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THE DIGITAL SINGLE MARKET:
IMPLICATIONS FOR THE TRANSATLANTIC RELATIONSHIP

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P R O C E E D I N G S

MS. SAPIRO: I'd like to welcome everyone here. We will be using the hashtag "DigitalSingleMarket" for this morning's event. Please feel free to start tweeting. I'll repeat that, the hashtag is "DigitalSingleMarket." It took us a long time to come up with that. (Laughter)

Well, we have Brookings in Doha, Brookings in China, and Brookings in India. Now, we are pleased to have Brookings at SAIS, at least for this morning. Thank you to the team at SAIS for their generous hospitality.

We are so honored to have His Excellency Andrus Ansip, the Vice President of the Commission for the Digital Single Market and the former Prime Minister of Estonia, with us today.

I first met him when he was in the Parliament, and I was visiting Brussels as Deputy U.S. Trade Representative, and also Strasburg, so it is wonderful, Your Excellency, to see you again.

I also have a soft spot for Estonia. When I was a young lawyer at the State Department years ago, one of my responsibilities was to ensure that every official reference to the Soviet Union had a footnote that said "The Government of the United States of America does not recognize the forcible incorporation of the Baltic Republics."

I can't think of a more opportune time to host the Vice President than now, as both the U.S. and the EU continue to grapple with the challenges of boosting growth, creating jobs, promoting investment and innovation, and maintaining their competitiveness.

Earlier this month, on May 6, the European Commission presented its proposals for a Digital Single Market, a new initiative to create a common market for

digital goods, services, and capital, whose impact could be as fundamental as the original single market.

The strategy is composed of several pillars, including breaking down barriers to cross border online activity, creating a level playing field for companies and services, we hope, not just in Europe. Investing in faster broadband services for faster Internet use, in cybersecurity, and in the idea of a European Cloud, and sharpening Europe's competitive edge by supporting innovation and enhancing digital literacy and small business confidence.

This strategy raises a number of questions and challenges that we are delighted to have the Vice President with us today to consider.

In the quest to improve access to digital products and services across Europe, will the EU succeed in lowering the 28 regulatory fences that surround member states' online activities without erecting a taller fence around all of the EU and creating a fortress Europe.

Will the strategy of reducing discrimination on online content and services among EU member states lead inadvertently or intentionally to new forms of discrimination against non-European online platforms and other services, whether they be headquartered in the United States or other countries.

What will be the impact of the new strategy on TTIP, especially on the digital data flows that form the life blood of both economies?

Negotiations on a new Transatlantic Trade and Investment Partnership were launched nearly two years ago to lower barriers and to improve cooperation in a combined marketplace of 800 million consumers. Many of us had hoped to see the talks further along by now. Chancellor Merkel has called for them to be substantially

completed by the end of this year. Each side blames the other for moving too slowly.

With Congress close to granting President Obama trade promotion authority and the new EU Commission now firmly ensconced, both sides will soon face a day of reckoning. Do they want TTIP to succeed or not? The absence of TPA will no longer provide an excuse to wait.

For TTIP to succeed, it will be important to include a number of areas also in the new DSM strategy, such as liberalizing trade in digital services, preserving the free flow of information that both economies are so dependent upon, providing localization and local content requirements, opening up the standards development process, enhancing interoperability, and improving regulatory cooperation across the board.

A moment ago I mentioned an important footnote. Well, there are also footnotes in the new DSM strategy. One says that the EU will present a new trade and investment strategy in the fall. There is a risk, it seems, that the DSM strategy particularly in all the areas where much more work is needed could slow TTIP down further.

In addition, given the explosive growth of the Internet, what opportunities will there be for transatlantic companies to help improve Internet access to most of the world's 7.2 billion people who do not yet have it.

Rising incomes in the developing world and cheaper wireless devices and services are making it possible to envision much broader access with the many benefits that can bring, but only if governments in Europe and elsewhere continue to tear down regulatory silos and the other barriers that still exist.

There are clearly terrific opportunities ahead but also tremendous

challenges. In just a few short weeks since the Commission introduced its proposals, we have seen developments on both sides of the Atlantic that can affect aspects of the new strategy. In the U.S., potential modifications to the Patriot Act may help reestablish the proper balance between security and privacy concerns. We should know more on Sunday.

In Europe, there is increasing worry about an EU that one day soon may not include the United Kingdom or Greece.

Just for a nanosecond, one might think that would make the DSM process a little easier to negotiate, 26 member states, not 28, but the repercussions of either exit would be severe.

We are looking forward to hearing your thoughts, Your Excellency, on what the evolution and the implementation of the DSM strategy means for the U.S. /EU relationship over the coming months.

After your remarks, my distinguished colleague, Cam Kerry, will lead off a question and answer session. I had the privilege of working closely with Cam when we both served in the Obama Administration, including when he was Acting Secretary of Commerce and I was Acting U.S. Trade Representative, and I know it will be an interesting discussion.

As I think about the challenges ahead, I am reminded of what Winston Churchill once said, "A pessimist sees a difficulty in every opportunity. An optimist sees the opportunity in every difficulty."

Your Excellency, we look forward to learning more about the opportunities, not just for Europe, but also for the broader Internet community. Let me invite you to the podium. Thank you. (Applause)

FEATURED SPEAKER

MR. ANSIP: Thank you very much for those very warm introductory words. It is always a great pleasure to be here in Washington. It is because of the fact that in the European Union and in the United States we share the same values, but it is also because of our relatives living in California. I can say I got my first lessons about the free market economy from my relatives living in Palo Alto. (Laughter)

Ladies and gentlemen, it is a pleasure to be with you today at this most prestigious of institutions. Thank you for inviting me.

Europe and the United States enjoy a long history of strong economic and political ties, that much we all know. In terms of trade and investment, the transatlantic partnership, is the world's most significant. Put together, our economies account for about half of global GDP and nearly a third of trade flows.

Fewer people may know that a tremendous amount of trade is underpinned by digital goods and digital flows. According to a Brookings Report, data flow between the United States and Europe are of the highest in the world, 50 percent more than those between the United States and Asia. Almost double the flows between the U.S. and Latin America.

Digital flows have become part of today's global trade reality, along with the growth in Internet access; they are driving an increasing amount of transatlantic trade and investment.

Europe may not be home to the world's most famous Internet companies, but Europe is a leader in the ICT sectors like robotics and embedded systems, where it has 31 percent of world market share. We are also a major global exporter of digital services. European companies are major digital traders in many

different sectors: banks, car manufacturers, logistics companies, to name a few.

That said, it is clear that Europe can do better. In the physical sense, we have a solid internal market that integrates more than 500 million Europeans across 28 countries, but speaking digitally, there is still a long way to go before all Europeans can enjoy the same freedoms online as they already do offline.

Breaking through these barriers to build a digital single market is a top priority for the European Commission, to unlock the potential of the digital economy for Europe, to tear down a series of regulatory walls, to move from 28 splintered national markets to a single one. That does not mean replacing them with regional markets. It means building a unified space where Europe's single market in the physical world is extended into the world of bits and bytes.

Our focus is firmly on creating economic growth, employment, and making the most of the digital age. It is also about promoting and stimulating innovation. Neither the European Union nor Brussels is able to create innovation, but what we can do is to create the right environment for that innovation to happen.

Once fully in place and working, the digital single market could contribute up to 415 billion Euros per year to our economy and generate hundreds of thousands of new jobs.

It will provide opportunities for trade, investments, innovation, not only for Europe but globally, and also for the United States.

Our strategy for achieving this will be based on three policy pillars. First, we will improve access to online goods and services across Europe for people and businesses. We will do this by removing barriers such as the high cost of cross-border parcel delivery and tackling new means of discrimination in the online world such as

unjustified geo-blocking.

Then we will create the right conditions for digital networks and services. That means high quality telecom infrastructure that works smoothly across Europe, backed up by the right regulatory environment to promote competition, investment, and innovation. It will include addressing areas such as the role of new intermediaries like online marketplaces and search services.

We will prepare for the future, to maximize the growth potential of the digital economy with a firm focus on all aspects of data and areas of new growth, such as Cloud computing and the Internet of Things.

A digital single market means more opportunities for Europe certainly, but not exclusively. It means a seamless area where people and business can trade, innovate and interact legally, safely, and securely. It means businesses being able to make full use of new technologies, and small businesses in particular to cross the European Union with just one click.

Before taking any next steps, we would like to collect all views, and that means yours as well. The European Union has a transparent and solid way of preparing legislation through consultation and impact assessments. In that respect, I believe we set a good example.

Ladies and gentlemen, Europe's future digital single market will provide equal conditions where all companies offering their goods or services in the European Union are subject to the same rules - data and consumer protection, for example. This will guarantee legal certainty and is ultimately good for investments and business, whichever country they come from.

We want to encourage companies, whether European or not, to develop,

invest, and make the most out of our massive marketplace. Uniform rules, not today's patchwork of 28 different systems, are the gateway to a golden business opportunity.

I wish that such an open and welcome attitude was common practice in other digital markets. This is unfortunately not the case. We have situations where EU companies face local content requirements for using ICT equipment. Some countries make them disclose commercially confidential information. Others put restrictions on foreign ownership and allow them no access or only limited to public procurements.

I said just now that the idea of the digital single market was to tear down regulatory walls. Let me stress that again. Tearing down walls, not putting up new ones. Neither is the digital single market about making laws to disadvantage Europe's competitors.

The aim is not to reduce competition in the European Union, but to make sure that Europe can compete globally, for our companies to scale up faster and provide services across all EU countries.

Our doors are open, not closed. There is no anti-American agenda and no Fortress Europe, as I continue to read in some media. Accusations of EU protectionism are not only wrong, they are old as well. We heard them some 25 years ago when we were advancing with the single market. We were not only doing it for the good of Europe, but also for others outside Europe to benefit, the same as we are doing today with the digital single market.

Here I would like to quote former President of the European Commission, Jacques Delors, who said "Unlike the attempts at regional autarky in the 1930s, the European community has shown for a long time that it is a factor for growth in international trade and its increasing liberalization."

With the digital single market, we have been accused of unfairly targeting U.S. tech companies. This is not true. Between 2010 and 2014, there were 81 companies involved in EU antitrust cases. Only 21 of them were based in the United States, there were 231 companies involved in cartel decisions, just 17 of them were based here. Remedies in merger cases affected 35 U.S. based companies; the total number of cases was 145. I think these figures speak for themselves.

In all competition cases, we are indifferent to the nationality of the companies involved. There is no bias. For us, there is only one bottom line - that any company operating within EU territory complies with our treaty rules.

Yes, there are some differences between Europe and the United States in perception, occasional differences of approach - to regulation, for example. There are occasional disagreements and tensions. Frankly, that is not unusual.

I still believe, however, that there is far more that we have in common than may divide us. That is as true for technology as for any other area. We cannot allow any differences to drive a wedge between us, nor to forget our tradition of working positively together to tackle common challenges. The best answers come when we work together, deepening the digital connection between Europe and the United States.

Ladies and gentlemen, I started by talking about the importance of digital trade, which has driven tremendous growth in the U.S. economy. Creating a digital single market in Europe, a digital savvy market that is also friendly to U.S. investment, will also create growth and opportunities for U.S. companies, not just European ones.

But we need the support of our partners, the United States, in particular, if the global digital economy is to remain open.

The TTIP negotiations provide a unique and historic opportunity to

remove trade barriers between us and show global leadership in free trade. This is how we allow innovation to thrive in the global digital economy. Since digital technologies know no borders, international collaboration is needed on many wider issues, such as cybersecurity and common technical standards. Or Internet governance, a vital area where Europe and the United States should stand together to create a leadership model for the world.

I believe there is a strong political will on both sides of the Atlantic to safeguard the open Internet, while making it possible to develop innovative services provided that they do not harm its availability and quality.

Net neutrality is a good example of where we can and should work together. This is a key element of the digital single market and the European Commission is committed to turning this principle into EU law. We are building for the long term; therefore, we need legislation to do that.

In fact, I do not think that the U.S. and European approaches on open Internet are very different. They go in the same direction and are based on similar principles, that people should not be unfairly blocked or slowed down when using the Internet, that there is no paid prioritization, and that content and application providers can make their content available without discrimination.

Ladies and gentlemen, we are each other's first and foremost partners. We complement each other and it makes a lot of sense for to work closely. When it comes to digital matters, both sides have issues to deal with. Separately, as well as together.

Let us build on our long-standing history of trust, cooperation, and mutual understanding to further the global digital market, to defend a free open Internet, and let

us take this great opportunity to work together for a bright digital future.

Thank you very much for your attention. (Applause)

MR. KERRY: Mr. Vice President, thank you very much for being here and for your remarks this morning. Since this is your first visit to the United States in your current capacity, let me start off with a familiar question. It is familiar to you, but maybe not to the American audience.

There is certainly a lot of interest in the experience of Estonia, or “E-tonia,” as people sometimes call it because of its reliance on digital technology. To sort of roll that question that you have answered a few times forward, how would you say that experience has informed your work on the digital single market plan?

MR. ANSIP: Thank you very much for that very fine question. You know, I don’t think Estonia is perfect enough to teach other countries. Some things just happened in Estonia and no legacy was really -- commercial banks didn’t have any memories about traditional banking, they just took the best technology, and when they started with the Internet, those sections were free of charge, and this is the reason why our elderly people there are so familiar with computers. If you don’t have to pay, you take it. There were some good and smart decisions made in the very early stage in Estonia, for example, in implementation.

In Finland, they did it even a year earlier than we did it in Estonia, and it was mandatory in Estonia. You could have your travel passport or not, but you have to have your small i.d. cards. It took six years to get the first one million digital signatures in Estonia.

Then we implemented on the level of law, so-called once only principle. The state has the right to ask for information only once, second time is prohibited. It gave

a real boost on usage of digital signatures. Now, Estonians, they are signing digitally more than one million times during the week. Population of Estonia is 1.3 million.

If I can take something from Estonia's experience, I would try to take this approach. We have to be focused on key actions, on triggers. It is possible to copy an example of one small member state, but for all the European Union, it is practically impossible.

MR. KERRY: The U.S. and the EU and the transatlantic relationship, you have at least one fan in the United States, because Mark Zuckerberg said he thinks the digital single market plan is a good thing.

MR. ANSIP: He's right. (Laughter)

MR. KERRY: In terms of getting to a single regulatory regime. The digital single market plan talks about a European free flow of information initiative, and breaking down restrictions on the free flow of data, and you talked about some of the trade barriers that exist globally, in terms of local content restrictions, data localization, and others.

How will the digital single market plan improve/facilitate the free flow of data back and forth between the United States and Europe? Thank you for acknowledging the work of my Brookings' colleague, Josh Meltzer, on the importance of those data flows to both of our economies.

MR. ANSIP: The joke about cross counter scheme, my colleague is also keen on cross counter scheme, he is also collecting the different cross counter schemes, Americans, and we have some competitors.

MR. KERRY: This is proof that we have a lot more in common between the U.S. and Europe than we have differences.

MR. ANSIP: Yes. Free flow of data. This is one of those areas in the digital single market strategy. We all know not only in the European Union but around the world there are many governments, many parliaments, who are thinking about let's say honestly protectionism, how to keep data collected on the territory of the country in the territory of the country, but it is crystal clear for me that free flow of data is really needed for our economy and for democracy also.

Let's take trucks, for example. I would bring this example from Europe. More than 110,000 trucks around the world already, they are getting information from those trucks every five minutes. They can provide some basis of this information they are getting from trucks on some advice about maintenance, about how to improve driving habits, because they know where those trucks are and where they are planning to go. They are also able to organize truck trains. The distance between trucks is very short, and in this way, they are able to save five to six percent of fuel.

This is a question about efficiency, not just about fuel, but roads, et cetera, road safety, et cetera.

What will happen, for example, with those truck trains when they cross borders, free flow of the data will be prohibited. We don't have to talk just about connected cars or the Internet of Things, 5G data, free data, it is a must.

At the same time, of course, we have to protect everybody's privacy. Once again, trust is the must. If we will not be able to create the environment our people can trust, they will never use those Internet based e-services.

If there will be free flow of data inside the European Union, then I'm sure also businesses from the third countries will benefit from that, but once again, generally speaking, I would like to say we are not creating this digital single market only for

Europeans. We don't have separate rules for European countries and other rules for foreign companies. Everybody has to respect EU regulations. The digital single market will be beneficial for European citizens, for European countries, but as well for American companies, too.

MR. KERRY: Miriam Sapiro mentioned that footnote that talks about a new trade and investment strategy which will assess key issues in the digital agenda. What can we expect that may say about the flow of information across the Atlantic?

MR. ANSIP: I said already that TTIP is extremely important for the United States and the European Union. We can show by consensus that we can trust each other, we are interested to have deep cooperation, and I think not only Europe and the United States of America will benefit from that, but it will be beneficial for the whole world.

Cooperation between the United States of America and the European Union is quite deep already. Maybe even too often we are complaining about some kind of issue, talking about Fortress Europe and protectionists when there is no basis for that kind of complaint.

MR. KERRY: I think the concerns that have been aimed at U.S. companies come probably most of all on the portion of the plan that talks about undertaking an inquiry about online platforms, and says some online platforms can have an impact on the competitive marketplace, on the pricing of services.

Are there European platforms that meet that description?

MR. ANSIP: It's quite difficult to say who owns those innovative platforms, the European platforms or the American platforms, they are multinational companies mainly. I would like to talk about Estonia, but I am not Prime Minister of

Estonia any more. The company, it is owned by Microsoft, but development department, despite this, still is located in my home country, Estonia.

For Europe, of course, we have to think why Spotify, which was created in Sweden, had to move out from the European Union to the United States to scale up, why it is so difficult to scale up inside the European Union.

I believe in the bright future of those sharing platforms. Quite often, when people are talking about platforms, they are thinking about a concrete search engine, but there is only one commissioner in the European Commission who has the right to talk about concrete companies, all the other commissioners, to my understanding, they have to talk about policies.

We have the same problems, the same concerns about platforms in the United States and also in the European Union. Very soon you will have in the United States a roundtable discussion about sharing platforms. People like those platforms, those are very innovative solutions, but some people are complaining.

It is practically impossible to find those generalized problems describing all the platforms. It is practically impossible to find those generalized problems.

Some are taxi drivers who are not happy with new solutions, even the Governor of the Bank of England stated recently there is an Uber type situation in the banking sector, he is losing those most profitable sectors sector by sector, to shared platforms, to crowdfunding currency exchange platforms, crediting platforms, et cetera.

We have to study is there a real basis for those concerns, do we have to act or not, and I cannot see any differences in approaches you have in the United States and that we have in the European Union.

Almost the same concerns, the same expectations, the same hopes. We

are dealing with the same issues. I believe in the future our cooperation in dealing with those issues will be even deeper than it is today.

MR. KERRY: Did you arrive at an answer to that question, why Spotify had to move to the United States to scale up?

MR. ANSIP: My answer is quite clear, because of fragmentation of EU markets, that they have to deal with 28 different regulations. It is complicated for them to understand those different regulations, they are protecting consumers in some member states, and then what kind of publications are those service providers getting from those different regulations. It is much easier to move out from the European Union to the United States to scale up. Now, Spotify is back in Europe. So, welcome back.

In the United States, you have single markets. When we are talking about telecoms, digital issues, yes, in the United States, single market is reality. Single market in a physical meaning is reality also in the European Union, but sorry to say the meaning of digital economy, this single market does not exist yet in the European Union.

MR. KERRY: Let's talk about safe harbor. That has been a critical enabler of those transatlantic data flows. As the Commission and the Federal Trade Commission and Commerce Department have revisited the terms of that, the biggest sticking point has been the provisions dealing with not data in the private sector but in the public sector and intelligence collection.

You said at your hearing before the Parliament as a designee that President Obama had made a remarkable speech in January of 2014 when he said the United States was going to extend equivalent protections to non-U.S. persons that it extends to its own citizens.

You also said we will see how America is able to make that principle a

reality. Since then, the intelligence agencies, other U.S. law enforcement agencies, have provided a great deal of transparency on the restrictions that implement the President's directive, and I guess I would venture to say that go beyond those that any European country provides.

Are we at a point where we can put that issue to the side and move forward with safe harbor?

MR. ANSIP: I'm looking optimistically. Optimism, by said by Harry Potter, if it is not because of Harry Potter, I really believe we will be able to find consensus in this area really very soon.

This statement made by President Barack Obama about all the data being treated equally, it doesn't matter, data for Americans or non-Americans, in Europe already 10 years ago, but now, this strong statement was made, and we can see some real developments in those safe harbor negotiations also.

We found solutions in all those commercial releases already, now there is only one unresolved issue, as you mentioned, with a national security exception. We are pretty close in finding consensus.

This is an area where have to have mutual trust because a lot of people in the European Union have an understanding this national security exception is not used only on exceptional cases but more broadly, and people have the feeling that the safe harbor is not safe, and we have to make safe harbor safe. According to my information, we are pretty close to finding the solution. Then we can say safe harbor is safe, and it will be very beneficial for all our people on both sides of the Atlantic.

MR. KERRY: You mentioned in your remarks the development of technical standards and doing that internationally. The digital single market plan talks

about the need to define technical standards. It says that right now, that is something that is largely taking place outside of Europe, and certainly harmonized technical standards is a critical part of the TTIP negotiations.

Is that process of looking at technical standards a place where we can have collaboration, where we can involve U.S. stakeholders and the U.S. Government?

MR. ANSIP: Of course. This is an open process, but talking about the European Union, we can say we have really good Internet based e-solutions in all of the 28 different member states. For example, e-prescription, which is highly developed in Sweden, in the country I know best, of course, in Greece, for example, 100 percent of family doctors are issuing e-prescriptions.

When Swedish people travel to Estonia, they cannot use those e-prescriptions in Estonia, and when Estonians are traveling somewhere in Sweden, they have to use paper prescriptions. It is because of lack of interoperability.

But talking about global standards, yes, sir, this is an open process and all the stakeholders can take part in this process. This is once again not about protectionism, which is in some editorials in this country.

MR. KERRY: I know you are eager to take questions from the audience, so let's turn to that.

MR. ANSIP: This is always the most interesting part of the discussions.

MR. KERRY: We have people on the sides with microphones. If I could ask when you receive the mike and ask your question if you could stand up and if you could identify yourself. Here in the front.

QUESTIONER: Hi. My name is Desiree Harris, and I am with the World Bank. You mentioned companies shouldn't be forced to disclose sensitive information.

How do you balance that against the news that we are hearing that countries are thinking of forcing Google to disclose their algorithms?

MR. ANSIP: I have to repeat what I said already; there is only one commissioner who has the right to talk about concrete companies. It is not me. Business secrets, they were always existing and they will exist in the future.

More transparency, even talking about search engines, in some cases, yes, it is rarely needed. Even me, I would like also to know where are those paid search results, where they are promoting their own services, and from where I can find those leaders. Maybe it's not too much to ask for, but I'm not ready to give some comments about algorithms. Thank you.

MR. KERRY: On this side also on the front.

QUESTIONER: Thank you. I'm a Chief Economist at the Lisbon Council, which is actually a think tank in Brussels, and I live in D.C. By the way, thank you very much, Mr. Vice President. I know you are going to be delivering the lecture at the Lisbon Council next Monday, and thank you for that.

My question actually comes from my profession as an economist, and I sometimes have the impression that as economists, and people who sort of think and work and deal with the digital economy don't really speak to each other very much or enough, and I get that also within the Commission. I have the impression that at times they are like ships crossing in the night.

For example, and I'll give you a specific example, in the country specific recommendations that are put out to each country, it is very difficult to find any reference to the digital economy, and yet it is an important economic issue.

My question really is are you satisfied with the degree of collaboration,

and is there a holistic approach looking really at the benefits of the digital economy from an economic point of view? It seems to me there is a need to talk to each other more.

MR. ANSIP: Thank you very much for your question. I would like to say the creation of the digital single market strategy, this process, was evidence of efficiency of this new structure of the European Commission proposed by Jean-Claude Juncker. This new structure is based on policy clusters, and in this digital single market project team, it involved 14 commissioners, plus the President of the European Commission, Jean-Claude Juncker.

I don't want to say that other commissioners did not care about this single market strategy, no, they participated also in this work, but not so deeply.

Then we got input from 28 member states to put together this digital single market strategy. We were working closely with the European Parliament. We took input from all the political groups; we got input from different committees of the European Parliament. We collected ideas from the streets; we used crowdsourcing, Twitter, et cetera.

I would like to say that this process was quite inclusive, not just inside the European Commission, but more broadly. That's why I believe we will be more successful in reaching all the aims set by the DSM strategy than we were in some other areas.

There is cooperation, but President Jean-Claude Juncker, during those debates on the election campaign, he was talking also about -- now, different directorates are working together, commissioners are working together. I would like to say it worked.

QUESTIONER: Thank you very much. My name is Dan O'Connor; I'm with the Computer & Communications Industry Association. We have offices in D.C. and

Brussels. We represent international tech and Internet companies.

I think the DSM is a very laudable proposal, streamlining commerce in the digital market across the 28 member states would be great from our members' point of view.

We have some concerns. One particular issue is the duty of care and discussions around the duty of care standard. In the U.S. and Europe, the liability for Internet companies and telecom companies for the misdeeds of their users, so-called "intermediary liability," has been very important to growth of the digital economy in both the U.S. and the EU.

There has been a lot of talk about rolling those back as part of the digital single market perspective, and from a business standpoint, we find that somewhat troubling because it is very difficult for companies to have that scale to monitor everything the users are saying and doing. From a free expression point of view, obviously, there are concerns about companies being forced to make more decisions on what their users can say and do.

I was curious if you could discuss some of the duty of care proposals and discussions in the DSM proposal.

MR. ANSIP: Thank you. We all know there are many stakeholders who are asking for -- telecom is complaining this sector is over regulated, they have a lot of responsibilities, a lot of obligations, and at the other time, others don't have those restrictions and obligations.

Broadcasting, once again, it seems to broadcasters their sector is over regulated, a lot of restrictions, a lot of obligations, and those other players, they don't have those kinds of restrictions.

We had to analyze the situation. On the basis of results of those analyses, we can say how we will -- as I said in my opening remarks, I don't want to say we will start to regulate. Let's start with those analyses.

Duty of care and level playing field are quite important principles. In some cases, they are following those principles and in some other cases -- we had to make a difference between illegal content and illegally used legal content. Those are different things, and how to make difference, it is very complicated and in some cases it is not an easy task, but I can say that about all the digital single market strategy, it will be an uphill struggle, where some people are complaining and asking for a level playing field, and we have to deal with those issues.

QUESTIONER: I am a representative of one of those telecom companies. As you perfectly well know, we are not only concerned about the level playing field, but also about the physical infrastructure, the networks, lack of common regulation or market. Do you think it is possible to have a good digital single market without having some sort of market for the networks?

MR. ANSIP: We all know according to McKinsey, 10 percent more broadband is equal to 1.3 percent GDP. There is a quite strong correlation between access to the Internet and GDP. In the European Union, we have to pay much more attention on spectrum. We have to coordinate our activities in a much deeper way but we didn't succeed when we started to discuss about the telecom single market package.

Some member states in the European Union got an understanding that now they would like to take our money on the level of the European Union -- spectrum is a natural resource, and it is up to member states in the European Union to deal with natural resources, it is not up to the European Union to deal with those resources.

We wanted and we would like to ask for deeper cooperation, once again, back to those connected trucks, et cetera. This is really needed. Access to networks, this is also an issue here in the United States. Some of the European companies are complaining, continuing to complain about the fact that this is not fair competition according to those companies, and they had to pay for the last mile, unreasonably high prices.

It's not up to me to say do you have to change regulations or there is no basis for those kinds of accusations. If somebody is concerned, is somebody is worried, then policymakers and regulators have to pay attention to those issues.

I would like to support competition. I believe in competition, if there will be fair competition, then we will get more much investments.

Telecom companies sometimes, they say competition is too high and this is the reason they are not able to invest. In real life, we can see there is real competition, then it is a good place for innovation and a good time for investments also.

In the European Union, fair competition means also that all the American companies will be welcome.

MR. KERRY: Over here on the far right.

QUESTIONER: Thank you very much. Carl Zebo. Mr. Vice President, one of the things you talked about is free flow of data, but the DSM also discusses free flow of goods. Here in the U.S., we are debating kind of a destination based sourcing of taxes for e-commerce. It seems like the DSM is moving in the opposite direction. Is it something you haven't yet discussed? I was hoping you could kind of explain why you are suggesting this move away from destination to origin based sourcing.

MR. ANSIP: Free movement of goods and services is one of those basic

values in the European Union, but talking about e-commerce, we can see many real obstacles. For example, high prices of parcel delivery in the European Union, talking about international parcel delivery prices, in comparison with domestic prices.

In one EU member state, this difference in the international prices, they are 22 times more expensive than the domestic prices. To the contrary, I'm talking about two kilograms parcel, 9.5 times.

In Denmark and Sweden, almost the same, but let's take Copenhagen, a delivery from one town to another is 42 Euros but from another to the first city, it is 27 Euros.

The biggest part of the parcel delivery prices has been created by last mile, which is the most expensive one.

In real life, in the European Union, it is not so. We are asking for more transparency. I don't want to start to regulate parcel delivery parcels.

About taxation, in the year 2004, small and medium-sized companies in the European Union started to complain because they said for big companies, for global players, it is quite easy to move their headquarters to countries where value added tax rates is quite low, for example, and this way those small and medium-sized companies said they were out of the competition.

In the year 2008, we changed the regulations, and in 2015, we changed this country of origin principle, and now once again, companies, especially companies in the United Kingdom -- they had to declare their digital services from the very first -- we would like to propose once again to set this threshold. I would like to propose 100,000 Euros per year, and then there will be less bureaucracy, especially for small companies in the European Union.

We are dealing with those issues. We started once again to talk about consolidated corporate tax basis, which is an optional approach, and once again, especially for companies from the third countries, it will be beneficial and easy to understand how this works. It will deepen competition in the European Union, and I believe our people will get affordable prices just because of competition. Thank you.

MR. KERRY: A question over to my left.

QUESTIONER: Krzy Bledowski, Manufacturers Alliance for Productivity and Innovation. A few years ago, the German Government coined the term "Industry 4.0" to indicate the fourth industrial revolution, basically spanning real time data access through the Internet, from the design process all the way to the post-production, customer service, and so on.

In the United States, that is known by the way as "industrial Internet," roughly the same things.

Two questions. This is very much a government driven policy. Do you believe you can scale it up from the German concept to a European Union concept? That's the first question. Regardless of whether you answer it in the affirmative or the negative, are there any particular elements in Industry 4.0 that you think might be borrowed and transplanted into your digital single market? Thank you.

MR. ANSIP: Yes. This German example is worth to pull out forever, but in the European Union, it is not correct today to talk about digital economy and non-digital economy anymore because the economy is digital already.

Let's take this traditional German industry car producing industry, 40 percent of value added created in cars produced in the industry is created by digital. In the pharmaceutical industry, it is not so much chemistry any more; it's much more about

data.

This is our future and not the future of Germany only. Thank you.

MR. KERRY: One more question.

QUESTIONER: I'd like to get you to talk a little bit about entrepreneurs.

I ran an accelerated program last year, 50 percent of the entrepreneurs that were part of the program were European founders or from Europe. I thought that was very curious. We did not expect so many wanting to come to the U.S.

Do you want to talk a little bit about that? I know there are programs from all over Europe in San Francisco to help European start-ups raise funding there. I think part of the challenge is a lot of funding that happens in the U.S., they have to create a U.S. company. That is part of the challenge. I was wondering how you are going to help the entrepreneurs in Europe.

MR. ANSIP: Thank you very much for this question. I stated it very clearly, these are digital single markets. Single markets, not 28 relatively small markets. We will be able to create a huge market for more than 100 million healthy customers for our entrepreneurs. Today, this market is pretty fragmented.

I would like to say this trend is not only in one direction, Europe to the United States. Also, U.S. companies, they are creating their services and development departments in different EU member states. When they are worldwide companies, it is needed for those companies -- just this Tuesday, for example, we had a meeting with the CEO of SemiTek, Mike Sprong. They have thousands of workers in the European Union, in the country I know best, they have approximately 200 jobs.

Global companies, they are really interested to invest in the European economy also, but talking especially about start-ups, yes, this environment is much more

fruitful in the United States, especially in Silicon Valley, in Boston, New York City, than in the European Union.

Once again, our answer to those people is digital single markets. Those people, they will play in the near future a much more important role than they have played to date.

Let's take the health care industry, there are approximately 1.8 million jobs now in the European Union, but according to the prognosis, in the European Union, in the year 2018, there will be 4.8 million jobs in the health care industry, three million more jobs in the health care industry. It is not about oil or iron but development.

I believe in data mining, and that one day someone will call me and say Mr. Ansip, go with me to the hospital, because I most likely will get a stroke after six hours. I will not be extremely happy about this phone call, but I will be grateful, because I know that my health foundation will be extremely happy, because to deal with the consequences, it is much more expensive than to wait for a stroke. It is possible to find all kinds of similar patterns, all kinds of beneficial correlations for our people from data today already, and tomorrow, even more. Thank you.

MR. KERRY: I want to exercise the privilege of asking the last question. It really picks up on what you just said about some of the potential of data. It strikes me that a lot of the debate about big data, about privacy, about some of the potential here -- it is true in the United States and it is true in Europe and it is true elsewhere in the world - - I think we see the fear reflected in some things like the potential impact of the regulation when it comes to data analytics and profiling, and other concerns about the use of big data.

The writer, Ben Hammer, recently spoke about it, and you have come

down on the cool side of that continuum, and certainly the digital single market planning, declaring big data, Cloud services, the Internet of Things, are central to Europe's competitiveness, I think coming down strongly on the side of embrace.

What do you say to the voices of fear or the sense that being able to tell you may be about to have a stroke, that is creepy, but that is something we should prevent?

MR. ANSIP: Once again, we have to protect everyone's privacy. Yes, it's possible, even if we know this data industry is increasing 40 percent per year, we know 90 percent of all the data we have collected, we collected during the last two years. There are a lot of sensors surrounding us, producing data, we are producing data. You know, they know where we are, where we were, and they know better where we are going to go.

Car companies, they know also when you start it, when you stopped, which places did you visit. Children or adults in the back seats, what they were doing, and so on.

It's possible to collect data quite easily today, but once again, if people will not trust this environment, they will not use those Internet based e-services. We have to protect everybody's privacy. We have to provide those beneficial services based on data to people.

In some countries in the European Union, those health records are all by patients. For those patients, it's so easy to ask for a second opinion, even from lawyers, but member states, those personal health records, they are owned by hospitals, and in some cases, people don't have access to their personal health records, so what kind of free movement of patients we can talk about in the European Union when people don't

have access to their personal data.

I think we have to pay much more attention to data ownership, who owns data. Some people have access to data collected about them, but do they have to get the rights to delegate access to data collected about them to somebody else. We have to find answers on those very complicated questions, and the solutions, of course, has to protect both free flow of data and especially everybody's privacy. Thank you.

MR. KERRY: Thanks, Vice President Ansip. Again, I want to thank you for being here. (Applause) Thank you for engaging with all of us.

MR. ANSIP: Thank you very much for being here. I look forward to cooperation between the European Union and the United States of America in the near future. Thank you. (Applause)

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