

It is good to be back at the European University Institute. Under Professor Weiler's outstanding leadership, this institute continues to provide important intellectual input on EU affairs, as it has for the past 40 years. As the European project continues to be confronted with serious challenges, your work is needed now more than ever before.

It is a relief to be here and not have to talk about the U.S. election campaign. As a representative of the U.S. Government, I have to be strictly neutral about the U.S. election campaign. So I'll simply say this: as a public service we will continue to provide free high-quality entertainment on a 24/7 basis for the whole world, including Europe, for the next 8 months...You're welcome, by the way.

Some of you may have heard that Donald Trump wants to build a wall along the border with Mexico and to have the Mexicans pay for it. There is a rumor that the Canadians want to build a wall along the frontier with the United States to keep out Americans fleeing Trump and to have him pay for it.

American columnist Tom Friedman recently wrote in a column that putting "European Union" into the lead of a column published in America is like a "Do Not Read" sign. That changed last year and this year because what is going on in the EU is important, not only for the region, but for the US and even for the world.

When I was confirmed by the Senate in the Fall of 2013, I thought that the bulk of my time would be occupied by the negotiations on a transatlantic trade and investment partnership agreement and by the need to deal with the fallout of the

Snowden disclosures. These issues have indeed been important, but other issues have intruded on the agenda.

A few days before my arrival at post in March 2014, Russian army troops without insignia took over key facilities in Crimea. One crisis would have been exciting enough. But there have also been multiple terrorist attacks; negotiations to bail out Greece and keep it in the euro; and, of course, the refugee crisis and the risk of Brexit.

The United States has an enormous stake in ensuring that the European Union survives and emerges stronger from these crises. I am reminded literally every day that the United States and the European Union are essential partners in a turbulent world. I hope and expect that the EU will continue to engage with us on our joint regional and global agenda despite being faced with urgent internal challenges.

I. Challenges Facing the Union

How dramatically the mood has changed since the heady moment four years ago when the EU won the Nobel Peace Prize for the “over six decades [in which it has] contributed to the advancement of peace and reconciliation, democracy and human rights in Europe.” Over the past months the press on both sides of the Atlantic and Europe’s political leaders have been expressing deep concern about the proliferating challenges facing the European Union.

There is no doubt that 2015 was a year of substantial strain in Europe and for the EU institutions in particular. Fissures among the EU Member States certainly did multiply: one divides the prosperous north favoring fiscal consolidation, reform

and austerity from an indebted and anti-austerity south; another separates a Eurosceptic fringe from a Europhile core; more recently, new fissures have emerged between those Member States favoring continued sanctions against Russia and those who favor accommodation, and between those open to new immigrants from outside the EU and those who refuse to take in any.

The strains on the system are manifest. The EU has struggled to stimulate growth and jobs, and is facing serious risks of a potential Brexit, uncontrolled migration flows and the rise of euroskeptic and extremist political groups.

Some of the EU's most recently admitted members are euroskeptic scarcely more than a decade after clamoring to join the bloc and despite their heavy reliance on EU funding.¹ Euroskepticism is no longer contained to the periphery: according to a recent study by Eurobarometer, only 24 per cent and 28 per cent of Spaniards and Italians, respectively, hold "positive" views of the EU.²

Moreover, the underlying tension at the heart of Eurozone crisis has not gone away: how a currency union can survive without a corresponding fiscal and political union. This tension could be addressed by proceeding with comprehensive fiscal and political integration, but there is little appetite among politicians or voters to do so, even in the Eurozone.

These are significant challenges, but Brexit and the migration crisis are of a wholly different order: they pose *existential* threats to the Union.

A. Brexit

¹ According to a study by the Friedrich Ebert Stiftung, in the Czech Republic, for example, 44 percent think that the costs of membership in the EU outweigh the benefits, while only 13 percent believe the contrary.

² For example, 41 percent of Italians think that the costs of membership in the EU outweigh the benefits, while only 27 percent believe the contrary.

A few months ago I had the pleasure of appearing before the House of Commons Select Committee on Foreign Affairs to speak about the impact of Brexit on third countries. I prefaced my remarks by saying that I have believed in the European project for about 25 years. Their faces turned white as a sheet. One of its members said: “Mr. Ambassador, you don’t understand: the EU is a totalitarian super state that has enslaved the UK, and it is time for us to break free.”

I don’t recognize that description of the EU. One of my predecessors, Stuart Eizenstat, recently described the EU as “the greatest, most successful experiment in world history, in binding together a former war-torn continent into a peaceful, democratic, free market tolerant group of member states, through shared and pooled sovereignty and mutual respect.” I fully subscribe to that description.

Having lived in the UK for 14 years, however, I recognize how easy it is to have a different view of the European Union. On one typical rainy day in London, I passed a newspaper stand and saw the headlines of a tabloid newspaper refer to the European Union. The story praised Cabinet Minister Eric Pickles for exposing a plot by the European Commission to merge Southern England into Northern France to create a new country with its own flag and anthem.³

No, the article was not written by Boris Johnson, but it could have been. I got to know Boris at Oxford and we lived in Brussels at the same time in early 1990s when he was writing articles for The Daily Telegraph about the devilish plans of the Commission to abolish “abnormally curved” cucumbers and bananas, as well as the prawn flavored cocktail crisp. For those of you who don’t know, the prawn flavored cocktail crisp is a highlight of British cuisine.

³ 'The EU are trying to wipe us off the map': The Daily Mail, April 30, 2011.

US Secretary of State John Kerry recently said that the United States favors a strong UK in a strong EU; President Obama has said so on several occasions; and Mike Froman, the US Trade Representative, has stated that the US is more interested in striking a free trade deal with the EU than with the UK if it were to leave. Brexit would be bad for the EU, the UK and the U.S.

It is legitimate for us to deliver this message in light of the significant impact Brexit would have on core U.S. interests and on U.S.-UK relations. Our support for a strong UK in a strong EU is widely held on a bi-partisan basis; US support for a strong and unified Europe dates back to the Kennedy Administration. And we are not alone: other close allies have voiced similar views. The G-20 finance ministers have also expressed the view that Brexit would be a shock to the world economy. The IMF has warned of the consequences too.

Brexit would be bad for the UK because it would lose influence in the world. Being part of a bigger and economically heavyweight club has enhanced, not diminished, the UK's global influence: trade and sanctions policy are just two examples.

Brexit would bad for the EU. Despite its many and serious challenges, the EU remains an effective club. If the UK were to leave, the EU would lose a member with economic, political and military influence that has contributed significantly to the EU's evolution. Brexit would be a body blow for the EU's self-confidence; it would lead (among other things) to long period of EU introspection and a complicated renegotiation with the UK. Brexit might lead other member states to hold similar referenda.

Brexit would be bad for the US. Would the “special relationship” continue? Of course. But the EU has been an effective partner of the US on many regional and global issues: sanctions on Russia, trade, development aid/humanitarian assistance, law enforcement and climate change are just a few examples. Brexit might lead the EU to adopt policies less favorable to free trade, free competition and transatlantic unity. Brexit would mean that we would lose a valuable ally inside the EU on these key matters. As the US and the UK see eye to eye on many issues, it is natural that we would want the UK to be an effective voice inside the EU.

A UK vote to stay in (especially if it were a clear majority) would end the UK’s awkward one-foot-in and one-foot-out position that has damaged its credibility and clout with the EU institutions and Member States. While the UK will never replace France as the second motor of European integration alongside Germany, it will have an opportunity (should it decide to remain an EU member) to increase its influence, thereby tilting the balance in the EU toward more emphasis on the transatlantic relationship, free trade and competition, better regulation and the completion of the single market (including in services). At a minimum, a “yes” vote would end a major source of tension and distraction from other pressing EU issues. On the other hand, a UK vote to leave the EU would be a serious blow to the European project.

The big risk in the upcoming referendum is that voters will consider it a vote on whether the European Union looks like a healthy club. Unfortunately the challenges facing the EU are easy to exploit, while its benefits are more difficult to explain.

B. The Refugee Crisis

Clearly, the refugee crisis has strained both Europe's systems and politics to the limit, both in Brussels and in Member States. Politicians from Paris to Budapest have declared Schengen "dead" as one Member State after another imposes "temporary" border controls that could last up to two years. European Commission President Juncker has stated that the end of Schengen could cause the collapse of the euro and even the single market.

The refugee crisis is much more serious than previous crises because it is much more tangible to local populations. The crisis has added cultural and ethnic insecurity to economic anxieties. The migration crisis is also pitting member states against each other, as unilateral actions by some have negative knock-on effects on others. This dynamic may continue as leaders who have taken anti-immigrant stances are being rewarded at the polls, whereas those who have taken more liberal stances are facing a popular backlash.

The refugee crisis has also been deeply unsettling because it has shone a spotlight on how Europe has struggled to respond quickly and coherently. Migrant flows to the Greek islands appear to be declining modestly due perhaps to the recent deal with Turkey; but refugee flows from Libya are once again rising significantly. And the EU continues to have difficulty to spread the burden of existing refugees more evenly among the member states.

The EU has proven adept at handling one big crisis at a time, but it has never had to cope with multiple, large and interlocking crises at the same time. As a result, the EU's decision-making bandwidth is coming under strain. Crisis mode has become the norm. Many of the challenges Europe faces touch the raw nerve of

national sovereignty and are therefore difficult to deal with through consensus at EU level. As a result, there is an increasingly frequent need to resort to inter-governmental decision-making by heads of state in late night high-stakes summits.

The crises are serious. But I would like to describe why I remain an optimist about the EU's future and why I think the US and the EU can continue to work closely on a broad and deepening agenda. Here are a few reasons to be optimistic.

II. Reasons for Optimism

1. *Things could have been worse*

According to a popular joke in Russia, a pessimist believes that things have never been worse, whereas an optimist says that, on the contrary, things could be much worse. There are many things that could have gone seriously wrong in the EU last year, but did not. For example, for several months last year it appeared that Greece might either leave the Eurozone, with potentially very serious consequences for the Euro and for the EU project in general. Some were worrying about the Kremlin's designs on Greece. But after intensive (and turbulent) negotiations, the EU succeeded in keeping Greece in (and getting the Greek Government to adopt many of the reforms it had previously rejected).

2. *Europe is Forged in Crises*

The frequently repeated aphorism of Jean Monnet, the key Founding Father of the EU, that "Europe will be forged in crises, and will be the sum of the solutions adopted for those crises" has proven to be correct. Significant steps forward have been taken under the pressure of action forcing events. The financial crisis was one example, with significant steps toward Banking Union and Capital Markets

Union as the direct result. Today the EU is in a far better position to cope with another financial crisis thanks to the Single Supervisory Mechanism (granting the European Central Bank a supervisory role to monitor the financial stability of the Eurozone's largest banks), the Single Resolution Mechanism (providing tools for the timely and effective winding up of troubled cross-border and domestic banks) and the European Stability Mechanism (providing assistance to Member States with severe financing needs).

The serious strains put on the EU during 2015 because of Russia's annexation of Crimea and threats to several EU members, multiple terrorist attacks and unprecedented migrant flows, are already resulting in increased defense spending, greater European security coordination, and a significant further pooling of sovereignty by Member States in the fields of law enforcement and border protection. These crises have made clear that uncoordinated responses at Member State level are frequently counterproductive.

Shortly after my arrival The Economist published an article entitled "Putin's Arrow: The Crisis in Ukraine is Reinvigorating Transatlantic Ties." The cartoon featured Putin as cupid, bare chested and wearing army fatigues, just after firing his arrow at a tree where the U.S. and EU have carved their initials in the shape of a heart. In the distance, President Obama and a woman dressed in the EU flag are walking hand in hand. As the Economist article argued, "Russia is reminding both sides of the ties that bind." External threats are drawing the US-EU closer together; while they are exposing differences among the 28 member states in the short to medium-term, I believe they will bring greater EU cohesion over the longer term.

3. The Community Spirit Still Prevails

The EU would indeed be at risk of collapse if the fissures were all running in the same direction. But there is, at least so far, no San Andreas Fault; the fact that the fissures run in multiple directions depending on the issue means that the EU Member States still see the need to compromise and the value of trade-offs. While Member States traditionally resort to blaming Brussels in tough times, rather than perceiving themselves to be shareholders in a common EU project, the “Community spirit” has tended to predominate – so far.

4. Schengen Will Probably Survive

While the refugee crisis has certainly strained the glue of solidarity among the 28 member states and revealed serious shortcomings in terms of external border protection, it is unlikely that Schengen is at risk of collapse. The permanent reestablishment of border controls would be a significant shock for the European economy that all member states will want to avoid; and it would also put at risk the single market and perhaps the single currency and, indeed, the future of the European project in general.

Border controls would raise costs for companies integrated into European supply chains and export markets. They would endanger just-in-time deliveries by causing waiting times at borders and would raise inventory and storage costs. They would also harm tourism and cross-border labor mobility by lengthening the time of commuter journeys. The Bertelsmann Foundation estimated that the permanent reintroduction of border controls across the EU would case the bloc to suffer at least 470 billion euros in lost economic output over a ten-year period. While these estimates clearly depend on whether the current Schengen regime

will evolve toward more spot checks of traffic or permanent frontiers, they suggest that many member states will fight to preserve Schengen if possible.

Important efforts are underway to enhance the EU's border protection. Five "hot spots" are now fully operational in Greece and Italy. The crisis is resulting in improved rates of identification and registration of irregular migrants, as well as checks against crucial security databases.

The Commission has tabled proposals to create a greatly enhanced Frontex in the form of a Border and Coast Guard Agency (something unimaginable even a few years ago). And last week the European Parliament finally approved the long-delayed Passenger Name Record legislation that will require airline passengers arriving in and leaving from the EU to provide information. EU Member States intend to apply the rules to intra-EU flights as well.

5. Refugee Inflows Might Address Europe's Demographic Problem

While the financial and societal strains of massive inward migration are manifest, too little attention is paid to the upside potential. If Europe manages to assimilate the migrants and open its labor markets, the positive economic impact could prove substantial. The European Commission estimates that overall migrant inflows will add additional regional growth of 0.2 to 0.3 per cent of GDP by 2020. According to the estimates, Germany could see an increase of GDP of about 0.4 per cent in 2016 and 0.7 per cent by 2020. Many economists believe that the migrant inflow could be a critical antidote to Europe's looming demographic time bomb -- a rapid inversion of the age pyramid whereby working age people are supporting greater numbers of retirees on pensions. By mid-century the ratio

will have shrunk by half to 2:1, endangering the stability of social security systems.

6. The European Commission is Delivering on its Program So Far

To many observers the EU may appear immobile; and yet it moves. *Eppur si muove*, Galileo Galilei allegedly whispered when forced to recant his view that the earth rotates around the sun. The Commission's work plan and project-focused organizational structure properly reflect the challenges that the EU needs to address, above all economic growth and job creation. There have already been some singular achievements and there are signs that more are on the way this year.

One of the key pillars of the European Commission's work program is a Digital Single Market action plan to eliminate national barriers to the creation of a true single market for the delivery of digital services. Studies show that the direct cost of "non-Europe" in the Digital Single Market range between 35 and 75 billion euro, with further studies showing that a deeper digital economy, harnessing the full potential of online services and digital infrastructure, could raise EU GDP by more than 500 billion euro (4% of EU GDP).

The European Commission is well aware that it absolutely must deliver on this program. It has already tabled legislative proposals regarding e-commerce contracts and online portability of digital content. Draft legislation to reform the European copyright regime and to restrict unjustified "geoblocking" of digital content, adoption of an ICT standards plan, the launch of a cybersecurity public-private partnership, modernization of telecom rules, and an initiative on the free flow of data are all expected later this year.

Working with EU Member States, the Commission has also made significant contributions to the creation of an integrated energy market in which gas and electricity flow more freely among the Member States; thanks to pipeline interconnectors and high voltage transmission connections, “energy islands” within the EU are fast becoming a thing of the past. This will improve Europe’s energy security and better balance supply with demand. The Commission has also tabled a proposal to oblige member states to share details of future intergovernmental energy supply agreements with non-EU countries, and is calling for similar transparency regarding contracts between private companies when those contracts give non-EU supplies 40 per cent or more of Member State’s market share.

The Commission has also tabled its first proposals in the area of Capital Markets Union, including a proposal to kick-start the EU’s moribund securitization market in order to free up bank balance sheets. After only seven months, the Juncker Investment Plan is up and running, infrastructure projects have been approved and financing has started flowing to numerous small and medium sized enterprises.

III. The US-EU Agenda

So with this crowded agenda and all of these multiple, complex and interlocking challenges, how is the US-EU relationship faring? We are working intensively and effectively on a broad set of issues: sanctions; trade liberalization; data privacy; digital issues; law enforcement; energy security and climate change; and military cooperation.

1. Sanctions

We have worked closely with the EU on implementing restrictive sanctions that brought Iran to the negotiating table to agree an historic agreement limiting Iran's nuclear ambitions. And we be proud that the EU and the United States maintained unity in implementing sanctions against Russia through the Spring and Summer of last year. It took strong leadership at the EU and national level to persuading 28 EU Member States with different economies, histories, and perspectives to support sanctions on Russia.

Putin thought he could split the EU and divide the EU from the US on sanctions. He failed. He thought we would not stand by Ukraine financially. He was wrong. Together with the IMF, the US and the EU have provided economic and financial assistance needed to support Ukraine as it continues on its path of reform. In the process of misreading our resolve, Putin has inflicted enormous damage on Russia's economy and strategic interests.⁴ The crushing of NGOs⁵, the assassination of political opponents⁶, the funding of European extremist political groups, the rewriting of Russian history⁷ and the extreme disinformation campaign against the West do not augur well for Russia's future direction.

Sanctions have worked as intended, especially in causing a steep fall in foreign direct investment in Russia, with only limited macroeconomic impact on the U.S.

⁴ For example, Russia's actions have promoted European cohesion and deeper cooperation with the United States; boosted defense spending in many European countries [spending rose in Poland, Romania and Slovakia by 33 percent, 22 percent and 17 percent last year respectively]; led to NATO's stationing more troops and material on a rotating basis in the Baltics and CEE; and promoted EU plans for a European energy union. The Nordic and Baltic countries are also increasing spending and collaborating more closely under Russian threats to strike Denmark with nuclear weapons and regular incursions by Russian airforce jets into Scandinavian airspace.

⁵ The MacArthur Foundation, the Open Society Foundations, Freedom House are among those NGOs that have closed and Russian human rights group Memorial is under constant pressure.

⁶ Among them, Alexander Litvinenko, Boris Nemtsov, Anna Politkovskaya and Mikhail Lesin.

⁷ See, for example, Tony Barber, "Russia Rewrites History of the Prague Spring," Financial Times, June 3, 2015.

and European (including Italian) economies. The U.S. and the EU need to be united in communicating a clear message: the path forward depends on Russia's conduct. Russia has made commitments under the Minsk process, and only if it meets those commitments sanctions will be lifted. There should be no partial lifting of sanctions for partial fulfilment of Russia's commitments. And the work Ukraine still needs to do to clean up corruption and curb the power of its oligarchs should not serve as a pretext to let up the pressure on Russia.

The Ukraine crisis should not be allowed to slip down the list of Europe's priorities: that would be a betrayal of Europe's commitment to international law and the legitimate aspirations of the Ukrainian people to live as part of a free-market democracy that respects human rights.

2. Trade Liberalization

The US and the EU are working closely to liberalize trade, both multilaterally at the WTO, plurilaterally and bilaterally. We have worked closely on the recent breakthrough to significantly expand the coverage of the Information Technology Agreement that eliminates tariffs on \$1 trillion worth of trade in high-tech products among 54 economies. We are also spearheading negotiations on the Environmental Goods Agreement to eliminate tariffs on solar panels, wind turbines, water treatment equipment and other environmental goods. And we are also leading the way on the Trade in Services Agreement that aims to open up markets and improve rules in areas such as licensing, financial services, telecoms, e-commerce, maritime transport, and professionals moving abroad temporarily to provide services.

And, of course, we launched the Transatlantic Trade and Partnership Agreement (TTIP) two years ago. There are manifest economic benefits of a deal, including providing a debt-free stimulus to jobs and growth, needed on both sides of the Atlantic, but above all here in Europe. There are also real and important geostrategic benefits.⁸ As the dramatic events in the Maidan demonstrated over the winter of 2013, trade is geostrategic. T-TIP is an effort to actively shape the global trading system and promote a race to the top in terms of standards, rather than engage in a race to the bottom. If the United States and Europe want to strengthen our respective economic power and extend our strategic influence during uncertain times, we must make a decision together: either lead on global trade or be left on the sidelines. There really is no choice.

Yes, there are still difficult issues on the table, including agriculture, including geographical indications and the elimination of tariff lines on sensitive agricultural products, government procurement, investor state dispute settlement and sectoral regulatory cooperation. But we think that with sufficient political will we can get the deal done before the end of President Obama's term.

3. Data Privacy

In the aftermath of the Snowden revelations, the U.S. and the EU have made concrete steps to restore trust in data flows. All too often in Europe it is falsely argued that Europeans care about privacy, while Americans do not. The United States has had privacy laws before Europe did, and we believe that our privacy regime is as robust as any in Europe. Both the US and Europe are grappling with

⁸ The Kremlin has repeatedly attacked the negotiations on spurious grounds. See "Comment by the Information and Press Department on the Transatlantic Trade and Investment Partnership," Ministry of Foreign Affairs of the Russian Federation, February 25, 2016. The real reason for the opposition is its knowledge that TTIP would strengthen Europe and the transatlantic bond.

the difficult balance between personal security and the right of citizens to protect their privacy.

It is widely recognized that following the trauma of 9/11, the US went too far in weakening privacy in order to enhance security. That is a natural reaction, and one which several EU member states now understand when faced with their own traumas of terrorism. But we have restored greater balance between the two goals. The Freedom Act reformed the Patriot Act in important ways, including imposing restrictions on bulk data collection. We have now put into place express limits on the retention and dissemination of personal information about non-U.S. persons collected by signals intelligence, comparable to the limits we have for U.S. persons.

On February 2 we announced an EU-U.S. Privacy Shield agreement, to replace and strengthen the former U.S.-EU Safe Harbor framework that was invalidated by the Court of Justice in the *Schrems* case on October 6, 2015. The Framework includes a strengthened set of enforceable protections for personal data transferred from the EU. It provides transparency regarding how participating companies use personal data, vigorous government oversight, and increased cooperation with EU data protection authorities. Last week's opinion of the Article 29 Working Group of national data protection authorities was broadly supportive, while presenting some suggestions for improvement. I remain confident that the Member States will approve Privacy Shield, that the European Commission will issue its adequacy finding and that it will withstand scrutiny by EU courts.

The U.S. Congress recently passed the [Judicial Redress Act](#), a law that would grant foreign (including EU) citizens protections that U.S. citizens enjoy under the 1974 Privacy Act. The legislation in turn clears the way for the United States and the European Union to sign a long-stalled agreement on protecting personal information exchanged between US and EU Member State law enforcement authorities. Having passed the Judicial Redress Act to directly address European concerns, the U.S. Congress is anticipating EU approval of the agreement without delay to further advance the rebuilding of transatlantic trust.

But we are not out of the woods yet. Three cases pending at the European Court of Justice will have an impact on data privacy rights. I was in Luxembourg last week to listen to oral hearings in two cases in which the Court must decide whether certain Member-State domestic laws concerning law enforcement and national security comport with European fundamental rights by requiring the retention of telecommunications data. In a separate case the Court must decide whether the proposed Canada-EU Passenger Name Records agreement and its provisions for the transfer of airline passenger data from the EU to Canada runs afoul of EU data protection requirements.

4. Digital Issues

The U.S. and the EU are also working closely together on the Digital Single Market strategy. We support the European Commission's vision to create the regulatory and market conditions to help companies to innovate, collaborate, invest, create jobs, and drive growth while better serving consumers. That kind of reform coupled with T-TIP would create the proper conditions for a robust transatlantic

digital economy in which EU and U.S. businesses will prosper and find new opportunities.

While we support the vision behind DSM, we are following with concern the efforts of some Member States to push for special regulations governing internet platforms. The rapid adoption of these platforms shows that they create enormous consumer value by improving resource use, increasing competition, reducing transaction costs, reducing asymmetric information between buyers and sellers and bringing new buyers and sellers into the market.

Leading U.S. platforms have generated enormous benefits for the European economy. Take Facebook: according to a recent study by Deloitte, it has enabled, directly and indirectly, \$51 billion of revenue and 154,000 jobs in the EU.⁹ Amazon created 10,000 new jobs in Europe in 2015, on top of the 40,000 it already employed. It has invested over 15 billion euros since 2010 on infrastructure and operations in Europe.¹⁰ And the EU app economy, launched with Apple's iTunes App Store in 2008, is expected to increase to 63 billion euros and 2.8 million related jobs by 2018.¹¹

As one recent study has concluded: "Rather than concentrate on supposed dangers that IT platforms currently pose, European officials would do better to ask themselves why the continent missed the first platform revolution and

⁹ Deloitte, "Facebook's Global Economic Impact," January 2015. The figures for Italy are: \$6 billion in revenues and 70,000 jobs.

¹⁰ In 2014, businesses selling on Amazon's EU websites earned a record 2.8 billion euros in revenue from exports within the EU. This is in addition to the billions of euros EU sellers earned from purchases made by Amazon customers living in their home countries.

¹¹ "Sizing the EU App Economy," Eurapp Final Report for the European Commission, 2014.

continues to lag behind.”¹² Regulators already have sufficient powers to deal with the most likely abuses of platforms; the correct response on both sides of the Atlantic should be to prevent governments from erecting competitive barriers to them. Fortunately, a growing number of EU Member States appear to agree.¹³

Benefits of the DSM also extend well beyond Internet-related companies, to other sectors including financial services, marketing and retail, manufacturing and heavy industry, logistics, design and engineering. According to recent studies, better use of data could generate \$1.3 trillion in additional value each year in just seven industries and the Internet of Things could contribute up to \$11 trillion in global value by 2025, equivalent to 11 percent of current global GDP.

We don’t know what new technologies will develop in the coming years. We do know, however, that the digital disruption is already here. Consider this: the world’s largest taxi company (Uber) owns no taxis; the largest provider of accommodations (Airbnb) owns no real estate; the largest phone companies (Skype, WeChat) own no telecom infrastructure; the world’s most valuable retailer (Alibaba) has no inventory; the world’s most popular media owner (Facebook) owns no content; the world’s largest movie house (Netflix) owns no cinemas.

How we coordinate on this fast evolving digital disruption will determine whether we end up building incompatible regulatory frameworks that stunt innovation and growth, or instead are able to harness the promise of new technologies for the

¹² Joseph Kennedy, “Why Internet Platforms Don’t Need Special Regulation,” Information Technology & Innovation Foundation, October 2015.

¹³ See Letter to Vice President Andrus Ansip from the United Kingdom, the Czech Republic, Poland, Luxembourg, Finland, Sweden, Denmark, Estonia, Latvia, Lithuania and Bulgaria. April 4, 2016.

good of Americans and Europeans alike. We need to deepen our collaboration on the standards governing the Internet of Things, Big Data and the increasingly important issues of encryption.

We will need to ensure in the TTIP negotiations that cross border data flows and data processing may take place free from discriminatory terms and trade distorting conditions, with exceptions limited to legitimate public policy objectives and only in full compliance with the WTO General Agreement on Trade in Services. With cloud computing blurring jurisdictional boundaries, we need to make sure that data protection doesn't become a disguise for data protectionism. Many studies show that such protectionism, including data localization requirements, would not make data safer and would have a significant negative impact on online and traditional industries; according to one study, recently proposed or enacted localization requirements in the EU are likely to reduce EU GDP by 0.4%.¹⁴

5. Law Enforcement

We have long had strong bilateral cooperation on law enforcement with many EU Member States. Reflecting the increasingly transnational nature of serious crimes and terrorism, the US and Europol, the EU's law enforcement agency, are deepening their cooperation. For example, we have been collaborating with Europol in cracking down on migrant smuggling networks, online child sexual exploitation, drug trafficking and the illicit sale on the dark net of everything from recreational drugs to neurotoxins to firearms.

¹⁴ Daniel Castro and Alan McQuinn, "Cross-Border Data Flows Enable Growth in All Industries," Information Technology & Innovation Foundation, February 2015; Matthias Bauer, Hosuk Lee-Makiyama, Erik van der Marel, Bert Vershelde, "The Costs of Data Localisation: Friendly Fire on Economic Recovery," ECIPE, March, 2013.

U.S. law enforcement plays active roles in the Migrant Smuggling Centre and the European Cyber Crime Centre at Europol. While the former is quite new, the latter -- EC3 -- has proven itself to be of great value in multilateral investigations and operations.

And we are cooperating closely with Europol on terrorist financing, an essential tool to combat terrorism, because we can build out terrorist networks based on "following the money."

The U.S. has provided Member State law enforcement and Europol with significant assistance in the wake of the terrorist attacks over the past year. As many of you know, on January 1, Europol inaugurated the European Counter Terrorism Centre. A U.S. criminal investigator is already embedded in the ECTC and we see this as an opportunity to share information at a centralized facility. We see connectivity between our National Counterterrorism Center, or NCTC, and ECTC as a natural partnership to combat global terrorism.

From our own experience post-9/11, we know that only by joining information streams can we connect dots that result in the detection and prevention of terrorist attacks, beyond merely solving the crimes after they cause devastation.

The United States and the EU also need to have a regular dialogue on encryption technology and the impact it will have on transatlantic law enforcement. This has become particularly timely in light of Apple's refusal to grant the FBI access to the Apple iPhone owned by one of the San Bernardino terrorists and the decision of

WhatsApp to extend end-to-end encryption for its users' communications. This means that the company now holds no keys to private communication, whether it is one-on-one messages, photos or calls, and so cannot grant law enforcement access even with a warrant.

6. Energy Security and Climate Change

U.S.-EU collaboration is also deepening in the fields of energy security and climate change. We support the various proposals for an energy union and the diversification of supply that would reduce Europe's dependence on Russian energy. That is why the United States, European Commission Maros Sefcovic and many EU Member States are opposing the Gazprom-led Nordstream II pipeline from Russia to Germany via the Baltic Sea; it is a political project that seeks to undermine Ukraine's financial and political independence, and further cement Europe's energy dependence.

The USG supports a fully functioning and interconnected internal EU energy market. Project by project, we are working closely with the EU and key countries to change Europe's energy landscape to make it more secure, resilient and diverse, especially in the gas market: we are encouraging an increase in reverse flow capacity from Slovakia, Poland and Hungary to Ukraine; we are supporting LNG infrastructure in Northern Europe and the Baltic states; and we are working to establish interconnectors, new pipelines and LNG networks in Southern Europe to provide energy options to Bulgaria, Croatia, Hungary, Serbia and other countries in Central Europe and the Balkans. And work on the critical Southern

Corridor pipeline, that will bring Azeri gas to European markets by 2020, is well under way.

We have worked closely with the EU on the historic climate change agreement in Paris in December last year that establishes for the first time an ambitious, durable climate regime that applies to all countries, is fair, focuses both on reducing greenhouse gas emissions and building resilience, includes strong accountability measures and ensures ongoing financial and technical assistance to those who need it. The agreement moves us close to the goal of limiting global temperature increases to 2°C. The EU has committed to reduce greenhouse gas emissions by 40 percent from 1990 levels by 2030; existing efforts have met half of that goal already. The U.S. has committed to reduce emissions by 26-28 percent from 2005 levels by 2030; we are on the way to meeting that goal.

7. Military Cooperation

And we are making significant, even surprising, progress with the EU on the **security** front. The US and EU have signed an agreement enabling the Department of Defense to share confidential military information with the EU military staff and to sell goods and services to the EU military missions in Africa. We will also be stepping up cooperation with the European Defense Agency. We are also making progress on some specific areas, such as hybrid warfare, where the EU and NATO can cooperate more effectively.

8. Development Cooperation and Humanitarian Assistance

The EU and the U.S. together account for more than 80 percent of all official development assistance worldwide; it is important, therefore, that we coordinate

at both a policy and country-program level to improve the quality and impact of international aid and relief.

As part of the U.S.-EU Development Dialogue we have focused on food security, climate change, health, aid effectiveness and security and development. The Dialogue aims to achieve broad policy consensus, coordination, and sharing of information on development issues, approaches, and programs. There has been some early progress, including agreement on roadmaps for cooperation in three sectors and seven focus countries and a draft joint work plan on transparency, accountability and division of labor. Eliminating wasteful overlap continues to be a priority. We are negotiating an agreement between USAID and DEVCO that would allow the EU to transfer funds to USAID for the administration of programs where USAID has a comparative advantage.

Conclusion

In conclusion I want to cite European Commission President said in his last State of the Union speech: “There is not enough Europe in this Union. And there is not enough Union in this Union.”¹⁵ The lengthening list of complex, interlocking and even existential crises will both fray European solidarity and demonstrate how important it is. One hundred and fifty years ago, Italian statesman Massimo d’Azeglio said about Italian unification: “We have made Italy; now we have to make Italians”. That process is still incomplete. It will take time to make Europeans out of the citizens of the 28 diverse Member States. But I believe that European solidarity is still possible without a sense of European identity.

¹⁵ Jean-Claude Juncker, “State of the Union 2015: Time for Honesty, Unity and Solidarity,” September 9, 2015.

It would be a terrible shame if the lessons of European history, specifically the contributions of European integration, are forgotten. I'm not just referring to the wars on European soil that you see in films and read about in history books. I'm referring to the relatively recent history of border controls that are reappearing. I'm talking about the relatively recent history of national currencies, of expensive intra-European travel and of complicated requirements for study and living outside one's home country; of restricted consumer choice regarding many goods and services. And I'm referring to relatively recent history in which thanks to the hugely beneficial process of enlargement Greece, Portugal, Spain and former Soviet satellites were transformed into flourishing members of a united, democratic and prosperous Europe.

Rahm Emanuel, former Chief of Staff to the President, said about the financial crisis that "A Crisis is a terrible thing to waste." Just as European integration has always taken big leaps forward at times of crisis, especially external threat, so can the transatlantic relationship take a major step forward at this historic time. We can not, we must not, let this opportunity borne of crisis go to waste.

Americans are optimistic; it is in our DNA. I am optimistic that, despite all the challenges the EU is now facing, it will emerge strengthened. The case for common policies will become more self-evident. The United States needs, as never before, a European Union that is cohesive, effective and outward looking.

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