

Ten years ago I left these chambers to take a new post in my country. There was no Euro or migration crisis, no idea that European borders could be changed by force, no talk that the European project might fail. Also, there were no smart phones, no revelations of internet surveillance, there was no Uber.

For nearly three quarters of a century we have repeated the mantra of Europe as a project for peace. For the first part of three quarters of a century, Europe, half of Europe to be precise, thrived and grew, with our security in large part outsourced, even under the shadow of an aggressive, totalitarian Soviet Union. For the past quarter century, in the absence of any external threats, we have pursued the reintegration of Europe – also to bring back to the fold those nations forced against their will to live under totalitarian rule.

Today, however, we are confronted with new existential, external, and as we were reminded in Paris last november, internal threats. We are at loss, we are fearful and Europe for so many is no longer the answer.

I hear ringing in my ears William Butler Yeats:

TURNING and turning in the widening gyre
The falcon cannot hear the falconer;
Things fall apart; the centre cannot hold;
Mere anarchy is loosed upon the world.

So let us face this new reality. Europe is amidst a transformational crisis. Do we pull together or do we let others deal with it? A transformational crisis where we shall put to the test all that Europe has achieved, step by step, since Monnet and Schuman. We are approaching a tipping point where either we become stronger or we let fissiparous forces to prevail.

It is crucial to admit that in this transformational crisis much was foreseeable. We knew there were serious problems but we put off dealing with the internal European crisis of the Euro until it was almost unmanageable. We thought, at least until recently, that that was the greatest threat to the European project. We were wrong.

We knew too, and for a long time, that huge income and democracy differentials between Europe and its immediate neighborhood to the South and East were a time-bomb, ticking away, stayed more by the restraining influence of authoritarian regimes to the South, across the Mediterranean and the Middle East.

Today migration, massive migration in flight from the horrific slaughter of civil war and the systematic brutality of Daesh, mixed with economic migration from poverty and lack of economic opportunity threatens Europe like never before. Schengen is under threat. Some countries refuse to take refugees, others are overwhelmed by the numbers flooding into their countries. Solidarity is crumbling. Some refuse to help, others justly say solidarity is a two-way street. Structural and cohesion funds are also expensive manifestations of solidarity.

We are aghast when we hear of the numbers. A million refugees and migrants to Europe this year, predictions of another two million in the next two.

Yes, these are truly large numbers. Yes, they will strain social cohesion, our budgets. And, yet. We have seen far worse and we have prevailed. In the Europe of 1946, Germany alone had 12 million internal refugees and another 12 million Displaced Persons of 20 different nationalities.

To solve this, in three years UNRRA, the UN Relief and Rehabilitation Administration spent in today's money, some 50 billion Euros. I mention this number, illustratively, to give us all a sense of perspective to understand how daunting a task our grandparents faced when Europe had no institutions, sometimes not even sovereign governments. And all of this before the Marshall Plan even started.

So, Ladies and Gentlemen, let us now gather our wits and strengths, leave behind this indecision, finger-pointing and ducking of responsibility. We will handle this migration crisis. If we show the resolve of our forebears. We must act in solidarity with those member states that bear the brunt of the crisis, we must accept a functional form of burden-sharing.

We also must take full control over the EU's external border; we cannot be borderless both inside and outside the Union. We must also have a functioning common asylum policy,

especially when it comes to rejecting spurious claims and returning illegal immigrants. Is this so difficult when we look back to what Europe faced in the years after the Second World War?

After the horrors of the Paris attacks, I fear the refugee crisis will only further fuel the rise of populist and extremist politics. We will see the argument, indeed we already have, that we cannot accept refugees because they are terrorists, forgetting conveniently that the refugees streaming into Europe today have fled the same regime, the same brutality and murder witnessed in Paris but writ large.

Political speech today sometimes adopts language that a few years ago was found only in anonymous on-line fora. Democratic, centrist leaders advocating calm and responsible policies increasingly are under pressure if not attack.

Extremist parties and politicians exploit the current refugee crisis, like they exploited the economic crisis, they exploit the dissatisfaction of voters with the often anodyne and milquetoast resolve of European leaders. Citizens await decisive responses to crises. When traditional parties do not provide them, they look for those whose rhetoric sounds decisive yet carries within it the "decisiveness" of reaction, of simple, often un-European solutions the Union was created to rid Europe of forever.

I say this all, inter alia, as the son of refugees, who fled terror in their homeland in Estonia in WWII. Which is why I have this accent. I hope a few decades from now, there will have a President in democratic Syria, who speaks Arabic with German accent. My parents did not always feel welcome when they reached Sweden, but they were given a chance.

While we should have foreseen the Eurocrisis and the migration crisis, one crisis we did not foresee, indeed to this day it beggars belief, was the invasion and Anschluss of Crimea, followed by the invasion of the Donbas. I shall not dwell on this today but I must state that in doing what it did two years ago this month, Russia violated every major, foundational European security treaty, beginning with the U.N. Charter, the 1975 Helsinki Final Act, and the 1990 Charter of Paris. It violated as well the 1994 Budapest Memorandum that guaranteed Ukraine's territorial integrity in return for eliminating what was then the world's third largest nuclear weapons arsenal. In other words, we in Europe can no longer assume the treaties that underpin European, I underline European security, since WWII still hold.

The EU has been swift and united in its response to Russian aggression and this has had a deterring effect. The sanctions have proved to be effective. But EU relations with Russia will remain strained for a some time. Strategic patience is the keyword. Some call for dialogue, but dialogue itself is not a policy. At least not a policy to counter aggression. That we much we should have learned from Munich in 1938.

I have spoken of European crises, some we should have foreseen, others we could not. I would now turn for the rest of my speech to a future and long-term crisis we can avoid, if we take it seriously before we discover ourselves in its midst: Europe's decreasing competitiveness and productivity in a rapidly changing, interconnected digital world.

Together with Kaushik Basu, the Chief Economist of the World Bank, I just finished co-chairing the preparation of the Bank's first longer study of the economic potential of IT and for improving society and governance. Report also outlines the pitfalls of falling behind. In general, Europe does well in this long, extensively researched study, a year and a half in the making. But make no mistake, Europe stands to become a second tier player, with not only the U.S. but also India and China taking leading positions, if we do not keep up.

The digital revolution could be a blessing for the Single Market: today, we can see nascent pan-European markets in sectors like healthcare, banking and transport that only a few decades ago seemed inherently local. Yet, sector-by-sector, our legislation remains fractured between Member States and unprepared for the digital age, we are losing out to the absence of a single market and losing our best and brightest to where the opportunities for them are greater. I saw it with my eyes 4 years ago. I invited a 23 year old Estonian who recently had received some funding for his small startup for tea. We met but he said "I'm sorry Mr. President, in two weeks I am moving to the US. There is no market here" Six months later he had raised 4.6 million dollars. Three years later he sold his company for 100M dollars. That story will repeat over and over again in every MS as long as we do not have a single market in Europe.

Sixty years ago when the Treaty of Rome laid the basis for what we now call the Four Freedoms of the movement of People, Goods, Capital and Services, there was no digital anything. Computing was in its infancy. Today we live in a completely different world.

Unless we recognize how profound a change has occurred, especially in the past 10-15 years, Europe will fall behind and so too will our citizens. Meeting the challenge of the digital revolution requires the ingenuity of Europe's entrepreneurs, businesses, civil society and all levels of

government. Market forces and business models will be the primary drivers of our response, but legislation must support them.

To reflect the magnitude of this change, I propose we add to the Four Fundamental Freedoms of the internal market a Fifth Freedom, the Free Movement of Data. This Fifth Freedom before could be folded into the existing four freedoms, but today it is distinct enough to stand on its own.

Data is neither a person, a physical good, capital nor a service, but to help them move, data must also be able to cross borders. The Commission's proposals on the Digital Single Market will shore up the foundations of the free movement of data, but it must become an abiding value of the internal market, not simply a set of targets to be met by a certain date.

What would that Fifth Freedom mean for our citizens?

For one, the free movement of data would mean that we can access services we have paid for throughout the EU. It would mean that online commerce would not be restricted by the country of our bank account, and that national boundaries would no longer determine – arbitrarily, in a digital world – which European citizens can purchase digital goods and services and who cannot. Today, though, it is easier to ship a bottle of olive oil from Sicily to sell North of the Arctic circle than to send an iTunes song across a border. In Estonia I can use digital prescriptions with which I can get my medicine from any pharmacy in the country against my electronic ID. But when I leave the country I cannot do it, e-prescription can not be processed around Europe.

Yet the free movement of data is not just about commerce. Like every EU fundamental freedom, the free movement of data comes with rights and responsibilities, chief among these the right to and responsibility for data protection. Indeed, ownership of one's own personal data, and the freedom to decide over its use, are essential preconditions to unlocking the value of this data.

The new data protection regulation [and I congratulate you on concluding negotiations] recognizes this principle in title and substance. It will give individuals real ownership of their data – the right to control its use and pass it on to third parties. This should create new markets and, applied to the public sector, reduce the burdens of paperwork and reporting that now cost

European citizens and business frustration, time and money. And should also dramatically increase transparency.

We must strive to create a data economy where the free movement of data also works for non-personal data. There is tremendous value hidden in the big data generated by our cars and homes, our increasingly connected devices and industry, what in Germany is already called Industrie 4.0.

Europe must invest in the underlying technologies that create confidence in the security of data flows, especially encryption and block-chain technology, which really would give a genuine security, and we must promote their use.

Finally, just as the free movement of goods needs ports and roads, we need modern digital infrastructure to make the fifth freedom possible. 5G and fiber connections need to be truly ubiquitous. This applies especially to so-called last mile connections, from the cable to our homes and businesses. Our rural communities that have benefited so immensely from the Common Agricultural Policy require in this new world the same access to the internet as everyone else in cities.

Inclusiveness is vital. It is vital that the benefits of this digital dividend are shared by all. Estonia's experience makes me optimistic. Since 2005, we have allowed online voting in 8 national, municipal and European elections. You might think that this would benefit the young urban elite, yet extensive sociological research has shown that there is no demographic or urban-rural divide. The pensioner living in a small village is just as likely to vote online, skype with her family and stay in touch with her doctor remotely as are her grandchildren. Skype, as you know was invented by Estonians.

At the same time, Ladies and Gentlemen, we must ask where is the digital revolution taking us, what is the future of work in a digital era? What will happen to the taxi driver's and the factory worker's job? And tomorrow, with developing technologies, to the doctor and the accountant?

Each previous industrial revolution has increased employment, replacing old jobs with new ones that are higher-skilled, better paying and more challenging. But, we don't know yet if history will repeat. We are still at the beginning of the digital revolution, but I have humility to admit that

there are no certain answers.

But I do know this:

The digital revolution, like the crises of the euro-zone, Crimea and refugees, call upon us to put forward the best in us at a time when politics play to the basest of our instincts. Yet let us not suppose these challenges to be insurmountable. This is a time to step humbly in the courageous footsteps of our predecessors, in 1957, in 1989 and 1991, and in 2004. They faced uncertainty, and they stepped forward.

If we cede to the populists who say that Europe cannot be trusted with her citizens' interests, Ladies and Gentlemen, then no crisis, foreseeable or not, will find an adequate solution. Be it migration, the Euro or even military aggression, not to mention the challenge of technological change, solutions that revert to the nation-state will bring us back to a pre-World War two era. An era where short-termism, beggaring thy neighbor leads inevitably to a tit-for-tat and a loss for all. Back to an era where once again might makes right. Where that leads we have seen too many times in Europe's history.

Let us hold no illusions of what faces us if we hesitate or stumble, if – to quote Yeats again,

The best lack all conviction,
While the worst are full of passionate intensity.

The choice is ours.