

Keynote Remarks Deutsche Boerse
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Thank you very much to you, Andreas, and to Jackson for the kind introduction and the invitation to speak today.

I have believed in the European project and in the power of the US-EU relationship since graduate school. I can think of no more interesting and challenging period in US-EU relations in the past 23 years. When I started work as Director for European Affairs on the National Security Council staff in 1994-95, I declared that I wanted to focus on EU affairs. Several people in the building remarked: "That's great, because no one else here cares about that stuff."

Today no one either at the National Security Staff or in other Washington agencies would say about EU affairs that "No one cares about that." Back in the mid-1990s the European Community was of course a significant partner of the U.S., especially in the areas of trade, commercial and competition policy. Today, as you know, the U.S. and EU intersect on a wide variety of issues.

Since my arrival I have been struck by the increasing breadth of US-EU relations that extend far beyond our bilateral trade and commercial relationship. In the area of law enforcement, for example, we have been collaborating with the EU in cracking down on online child

pornography, human and drug trafficking, smuggling, counterfeiting and cybercrime.

Our relationship encompasses many global challenges. For example, we have cooperated closely on implementing sanctions against Russia; negotiating limits to Iran's nuclear program; and dealing with the existential threat of climate change, a topic that will be addressed by the Paris conference at the end of this year. US-EU cooperation is even extending to fields that have not traditionally fallen within the scope of U.S.-EU relations, including counter-terrorism, countering violent extremism, the response to massive migration flows to Europe; and even military cooperation.

Since my arrival I have been struck me by the continued relevance, perhaps as never before, of our common transatlantic values. 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.” I have that the cartoon on the wall behind my desk and look at it every day.

Ever since President John Kennedy, the United States has been a supporter of European integration. This has been so, not out of a starry-eyed idealism, but out of the conviction that a united Europe can be a strong partner of the United States. Naturally, there have been and will be areas where we disagree, but the areas where we do agree are so much more numerous.

Today I would like to discuss a few key issues in US-EU relations.

Relations with Russia

We are reminded nearly every day that democracy, tolerance and the rules-based international order are under threat. Our freedoms are not free; they need to be defended. And U.S.-EU cooperation is more necessary than ever before. External threats, including continuing Russian aggression in Ukraine and the spread of militant Islam, have refocused minds on both sides of the Atlantic on the importance of our shared values and the necessity of working together to address a wide variety of global challenges. *We are now, more than ever, essential partners.*

The current situation in Ukraine is a prime example. The Ukraine crisis started with Russia's refusal to accept the Ukrainian people's right to choose their own destiny, including signing a free trade and association agreement with the EU. Imagine if in the early 1990s we had told the Balts, or the newly independent countries of Central and Eastern Europe, that they couldn't join the European family because we didn't want to "provoke" Russia? That would have been unthinkable; it would have been immoral.

The real source of this crisis is not the failure of the West to address Russia's grievances, but rather Putin's longstanding refusal to recognize that Ukraine is a sovereign country, indeed that it is a country at all. It is clear that the vision of a stable, democratic, prosperous Ukraine is, for Russia, not a dream but a nightmare because it would provide a model, on Russia's own borders, of another success story and would lead to unfavorable conclusions by Russia's own people about the direction of their country – toward a police state where independent media, NGOs and dissenters are silenced, and sometimes poisoned or assassinated.

I am often asked: why does the United States care so much about Ukraine, a country so far away from our shores? Well, the answer is partly based on the desire to support the struggle of a people to be free and choose their destiny. But it is also based on the reality that many

countries around the world, including Iran and China, are watching closely to see if the US and Europe will uphold international law, the principle of territorial integrity and the guarantees offered to Ukraine, including by the United States, when it gave up its nuclear weapons.

Russia's actions represent a fundamental challenge to our shared values and the rules-based international order; they require a steadfast response and a willingness to bear the costs. The narrative that European companies are paying the price for sanctions, while US companies are not is wrong: our trade figures confirm it; some of our leading companies such as General Motors and ExxonMobil know this first hand.

We can 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. We have succeeded in extending the sanctions until January 2016. We need to stay the course. Sanctions *are* working. Putin's popularity may be high for now, but the extraordinary measures that the Kremlin is taking to hide the fact that Russians are fighting and dying in Ukraine demonstrates that this popularity may be fragile.

A leading European politician told me that he has warned Putin against seeking to split the 28 EU states from one another and the EU from the United States because such an effort would end in failure. Putin's reaction was immediate and confident: "I won't fail." He believes that he has many pathways to success, including by blocking unanimity on sanctions or undermining our willingness to support Ukraine economically.

So far he has failed in breaking our unity. 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. The list of his "own goals" is very long, but just consider this: he has done more than anyone could have imagined possible to forge a sense of Ukrainian national identity and pro-Western orientation. In September 2103, just before Maidan, 88% of Ukrainians felt "positively" about Russia; by May 2015, that number had fallen to 30% and would be a lot lower if it excluded people in the rebel-held south-east.

Just as we need to work together to prevent Russia's goal of destabilizing Ukraine, we need to work together to ensure that Russia

fails to undermine European democracies through support for extremist political parties, to buy influence with media and NGOs to undermine TTIP, and to gain a chokehold on European energy supplies and critical infrastructure. We are also following with great interest and support the various proposals for an energy union and the diversification of supply that would reduce Europe's dependence on Russian energy.

TTIP

Another key issue in US-EU relations remains our negotiations on a Transatlantic Trade and Investment Partnership Agreement. Despite the recent surprise setback on Trade Adjustment Assistance, we still think we will get Trade Promotion Authority passed; it was approved in the House last week and is likely to pass the Senate tomorrow. And we still believe that good sense will prevail among House Democrats that they should want to support adjustment assistance for workers as they have in the past. We believe that approval of the Transpacific Partnership Agreement would follow soon thereafter, providing another important stimulus to our economy.

We have seen a remarkable grass-roots campaign against TTIP, centered in Germany and Austria, feeding off of myths and fears. As Europe's export powerhouse that stands to gain most from the accord, Germany should be the main cheerleader. Many of the NGOs who are peddling fear appear to be very well financed. Don't get me wrong: unlike the Kremlin, we welcome a vibrant civil society. But the NGOs should not fear living up to the same standards of transparency they expect of governments: they should step out of the shadows by publishing detailed accounts and by clarifying for whom they speak and by whom they are financed. That is not the case today in Europe.

Progress in the negotiations continues across all of the working groups on the three broad areas of the negotiations: market access, regulatory issues, and rules. We have consolidated texts in quite a few areas including trade facilitation, competition, SPS, TBT, SMEs, state owned enterprises and regulatory coherence.

We can win the debate on ISDS, despite recent indications in the European Parliament that the topic remains controversial among some of the Socialists & Democrats. We can win because the facts are on our side: most of the concerns are simply not borne out by the historical data; some of the concerns are well founded but can be addressed in a

reformed ISDS system, just as they were in the US Model Bilateral Investment Treaty that we concluded after a four year consultation period.

Even the skeptics should ask themselves some basic questions: how can ISDS be taken out of TTIP, and yet remain in the FTAs with Canada and Singapore that are up for ratification? Will the EU and its Member States strip ISDS out of all of their historical FTAs signed intra-EU and with third countries? It would be unacceptable for US investors to enjoy fewer investment protection rights in EU countries than investors from other EU or non-EU states.

We all agree we need to make faster progress. The recent communiqué from the G-7 Summit at Schloss Elmau made the following important statement: “We will immediately accelerate work on all TTIP issues, ensuring progress in all the elements of the negotiations, with the goal of finalizing understandings on the outline of an agreement as soon as possible...”

This clearly means that both sides should avoid setting out red lines and preconditions or linkages. It is well understood that the parliaments on either side of the Atlantic will only give their blessing if the final deal

meets with their approval. Making progress on tariffs conditional on progress in unrelated areas is contrary to the G-7 Declaration. While we understand Europe's interest in public procurement, it is a politically sensitive issue for us and we ask for space to deal with it – just as we have done for Europe on issues such as audiovisual and investor state dispute settlement. Analysis shows that the degree of European and US market access to government procurement is roughly equivalent. We continue to call on the European Commission to supply us with concrete examples of how Buy America creates significant practical difficulties for European companies – despite significant evidence that such companies are winning many tenders and the fact that American companies are protected only below very low dollar value thresholds.

When I listen to the scaremongering about TTIP, including about chlorinated chicken, I think of the old adage: “Don't let facts get in the way of a good story.”

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.

As Ambassador Froman recently wrote in Foreign Policy, “Globalization would happen with or without trade agreements...There is a real competition over what rules of the road will shape the global trading system...Trade agreements are tools to shape globalization.” In the Asia-Pacific region, for example, over 200 trade deals have been struck in recent years and more are currently under negotiation. Unlike T-TIP, the vast majority of these agreements make no commitment to protecting labor rights and environmental standards, creating disciplines on state-owned enterprises, and promoting the digital economy.

There is no doubt that it is in the interests of Americans and Europeans of all stripes – our workers, farmers, manufacturers, service providers, entrepreneurs and inventors, and our consumers - for the United States and Europe to work together through T-TIP to actively shape the global trading system and promote a race to the top, 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.

T-TIP can support efforts to reform European energy policies and create greater energy security. Under our National Gas Act, if the United States enters into new free trade agreements (FTAs) that require national treatment for trade in natural gas, exports to such new FTA countries would be deemed to be in the public interest. So if the EU grants us national treatment in the energy sector in TTIP, exports of LNG would be facilitated. Natural gas prices in Asia have long been considerably higher than in Europe; in those circumstances, exporters would naturally have sold the gas from US approved facilities to Asia. Now that prices in Asia and Europe are more aligned, some analysts project that at least one third of US natural gas exports will go to Europe.

Even though time is short to get a deal, we remain optimistic that we can get it done.

The Digital Agenda

In addition to TTIP, the US is closely engaged with the EU on all the key priorities of the Juncker Commission, including Better Regulation; Energy Union; greater investment and entrepreneurship; and specifically the Digital Single Market. We share the conviction that progress on these issues is critical.

We are following **the digital economy** recommendations very closely. The Juncker Commission clearly recognizes the importance and the tremendous potential of the digital economy. We understand the Commission's Digital Single Market strategy is intended to create the regulatory and market conditions to help companies to innovate, collaborate, invest, create jobs, and drive growth while better serving consumers. This is a vision that we, of course, support. 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.

Greater investment in networks and digital skills, digitalization of traditional industries through greater technology uptake, harmonization of regulations, and reduction of barriers to doing business across the EU's internal borders are all important objectives that would benefit consumers and companies, European and American alike.

We should be wary, however, of any proposals that could lead to a more closed and insular model for the digital economy, one that unnecessarily restricts data, stifles innovation through onerous or complex regulation, or tries to pick national champions and tilt the regulatory playing field against non-European companies. The creation

of new barriers to the free flow of data both within and across Europe's borders -whether intentional or inadvertent - could squander the potentially enormous benefits of Big Data analytics, the Internet of Things, digitalization of industry, cloud computing, and the preservation of an open, dynamic, and interoperable Internet.

The beneficiaries of the expanding digital economy are not just the American tech giants. Successful European Internet start-up companies have emerged in substantial numbers, building, incidentally, off the platforms provided by some of those very U.S. companies. To cite just one example, the launch of Apple's iTunes App Store in 2008 created an industry from scratch. This has not only delighted consumers worldwide; it has also spawned significant business and job growth, including in Europe. According to a report prepared for the European Commission, EU app developers took in 17.5 billion euros in revenue in 2013. That figure is forecast to increase to 63 billion euros by 2018. That same report predicted that the EU app developer workforce will grow from 1 million to 2.8 million over the same period.

Data Privacy

There is no doubt that the US and the EU will only be able to move forward in their relationship if trust is fully restored. I know this is a big topic in this country.

President Obama recognized that, given the power and scope of our signals intelligence activities, we need to do more to reassure the world that we treat “all persons ... with dignity and respect, regardless of their nationality and where they might reside,” and that we provide appropriate protection for the “legitimate privacy interests [of all persons] in the handling of their personal information.” And so 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.

Some of you may also be following the progress of two important legislative proposals in the United States that the Obama Administration has strongly supported. The first, which was enacted into law on June 2, is the USA Freedom Act, which ended the government’s bulk collection of phone records, or so-called metadata, under Section 215 of the Patriot Act by limiting collection to instances

where there is “reasonable, articulable suspicion” that a “specific selection term” is associated with international terrorism. The second is the Judicial Redress Act of 2015, now introduced in both the House and the Senate on a bipartisan basis, which would provide Europeans the core benefits that Americans enjoy under the Privacy Act with regard to information shared with the United States for law enforcement purposes, fulfilling the commitment announced by the U.S. Attorney General last June.

The passage of both of these pieces of legislation would mark an important step in restoring Europe’s confidence in America’s commitment to striking the right balance between security and civil liberties. Meanwhile, through our discussions with the European Commission we are making important progress in enhancing the U.S.-EU Safe Harbor Framework for the sharing of commercial data and the Umbrella Agreement for the sharing of law enforcement data.

Conclusion

Let me conclude with a quote from Rahm Emanuel, former Chief of Staff to the President, who 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 are hopeful that the EU can manage its domestic challenges, including the risks of Grexit and Brexit, in order to focus on the external challenges. Recent news on Greece is positive. We are encouraging all parties involved – including Greece, its European partners, and the IMF - to rapidly agree a path forward that allows Greece to return to growth within the Eurozone. Failure to do so would create immediate hardship for Greece and broad uncertainties for Europe and the global economy.

Every day I look at that cartoon of Putin as Cupid and I think to myself: the US and EU need strategic vision. That's why we need TTIP; that's why we need energy union; that's why we need to stay united on sanctions; that's why we need to work together to promote a vibrant transatlantic digital economy. We must not let the crises that we face go to waste.

Thank you