

Grüss Gott! Ich bedanke mich beim Präsidenten Lauk, dass er mich hier schon zum zweiten Mal eingeladen hat.

Heute spreche ich auf Englisch über den digitalen Markt zu den wir durch die gemeinsamen Anstrengungen gelangen müssen.

Die Digithemen sind komplizierter als das Hype darüber. Ich gebe ein Beispiel.

Arbeitswelt: Drei Bettler sitzen in Palo Alto.

Der Erste schreibt auf seine kaputte Blechtasse "Betteln", und nach einem Tag hat er 10 Dollar.

Der Zweite schreibt "betteln.com" auf seine Tasse, und nach einem Tag hat er 10.000 Dollar. Einer wollte ihn sogar mit zur NASDAQ nehmen.

Der Dritte schreibt "e-betteln.com" auf seine Blechtasse. IBM und HP senden ihre Vizepräsidenten zu ihm, um über eine strategische Allianz zu diskutieren, bieten ihm kostenlose Hardware und professionelle Beratung an. Eric Schmidt verkündet in CNN, dass e-betteln zu 95 Prozent mit der Google Cloud arbeite.

The problem is – that joke may be funny, but it actually doesn't work or apply in Europe. No one in Europe would see an opportunity for investment nor could you receive those kinds of offers just because you have a seemingly innovative idea. Because we do not have a Digital Single Market, but rather we have 28 fractured markets.

Today I would like to speak about what this means for Europe, and for Germany and Germany's role in changing this. For years I have followed Germany quite closely. Several years ago the

Economist wrote that Germany is the "Sick Man of Euro" yet today we read Germany is "Europe's Reluctant Hegemon", testimony both to the will to reform as well as the persistence of angst, a word in the English language whose origin we all know.

The current angst – that I see here in German press – is how long can Germany remain the economic hegemon? How can a European country maintain its competitiveness in a rapidly changing environment with new and often more flexible players? How can industry benefit from the new digital era at a time when most digital innovation comes from Silicon Valley? How can German manufacturers keep their edge in integrating IT components into superior engineering products? At least Germany thinks about these issues. My fear is that much of Europe does not even concern itself with conference's title, Zukunftsangst that we can feel here.

When we look at Internet, IT and all the technological developments of the last 20 years where music stores, travel agents, bank tellers have become irrelevant in many places, and in my country even resident government offices have become more or less passé compared to where IT has not been a player we see Europe asking, "How we are going to fit, how will we keep our lead, how are we going to do this?"

The world and our position in it is changing. I am not going to give you statistics on how much of the world today is IT based, it is enough to know that 106 billion e-mails are sent each and every day. So we have seen quite a revolution in 20-odd years. At the same time, despite all the concerns about privacy of the past several years, hundreds of millions of people (in Europe as well) upload their own personal data on their iPhones and on their digital machines without even giving a thought to it. So, we are living in an era in which people themselves are moving rapidly ahead in using IT and I think much of what concerns governments and parliaments is falling far behind the changes in the actual behavior of people.

Digital technology dominates our everyday lives and with each day more so. We find digital technology in our houses, in our refrigerators, in our kitchens, in our supermarkets and eventually we will probably even have chips implanted to support ourselves in our daily lives. Germany understands this very well, while many other countries in Europe do not. Industrie 4.0 is from my point of view – I have been dealing with IT most of my life – really is something that shows a willingness to deal with today's challenges. I am glad to see that someone decided to tackle this challenge, but I would also say that unless the rest of Europe does it too, Industrie 4.0

will not work. It will work within Germany, but Germany in Europe is not an isolated country, if anything it is consciously one of the most integrated. Which in turn means that we have to make sure that any legislation and the legal framework for a modern IT based society and economy

actually work for all Europe.

In my country, we regard these issues as important because in fact we have based our transformative leap from a former communist country on use of IT, and we are proud to have so far excelled at it. The World Bank has asked me to co-chair a study on how to use IT for development. But we also realize perhaps even better – because we are so small – that unless we get all Europe to do this, it will not go anywhere.

We have taken certain steps of crucial importance from my point of view. We have a card that is like the Personalausweis in Germany which enables people to do a number of things. We have gone a step further with our Personalausweis and attendant architecture, which has reduced the time spent on bureaucracy by passing a law which we call the "Once only law" that few people elsewhere often grasp. It says that the government may never ask you for any information it already has. It already has that information anyway, so why ask again? All you have to do is securely to identify yourself with your secure ID and then you won't have to write your address, your date of birth, your gender, etc... ever again.

I am glad that Jeb Bush here applauded that last sentence, because I am grateful to him for causing a furore in the United States this week, when he said that Estonians don't spend more than five minutes doing their income tax, which is another result of our "Once only law". I noticed in the U.S. media that journalists didn't believe Jeb Bush's claim did a fact check, and found that he was wrong. It doesn't take 5 minutes. On average it actually takes 2–3 minutes.

Yet this is but one example of making life easier through IT. We could do all kinds of other things as well that fit into my view of Europe of the future. My first example is the digital prescription – if you want the drug your doctor has prescribed you go and stick in your card in any pharmacy in the country and you get it. No more worries about losing a prescription or visiting the doctor for a renewal or about the risks that come from doctors' bad handwriting. People's medical records also are all online. Yet – this is all possible only within our own country. Slowly we are working on legislation to actually be able to have digital prescriptions work across the border, in Finland. But again, we need a Digital Single Market that will actually allow us to offer such services to people as part of a broader vision of free and unimpeded citizen mobility and access to Europe. We don't see this yet, and without our commitment it remains a far-away goal.

This is all in stark contrast with what the United States is doing. Once again, to state the

obvious, the United States has a Single Market and with a Single Market so much becomes easy to do. You also see this in the economic statistics: of the 20 largest Internet companies 14 are American and almost all of the rest are Chinese. Annually, the percentage difference in growth between the US and Europe due to use of ICT in the United States – or the lack of use in Europe – is 0.3 percent. But that's just per year. As a nation with the some of the world's best banks would know, it's compounded interest, year after year after year, and I am sure Germans can figure out how big the gap in GDP growth amounts to after all these years.

So while we in Europe have lost physical borders with Schengen and borders for material goods with the law Single European Act, all of which has helped us tremendously, we have done anything like that in the digital world that we have found ourselves in. It is easier to ship a bottle of wine from the Algarve in Southern Portugal to North of the Arctic Circle in Lapland than it is to buy an iTunes record across the Estonian-Latvian border – and that's true for every country, every border, within Europe.

Why is that impossible? Because as was once true for physical goods, IT based service companies must adopt and adapt to 28 different taxation, consumer protection and copyright systems, which of course violates the EU spirit. What then happens is that the most cutting edge companies don't even bother with small countries like mine, because it is too complicated, too much work, and so we end up even worse off. Differences in actual rules regarding cross-border business, territorial tax rules, copyright laws, variances in contract laws, consumer protection differences – even the high cost of sending packages and parcels short distances within Europe, if they are cross-border – means that we cannot expand the European economy in a way we need to unless we change and adapt to the digital economy.

Equally important, this all leads us to a real competitive disadvantage between Europe and other large markets – large markets like the United States and China that we are increasingly envious of. The European Commission says that the annual cost of Europe's fractured digital market or waste – and it is the number they give, not me – is 340 billion euros a year.

Moreover, this especially hits small and Mittelstand

companies, for they are the ones who are less likely to be IT based and have more difficulties dealing with the digital world. The result is that European start-ups have a much more difficult task to face – the choice whether to grow slowly in Europe or to expand quickly in the United States, where federal or national law takes care of a market with 320 million customers, or China with 1.4 billion.

I will give you a personal example of how this works. Four years ago I read in one of the

Estonian newspapers how a 24-year-old Estonian had invented a product and raised 300 000 USD for a start-up. After he told me was doing he added, "I am sorry, Mr President, I am moving to the United States in two weeks", which he did. After six months in the US he had raised 4.6 million dollars for the start-up. Last October the company he founded – GrabCAD – he sold for 100 million USD. He moved to the United States because there was a market there. He could not have done that in Europe. He may have come to Germany, but that's 82 million. Both consumers and capital markets.

It's not just my country that suffers this way from the absence of a single digital market. After I recounted the story of the young Estonian digi-entrepreneur last year to outgoing commissioner Neelie Kroes, she told me how in Portugal and visited a government-funded incubator with 45 companies and every single startup there said that as soon as they get real money, they will move to the United States. So the cost of our fractured digital market is not only the cost of lack of business within Europe, but we are also losing our best and brightest, our most entrepreneurial, because of a lack of opportunities for our people here in Europe. If we don't do anything about that, we shall be in a lot of trouble.

Fortunately, we do have an answer and in fact the joint venture of Commissioners Andrus Ansip and Mr Günther Oettinger has proposed to create in Europe a Digital Single Market, the equivalent of the Single Market Act for digital, which will give us access to goods and services to make use of the digital world as in the United States and to provide a market for ourselves. It means, of course a huge amount of work, political and legislative. We have to reform copyright, we have to reform contracts, we have to reform consumer protection, and we have to update how we enforce existing EU law. This is going to be a big task. We need to create an environment where digital networks and services can prosper, which means that the telecommunication networks we have must be functional within a single market with simple and effective sector rules that are appropriate for the digital age and not for the analogue age. And finally, if we want Europe to take advantage of the digital revolution, we need to digitize industry as you are proposing with Industrie 4.0, creating new standards, making the most of our data economy, cloud computing, and also, I would argue as an Estonian, making e-governments work seamlessly across Europe, so that you can get a digital prescription when you go, for example, to Greece.

In order for this to work, it will take a huge amount of political will to overcome the internal friction within the European Union. European legislation is always a set of compromises leaving everyone equally unhappy. Germany's support to this is absolutely crucial. Because you actually do have a certain advantage with 80 million people over the rest of us, which allows you a certain degree of insulation from a non- or dysfunctional Digital Single Market, because even without EU you will be the fourth or fifth largest economy in the world. So you will probably find in Germany companies and NGOs that would say that the short-term costs of the reform are not

worth the long-term benefits of the Digital Single Market. But, as I said at the beginning, there will be no Industrie 4.0 without a Digital Single Market, because digital doesn't know borders. If you want to move beyond your borders, which you will want anyway, because of the effects of a large market, then this should be the driver for making sure that Digital Single Market starts to work.

The other thing I fear when it comes to all of these issues is that we don't succumb to the temptation to see Digital Single Market as a way to close out competition – to use the creation of a Digital Single Market in Europe as a protectionist solution to our weaknesses in some areas. In the US a couple of decades ago the car industry led the government to become protectionist and this turned out to be to the advantage of German Mercedeses, Audis and BMWs, because they kept making better and better cars while in the United States the car industry stagnated as a result of closing off competition. In the digital world it would be even more disastrous as advances in the automotive tend to be linear but in IT it is exponential, because we have Moore's law which states that every year and a half the computing power of a chip will double. So the process compared to car production is not so bad – you can fall behind a little bit, but if we become digitally protectionist, the exponential growth of Moore's law will leave us exponentially behind.

This is a rapidly changing economic world. Advances and innovation elsewhere can erase old competitive advantages. We saw that in Nokia and MySpace, which both were very strong platforms, but lost their market dominance with advances made by others. Competition has humbled IBM and even Microsoft. So, when we think about competition and the dubious solution of protectionism, we must keep in mind that it is actually our strength when we are able to compete with companies from outside. We should not try to exclude them through protectionist measures under the umbrella of European-Union-wide market liberalization.

So I turn to Germany and ask you: please lean on Europe to reform as you have in other areas, in this case the Digital Single Market. Germany is the country that can actually help us in Europe to get to where we need to be in order to be a strong economy as a European Union in five or ten years. We need to update our legislation, we need to be bold, we need to be courageous, but if we do this, I am confident that we will get out of that malaise that we have seen around us economically.

I see two Germanys. One that is confident, it's home to the Berlin start-up scene, it has a Mercedes Benz building self-driving cars, where industry will rule the internet of things, that provided the IT security standards that my government adopted in the 1990s. And then there is a Germany that is fearful, that blows legitimate concerns over data protection so out of

proportion that Germans won't adopt new technologies, that people fear that it will never out-innovate Silicon Valley and treats American internet companies' market as a foregone conclusion.

These fears are not grounded in reality, but they do undermine people's confidence. Not only in Germany but elsewhere in Europe, where we look to Germany as the leader. So as the economic powerhouse of Europe, don't let those fears keep you from doing what needs to be done. We support you, we look up to you and hope that you will take the lead. Vielen Dank!