, where he got a Master of Public Administration, and also at the University of Chicago Booth School of Business with a Doctorate of Economics. In 2000, Jörg Kukies joined Goldman Sachs in London, then in Frankfurt. In 2010, you became co-chair of their German and Austrian business. And then a big turn came in 2018 when you were called to become State Secretary for European and Financial Markets at the Federal Finance Ministry, at the Federal Ministry of Finance, sorry, in Germany, serving Olaf Scholz as minister. And then he moved to the Chancellor's Office. So you moved with him in '21 to head Economics and Europe again, but this time at the Chancellor's Office in Berlin. In 2024, you became the Federal Minister of Finance as the coalition conditions had changed, a position you held for about 6 months and then May 25th change of government, Lars Klingbeil took over from you and this is what freed you up to work on issues such as the ones in this

report. So report was just published last week, so we're very timely and I'm very thrilled to have you, Jörg, to discuss it.

[00:03:17.18]

Can you maybe very briefly set the scene by telling us what's in the report and what are your 5, financing innovative ventures in Europe, key recommendations.

[00:03:29.14] - Jörg Kukies

Yes, sure. Nikolay, many thanks for inviting me. It's good to talk about this project. Essentially, we, after a long period of discussion with all of the relevant stakeholders, investors, companies, interest groups, etc., we got a quite coherent picture of what is lacking in the European scale-up financing. It's not necessarily early-stage capital, it's more late-stage capital. And really there's 5 big topics that were addressed pretty uniformly. First of all, the fact that our pension systems are almost exclusively pay-as-you-go and don't have any element of capital formation really throws Europe behind other regions like the United States, the United Kingdom, Australia, Canada. And so reforming the pension system, both in the corporate pension pillar and the private pension pillar, is a big topic. Sweden, Denmark, the Netherlands show that Europe knows how to do it. It's just limited to very few countries. The second big topic is public-private cooperation. In France, the Plan TB was mentioned by everyone as very successful. Later in Germany, WIN was a similar initiative where the public sector and the private sector work together to incentivize investment by institutional capital into the venture space. And connected with that, also broaden out the opportunities for private investors all the way to retail investors to participate in this investment class.

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The third big topic is the element of the European public side investing, the EIB with EIF, the KfW Capital, BPI France, all are good examples that there is this successful route where the public sector acts as LP adhering mainly to private sector rules, i.e., investing not for political reasons, but to strengthen the ecosystem and at the end give money to those who produce good yields. Rolling that out to Europe would be enormously important. The fourth big component is what we call the 28th company law regime. Many, especially scale-up companies and startup companies and their organizations, told us that corporate law is really a huge hindrance to pan-European business models. The SE is a legal form that is pan-European in idea, but not in implementation because there's 27 implementing laws. And because the SE really only applies to companies that are large enough, uh, for sort of the pre-IPO stage. So the idea of the 28th, uh, company law regime is to allow startups from their birth a possibility to

quickly and digitally set up a pan-European, uh, corporate framework that will be much more flexible in terms of capital raises and adhering to the necessities and the requirements of companies that have both a pan-European approach and an innovative, capital-consumptive approach, at least in their first years.

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The fifth point is the question of public equity markets, which are seen as fragmented, both in trading and post-trading, very much dispersed across the 27 member states. So in that sense, We have two proposals, one for one, a so-called IPO ramp-up where temporarily the companies that are willing to list are exempt from some of the requirements of disclosure, which are seen as very burdensome in Europe. An example that's always given is the US JOBS Act, where also temporarily there's some reductions in the in the requirement. Then in addition to that and complementary to that, I would say almost as a sixth proposal, many companies mentioned the Draghi report that you already outlined. We explicitly, because we didn't want to repeat the many very useful and sensible things that Mario Draghi had in his report, didn't want to go into detail on that, but we do want to say that whether it is the very restrictive technology regulation in Europe, labor market regulation, and many of the elements that are particularly relevant for young, innovative digital companies, the European Union has a huge amount of homework to do. As one investor put it, you can fix the capital market aspect as much as you want, as long as there are so many red tape and regulatory hurdles on young companies expanding and growing, it's going to be very hard to make the business case for technology companies in Europe.

[00:09:14.18]

So I would say in 6 minutes, that is my brief summary. And of course, we can go into detail on any of the points that you want. Thank you.

[00:09:23.29] - Nicolas Véron

This was great. You already published a couple of days ago Yeah, a great adjustment for your settings. You published a couple of days ago, so you already had a number of reactions. Can you give us a sense of how— anything that surprised you in the reactions you received and how that kind of dovetails with your expectations?

[00:09:50.16] - Jörg Kukies

No, I mean, I would say overall the response was very favorable. Of course, there were some critical voices. Let's put it that way. For example, quite a few people said, you know, in German

there's a saying, there's enough words exchanged. I want to see actions now. And many people said, okay, what's the point? We have the Draghi report. We have the Letter report. We have the Noyer report on the Savings and Investment Union, we know what to do. What's the point of another report? We finally have to get into action mode instead of paper-writing mode. And that, I have to say, is a fair point because of course there is a lot of frustration about the slow progress towards implementing the very sensible things that are in all of these reports. And many of the stakeholders that we talk to outlined that. So I would say the one element of critical voices is the question of, you know, does Europe really get it? And is Europe just going to continue drafting report after report after report? And when is Europe going to finally spring into action? Needless to say, the fact that in the middle of our discussions about the report, the European Parliament took the decision to delay the implementation of the Mercosur agreement, was seen as evidence of that, right?

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Where a lot of the people that we talked to afterwards said, you know, like, if Europe is so removed from the reality of the geopolitical necessities to throw a wrench into the wheels of a trade agreement that will at least in part compensate some of the tariffs that are being imposed. You know, what's the hope of these quite difficult and structural reforms of being implemented?

[00:11:58.05] - Nicolas Véron

And what's your answer to that?

[00:12:00.19] - Jörg Kukies

Well, I think, I mean, we of course only write papers, so we can't, I mean, of course, when I shook my I shook my head in disbelief when I saw that this happened after all of the 25 years of pain and agony to get through the agreement. And the European Council finally got to an agreement. The Commission pushed this forward and then the European Parliament formalistically votes against it in a very, you know, in Germany, of course, there was a huge amount of debate. About the political constellation that decided to delay Mercosur. So I think it's totally legitimate, and I think those who voted to delay are now getting second thoughts, to be honest, at least in part. So there is hope, I think, that people realize that the geopolitical necessities are just very, very different from the pace that Europe is used to going and putting everything that it decides to do up for another legal review for a year and a half to just doesn't make sense.

[00:13:10.25] - Nicolas Véron

So I have to say, as a proud citizen of France, I feel my beloved country acted exactly in the way you described, which was not its proudest moment. I would like to come to the kind of subject matters that you identified as where the decisions have to come from. And you said Europe needs to decide, but what is Europe in this debate? And the question may sound a little bit philosophical, but it's also practical. A lot of your recommendations, I'm not going to go one by one, are actually directed at the member states. So if you take, for example, pension regimes, this is squarely a national mandate, and I don't think it's very realistic, but this is just me speaking, to expect the European Union level to have a big influence on national pension reform. Can you give us a sense of how you see the pension reform debate in Germany, but maybe expanding from there, how you see a European dimension to this debate about what can be done with pension regimes and maybe the same with other aspects of your recommendations?

[00:14:25.28] - Jörg Kukies

Yeah, I mean, we do have the luxury of addressing our report to the finance ministries of the two biggest member states. So if we were to convince Germany and France to set up big-style pension reforms where corporate pension schemes, private pension schemes set up a system that is at least similar to the one that we see being enormously successful in Sweden, That's the example that we identified where you can very clearly see not only the benefit to the wealth creation of each and every Swedish pensioner over the past decades, but also a macroeconomic impact that, you know, from research, R&D expenditures to GDP, to IPO volumes, to GDP, to innovative companies set up. Per 10,000 inhabitants. And all of the statistics that you see, um, there is a very close correlation, at least if not causation, um, between the fact that there is so much money flowing into, um, into equity-linked defined contribution pension schemes and the outcome of strengthening capital markets in general, equity markets in specific, and growth venture innovation equity markets in very specific. And the positive effects of that are really striking when you talk to the stakeholders in Sweden, in part also in other countries that have embraced a much more capital-accumulative form of pension reform in Europe, such as the Netherlands or Denmark.

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But of course, also Canada, the United States, and other countries where a lot of the scale-up financing is funded by pension schemes that are, that are as defined contribution outside of the capital prudence, prudence requirements such as Solvency II or the insurance regulations.

[00:16:41.21] - Nicolas Véron

And then other recommendations you make, what I understand as your recommendation number 2 and 3, uh, they call for a form of government intervention, right? At the national level, possibly at the European level, but I guess mostly national. Um, you mentioned the TB and WIN initiatives respectively in France and Germany. So here I guess the recommendation is to expand that to other member states. You mentioned, uh, KfW in Germany, BPI France in France, in terms of, uh, co-investment, often in a fund of funds capacity. My question Here, these are already, you know, these are things that have been rolling for a number of years. Do we have independent evaluations, the effects of those reports? You mentioned the fact that stakeholders spoke positively about the initiatives, but they can also be conflicted. Is there any indication from an independent source that these initiatives have added value? And if yes, which ones did you highlight?

[00:17:46.03] - Jörg Kukies

Yeah, I mean, there is, I would say, fundamentally a big evaluation by the European Commission. Now, of course, you can also say that the European Commission has vested interests, but the evidence does show that there's a few forces at work. And the first positive force at work, and we heard that not only in the evaluation from the European Commission, but also from a large amount of stakeholders, is that the, the, the 3 big public sector VC investors, EAF, BPI France, and KfW Capital are positive signal providers to private investors because they are doing such a thorough and yield-oriented, capital markets-oriented due diligence that some institutional investors told us they asked the same questions as public sector LPs as we ask as private sector LPs. So the fact that, um, a VC fund has received investment from EAF, Bpifrance, or KfW Capital was universally seen as a positive incentive for even large, um, private sector LPs who usually, you know, even large insurance companies usually don't have very large teams for their venture and growth and innovation finance, because traditionally, of course, they're more bond and mainstream blue-chip equity investors. That being said, there are voices who are saying that Europe cannot expand this path forever because already Europe, relative to the Americas and Asia, has a very large concentration of public sector LPs with around 30 to 35% of all AUMs, um, in, um, in European, um, VC coming from public sector LPs.

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So, um, there were occasionally concerns where people said, um, at 30% it's still okay, but, um, we wouldn't want that number to increase to, um, to the 50% range because then politics may, may take over and, uh, non-yield risk-reward thinking might take over. That's why it's very important and why we very consciously put Plan TIB and WIN even before the public sector LPs, because the key characteristic of Plan TIB, as you know, and then of the WIN initiative is

for the government only to have a role as setting positive regulatory standards and facilitating from a tax, from a cutting red tape angle, the activities of VCs, but letting the investment happen by commitments from private sector investors. So I think that's an enormously important element that the public-private partnership is not only of the public sector entities investing into the VCs and acting as LPs, but the public side also making deals with the private side saying, we will give you a favorable tax supervisory regulatory environment that helps growth companies and their investors. And the institutional investors in turn making commitments, um, to invest in the case of TB. Already double-digit billions into, um, into the VC ecosystem.

[00:21:31.18] - Nicolas Véron

I should have said up front that I have a, a special interest to declare in everything that has to do with venture capital because my brother is a venture capital investor and I have a lot of my personal, uh, assets invested in these funds, which is bad diversification. Uh, but I hope it's not too late for me to make that due disclosure. Um, moving to your fourth, um, recommendation, the 28th regime. So this is also a longstanding discussion in Europe, but there there is some movements there because the European Commission has started to make proposals. There's a lot of activity into European Parliament. Can you give us a sense of how you value with the work you did for the report, the recent announcements that come from EU institutions in that area?

[00:22:15.27] - Jörg Kukies

Well, of course, it's enormously encouraging that almost at the same time we made our proposal on the 28th regime and Ursula von der Leyen in her speech in Davos made the announcement that the Commission will move forward on EU Inc. Right. And, you know, in terms of the details, of course, there's still work to be done. But the fact that this was announced and the core elements of the announcement of the Commission President align enormously positive with the detailed legal work that we cited in our report from the Munich professors and Henri Capitan in France, who go exactly down the same route, i.e., it has to be from the birth of a company effective, it has to be uniform without national implementations, it has to allow with one setup that is done digitally. The Commission President mentioned within 48 hours, immediate effect in all 27 member states. Those elements are totally commensurate with the proposals that we make. However, the response that we heard afterwards gives us a lot of encouragement that The Commission will need a lot of support in actually implementing that because there will, of course, be a huge amount of resistance from the member states, from vested interests, etc.

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And I think it's impossible to overestimate how intricate and difficult it will be to actually push this through. So if we can make a contribution to helping that, our work is certainly very much aligned to the announcement that the Commission President made.

[00:24:17.24] - Nicolas Véron

Thing I've never fully understood on this debate, and maybe, uh, you can, uh, clarify for our audience, is why is regulatory competition not working in that area? If, say, you know, some member states say, you know, Estonia has a very favorable regime for new companies, we have freedom of establishment in the European Union, why is it not like, you know, the way Delaware wins in the US? After all, the constitutional, um, setup that's somewhat comparable in that area. Uh, there is the interstate commerce clause in the Constitution in the US, there is the freedom of establishment in the EU. Why isn't it just a race that the best member states can win? Why do we need an extra national regime to solve that, uh, challenge?

[00:25:03.16] - Jörg Kukies

Well, because, um, the Estonian company first of all will be set up under Estonian law or as a Société européenne, but every Société européenne, of course, has to comply, um, in when they want to do capital raises, um, when they want to set up subsidiaries, when they want to do engage in activities with national rules in 27 member states. So unfortunately, even though the Société européenne, um, sounds great as a pan-European concept, in implementation, it still has to take into account, in many of the corporate law, the capital markets laws, the, uh, co-determination rights, the labor laws, and many, in many aspects, it still has to take into consideration the rules and regulations of 27 member states. And that's the big difference to setting up a company in Delaware, um, um, or Texas or wherever, or California, um, where if you set up a company, cross-border is done, um, without 50 different US states making all of these rules and regulations. So it would be an exemption for a lot of the areas that are still in the remit of national sovereignty at the moment and would require the European member states to concede their sovereignty in many of those areas.

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So that just shows you the analogy that I would make in terms of complexity of this project is probably somewhat similar to our favorite topic that we've discussed many times of setting up a harmonized insolvency law because both corporate law and insolvency law are so deeply ingrained in the legal systems of our countries that creating something that overarches that at the European level will be highly complex.

[00:26:58.20] - Nicolas Véron

You mentioned, uh, labor legislation. I mean, obviously, if you have operations in California, even if you're registered in Delaware, you have to comply with Californian labor legislation, which, by the way, can be quite onerous, uh, even though, uh, it's different from its European equivalent. So here we have the same thing. What's the difference?

[00:27:16.19] - Jörg Kukies

Well, and I, I, I don't believe— and as you said, very large internal markets like the United States operate with with some level of sovereignty, if you may, of California setting labor standards that are different than Nevada, for example, and Texas, et cetera. That's fine. And we don't pretend like we can harmonize all of those areas. But the core elements of corporate growth, such as the rules governing raising of capital, of issuing shares, trading shares, distributing share capital across borders in the European Union, all of those elements of the cap that affect directly the capital structure, the ability to raise and expand the capital base, all of those areas are still very much fragmented in the European Union. So that, that's really where the direction in which our proposal goes.

[00:28:14.25] - Nicolas Véron

As to your first proposal, one aspect of it, of course, which was very much emphasized in the Draghi and Letta reports, is the structure public markets, and your report also talks about that, um, trading venues but also clearing and settlement infrastructure. So that's a longstanding issue. I remember, uh, reports about that 25 years ago, and probably, uh, this is just, uh, because I wasn't there, uh, 50 years ago. Um, so what's new here? I mean, you've been State Secretary, you've been Finance Minister in Germany, you know the entrenched interest of incumbents, and we have them in a number of member states, maybe not all, but several of them, including of course very prominently France and Germany. But, you know, we heard a lot about Europe here recently, and so on and so forth. What can make that landscape change? I mean, what would be the trigger for a consolidation movement that we have been talking about for decades but haven't seen happening?

[00:29:16.24] - Jörg Kukies

Yeah, well, first of all, I think we have to differentiate, differentiate a bit where the problem actually lies. From the feedback of the stakeholders, the fact that we have more than one stock exchange in Europe really wasn't seen as the core issue and the core problem because the big question is liquidity concentrating in one trading venue. And the fact that in Europe there are a handful of significant players and a lot of small players isn't really seen as the, the core problem.

Because for example, many investors gave us the example, if I want to buy Total stock, I can just click to execute in Paris. If I want to buy Siemens, I click on executing in Frankfurt. And if I want to buy any, I can click to execute in Milan. And as long as the liquidity is centered there, that's not really the, the, the core of the problem. The core of the problem is that the, the, the dispersion of liquidity takes many forms and, and, and places apart from the geographic. It also takes the form between different trading venues between different settlement systems. And if you aggregate all of those elements, Europe does become a much more expensive place reflected in execution costs, bid-offer spreads, et cetera, than other markets to list.

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The other big problem is that the incentive for companies to go public versus staying private are seen as being skewed to staying private. Because a lot of the disclosure rules are, first of all, more cumbersome and more demanding in Europe versus the United States. Since the JOBS Act, the United States also allows their listed companies to exempt themselves from some of the publicity requirements for a few years. And of course, that's a fine line to take because Some investors of course say we need transparency to invest, but the scheme in the US of an IPO on-ramp was seen as quite positive because companies can sort of phase into their lives as a public company gradually and not be burdened with all of the reporting requirements.

[00:31:54.02] - Nicolas Véron

That's different from the spaghetti bowl landscape of infrastructure and consolidation, which is a longstanding issue, right?

[00:32:01.24] - Jörg Kukies

Yes, but on the other side, what we also have in our report is, of course, you know, we cannot on Monday say that we want a uniform stock exchange in the European Union and on Tuesday say that if two European exchanges want to merge, we will burden them with a huge amount of requirements. So I think on the competitiveness policy, we also have to be a bit more brave.

[00:32:30.08] - Nicolas Véron

I mean, to, to make that a bit more concrete, uh, obviously there was a project many years ago of merging Euronext and Deutsche Börse. Uh, is it your argument with Christian Noyer that it was a mistake of the European Commission to, uh, block that, uh, transaction?

[00:32:44.26] - Jörg Kukies

Well, and I mean, we're not going to go back in history and say, um, at the time it was a mistake to block or to, to make too many requirements. We're more forward-looking. And first of all, what we very— I mean, we debated this because some stakeholders asked us to put in, you know, like Europe should create a European stock exchange champion. We explicitly do not say that, you know, like if two exchanges want to merge, it should be a private company decision and it should only happen if private companies decide that it makes sense economically. And our recommendation starts after that, basically by saying, if the equilibrium outcome is that private sector actors in the stock exchange area want to merge, then our view is the fact that under the MiFID regime, we have so many alternatives in the non-LIT sector to execute transactions. That has increased the competitiveness of the execution of securities landscape in Europe, that has to be taken into account when we, if and when we see another example of exchange consolidation in Europe. So this is more a point that we're making is, you know, we have to take into account that only a fraction of exchange trading actually happens on exchange.

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And the positive element of MiFID is that there has been a reduction in execution costs in Europe as a result of opening markets also towards players, um, MTFs, SIs, et cetera, et cetera.

[00:34:35.12] - Nicolas Véron

So one thing that observers, uh, will look at when reading your report, as usual, uh, will also be what is not in the report. And one thing that is not in the report is an assessment of the market integration package that the European Commission has published in early December. As you know, this is an ambitious piece of legislation with especially changes in the supervisory architecture for a number of market segments, also some reform of the European Securities and Markets Authority, ESMA, in Paris to make it more fit for its expanded supervisory duties. So can you get us through the path of thinking that has led you, and I can see in the Moyet report in a way of early 2024, to make this choice not to integrate supervisor integration, if I can put it that way, into your agenda?

[00:35:33.00] - Jörg Kukies

Well, I mean, we do make a few comments in that direction, but of course we didn't want the political debate about a specific legislative proposal to dominate our report. But we do have a general endorsement of the direction of travel that the Commission is taking in this. But of course, we didn't want to get bogged down in a detailed discussion, especially because I think it's still a bit too early and the stakeholder participation, the debate around the proposal of the Commission is just happening. So in that sense, we, we, during the process which started in

August, for the very large part of our discussion with the stakeholders, the proposal hadn't even entered into the debate yet, and only at the late stage, and a lot of stakeholders were still working on digesting the details of the proposal so that it, in that sense, we agreed that it would be sufficient to make a general statement that this is the right direction of travel, but not enter into all of the detailed, um, discussions yet.

[00:36:44.23] - Nicolas Véron

Uh, when you say it's the right direction, does that mean it's also the right pace? Do you wish the Commission would have, uh, not commenting about the stakeholders, but about your own opinion here, do wish the Commission would have gone further, or is it going too far? Uh, What about the kind of pace of progress here?

[00:37:03.20] - Jörg Kukies

Yeah, I mean, I think, and again, this is a purely personal view. I was, I think, positively, and we have that in our report, that if we want to create something like a European innovation market, as we called it, we are completely d'accord to put that under ESMA supervision., and it needs to be under ESMA supervision. You know, if we want to create a market that is explicitly carved out for this sector of European scale-ups, growth companies, then it is totally sensible to have a pan-European supervision of that entity as well. So in that sense, um, you know, that, that I would say the direction of travel is, is exactly correct. I was a bit surprised that the Commission didn't take into account the elements of supervisory convergence that is related to recommendation number 1 in our report, namely the pensions system, because as we always saw in every element of our report, the insurance and pension ecosystem is a core provider of capital to growth finance in every single region of the world that is successful in that. So in our view, if we are going to embark on a route of supervisory convergence, it shouldn't happen only in the market supervision, parentheses, ESMA area, but it should also happen in the pension insurance area, parentheses, IOPA area.

[00:38:48.18]

So I think that, that, that is a bit— I mean, it's, it's one doesn't rule out the other, right?

[00:38:54.08] - Nicolas Véron

Should I understand that? Should our audience understand that as a, a yearning for Franco-German balance, uh, given that ESMA is in Paris and the IOPA is Frankfurt?

[00:39:03.14] - Jörg Kukies

I think that is total nonsense. It doesn't— you know, like, we didn't— you know, we completely— and for Christian and myself, you know, whether A is in Paris, B is in Frankfurt, doesn't matter at all. It's really a fundamental question. And if you read our report, I think we make very compelling arguments that including the pension insurance industry in our thinking about capital sourcing, capital allocation, capital raising is absolutely essential from a pan-European perspective. And therefore, I think, you know, like having— if we really want convergence in capital markets, it cannot only be the market infrastructure that converges, it also has to be the market players that converges, right? And if we added the pension insurance space to the already more advanced level of European integration in the supervision of banks, we add the financial infrastructure, then I think it would be a bit strange to have the main providers of capital still being supervised so little at the European level and so much at the national level, right?

[00:40:24.05] - Nicolas Véron

So I guess just that, but we also know from, we know from longstanding experience that member states are hugely protective of their prerogatives when it comes to pensions and insurance, even more than they are in capital markets, right? So pension reform obviously is highly political. So insurance sector plays a specific role in the national financial equation. So not to defend the Commission, but isn't it sensible that they would make a choice of kind of, you know, attacking the path of least political resistance by at least doing something in capital markets because it may be politically more realistic than in insurance and pensions?

[00:41:02.24] - Jörg Kukies

Yeah, I mean, again, that is more sort of the the political tactical area and our report consciously didn't make any, you know, like Frankfurt-Paris politically, is it doable or not? I mean, our task was to write a report about what makes sense. It wasn't to write a report about, you know, politically, what is the right sequencing, right? So in that sense, But again, as I said, you asked for my personal view and I gave you my personal view.

[00:41:38.07] - Nicolas Véron

So this is— Absolutely.

[00:41:39.10] - Jörg Kukies

Also, sorry, Bruno, that's not part of the report, but—

[00:41:43.05] - Nicolas Véron

This is the purpose of the session. This is about your opinion, not the report, because Christian Noyer is not with us today. We have a few minutes left. I would like to zoom out and ask you about the kind of general environment in which we're discussing all this. Obviously, uh, the geopolitical context is what it is. Um, there is a lot of interest in diversification away from the dollar. Uh, so euro is part of that, and indeed we've seen a lot of capital flows and indications of interest into investment, uh, into the eurozone, into Europe more generally, uh, in the last 12 months, maybe accelerating in recent, uh, with recent developments. How does that—assuming this is a trend, and I know there is a lot to discuss that, but, uh, there, but assuming this is a trend, how does it affect the equation? Uh, how do you see a possible kind of macro-driven interest from global, including European, maybe not US investors, uh, for investment in Europe, uh, affecting the landscape, uh, the trickle-down to high-growth companies, which is a topic of your, uh, recently published report?

[00:42:59.02] - Jörg Kukies

Yeah, so I think, I mean, I would say glass half full on that note, because yes, on the one side, a lot of the discussions that I'm having at the moment, both in the context of the report and elsewhere, people have reduced their underweights on Europe and somewhat reduced their overweight in the United States. However, many, many investors are saying that this is not necessarily a conviction call on Europe because speaking with investors, there was still a huge amount of skepticism on whether Europe is willing and able to truly embrace growth-enhancing and growth-promoting policy agenda items in all areas. I mean, there was almost cynicism around the huge amount of praise after one year of the publication of the Draghi report and the very little and in part even contradictory political implementation response to it, right? So, I mean, a lot of people expressed a huge amount of concern that the competitiveness compass that the European Commission basically introduced in order to implement the Draghi report was even, you know, like as a minimal, it wasn't even a hugely concrete or specific proposal, was already met with harsh criticism from parts of the European Parliament.

[00:44:45.17]

And then if you see all of the back and forth and the debate around cutting red tape and all of the criticism that is levied against the 8 proposals that the European Commission made to reduce complexity and to increase simplification, investors are looking at that very carefully. And the fact that the progress is so slow in terms of actually implementing change is also frustrating quite a lot of investors. So I think it would be very short-sighted to say only because Eurodollar has moved in the direction of strengthening euros and FDI and capital flows have gone somewhat in favor of Europe, a lot of investors told us this is a purely tactical move. It is not a

structural deep conviction that Europe really has solved its problems in any way, shape, or form. But the positive, and that's why I'm saying glass half full, the fact that A, the European Commission is so outspoken on making proposals and leading the agenda and seeing this as a strategic geopolitical issue. The fact that President Macron and Chancellor Merz have assembled 17 heads of state and government in their letter to the Commission President endorsing the growth agenda and promoting the growth agenda, encouraging the Commission to move forward on the growth agenda, is also being registered very carefully.

[00:46:27.24] - Nicolas Véron

We're at the end of our session. Thank you so much, Jörg Kukies. I advertise the report Financing Innovative Ventures in Europe that you co-authored with Christian Noyer, and very much looking forward to further conversations on these issues. It's certainly not the end of the debate. Thank you again, and thanks to the audience.