

The EPP Group in the Committee of the Regions
2013 Meeting in Dublin:

**CREATING EUROPEAN REGIONAL ENTREPRENEURIAL
ENVIRONMENT**

Keynote by Peter Jungen:

**“Creating economic dynamism in Europe
through entrepreneurship and innovation”**

In his keynote speech “Creating economic dynamism in Europe through entrepreneurship and innovation” last week in at the EPP Group the Committee of the Regions 2013 Meeting in Dublin Peter Jungen emphasized in particular the following points:

1) Europe is lagging behind in innovation, entrepreneurship culture and new firm creation. The Lisbon Agenda which aimed for the EU to become the most dynamic knowledge based economic region in the world was a complete failure.

2) The new program “EU 2020” is not more promising. The “EU 2020” adopted by the Commission and by the EU Council demonstrates that the European institutions have little knowledge of how innovation emerges. This is also reflected in the EU budget. Still more than 40 % of the budget is spend on agriculture, 2/3 of the budget is spend on agricultural and infrastructure funds. At the same time, even the small amount for research will be reduced.

3) Europe is not bad in invention but pretty bad in innovation. Where invention is new knowledge gained through research, innovation is the creation of new products and services using the newly gained knowledge. In short, Europe is pretty good in turning money into knowledge, but is pretty bad in turning knowledge into money!

Although the EU is supposed to become a leading innovation region the word “entrepreneur” appears only once in the final draft and only in the connotation, that if the entrepreneur fails he should have a second chance.

4) Europe has not understood the key role in innovation played by entrepreneurs and in particular by new entrepreneurs which create new firms. In the United States more than two and a half times as many firms are created in relation to GDP compared to Europe.

5) This is also demonstrated by the fact that the Venture Capital industry in the United States has continued to flourish on a high level even in the financial crisis. At the same time with regards to Venture Capital Europe is not only lagging behind but the indication is that the gap with the United States will grow and that other parts of the world will overtake Europe in this. In the United States Venture Capital Investments per capita of the population is about 120 USD. In Israel - the real Start up country in world - it is 250 USD. Comparable numbers for the EU are about 10 USD and for the Euro zone 5 USD. At the same time, China spends already 3 – 4 USD per capita in Venture Capital. Therefore China is spending about more Venture Capital than the whole of the EU.

6) Only recently the Commission seems to realize that they have been running on the wrong track for many years. Still in “EU 2020” they proclaim the most dynamic knowledge based economic region in the world. They want to grow but do not know how. According to this concept growth has to be sustainable, inclusive, equitable and green. This concept was pursued until there is now no growth at all as we can see in this year now!

7) Now in January 2013 the Commission has finally come to the conclusion after trying everything else they might as well try this: Acknowledging the important role of entrepreneurship, of entrepreneurs and in particular of new entrepreneurs and new firm creation. Now all of a sudden the decisive role of the entrepreneur is acknowledged. One could debate about a lot of the single measures with whom one wants to achieve that – many of them will not do the job and many of them will have a contrarian effect.

8) On a national level we need role models which show that the entrepreneur is a social hero. What is normal in sports has to be transferred into the business arena and in particular into the entrepreneurship space.

9) For that we need the right framework conditions in place in the EU member states. With this there is maybe a chance that Europe can effect a radical about turn in the policy which was pursued until now. One can only hope that this is not only a document but that it leads hopefully to a completely new set of politics on the European level.

10) Among the most important steps creating an entrepreneurship friendly environment are proper Institutions like the rule of Law, Property rights, private ownership, reduced bureaucracy, small Government, flexible labour markets and a more balanced bankruptcy law.

On top of this Europe needs improved secondary education respectively world class universities,

Besides that there is a need

- to create role models of self-made, high achieving entrepreneurs and in particular also female entrepreneurs,
- to encourage young people to start a business,
- to guarantee free market competition,
- to improve equity funding,
- to understand and create the appropriate frame work condition for Business Angel and Venture Capital,
- to make immigration easier for people who are ready to start a business,- and to create a winner culture and also a failure culture.

11) So maybe we see in these months in Europe the end of a flawed debt policy of the last forty or fifty years. Instead of increasing deficit spending we need better framework conditions for private initiatives which allow more people to start a business, to create an entrepreneurship culture which finally would lead to more economic dynamism through new products and services, new demands, new customers, new jobs, new income and new wealth. That is the real "European Social Model", which may emerge in the future.

12) Europe should applaud the Irish Government for having achieved a very favourable entrepreneurship culture. In the Doing-Business Index of the World Bank Ireland ranks as the best European country - number 10 in the world - and in particular in the "Ease of starting a new business". The problems in Europe are demonstrated by the fact, that in this index Greece ranks 138 out of a 180 countries!

13) The Irish Tax policy should be supported so that tax competition in Europe should flourish in the best interest of economic dynamism. Obviously Ireland is doing something right where as Germany and France are doing something wrong. If one compares corporate tax revenue as a percentage of GDP Ireland is quite ahead of Germany and of France. Although Ireland has a much lower corporate tax rate it has higher tax revenues than Germany and France which have higher tax rates but less revenues.

14) Peter Jungen pointed out that Tax competition with lower Tax rate and more simple Tax structures is in particular important for start-up firms. If all Governments could agree on a Tax base doing a way with all exemptions, all countries in Europe could have a corporate Tax rate of about 15 %. It is positively to see that now Sweden has reduced the corporate Tax rate as of January 1st 2013 to 22 %, that Denmark announced these days a reduction of corporate tax to 22, and that the UK has indicated that it will now go to 21 %. This finally is the best news for entrepreneurs and in particular for new entrepreneurs.

15) Finally - societies which do not want to change prevent entrepreneurs from coming into existence. More and more it has to be understood that politics need more the entrepreneur than the entrepreneur needs politics. Entrepreneurship policy is not needed for doing a favour to entrepreneurs but to use entrepreneurs in order to solve problems which politics can not solve.



Peter Jungen was received by the Prime Minister Enda Kenny in his office for a discussion about the economic situation of Ireland and the EU.

Cologne, March 8th