

Looking Towards Tomorrow Together

December 19, 2012

Vlerick Business School
Ambassador Howard Gutman

Goede avond. Nederlands is niet gemakkelijk voor mij; het is heel moeilijk. Ik heb zo veel respect for de schoonheid van uw taal dat ik niets meer ga zeggen in het Nederlands.

It is a pleasure to be here tonight to meet with all of you, the distinguished alumni of the Vlerick Business School. Now some of you might know that I attended Columbia University as an undergraduate and Harvard Law School thereafter. And while at Harvard, I remember some of the students at Harvard Business School referring to it fondly as the "Vlerick of the West."

I wanted tonight to share some thoughts perhaps about next steps -- about tomorrow for Belgium, for America, for our economies, our politics, and our Belgian-American relationship.

You see I have been the U.S. Ambassador to Belgium for nearly the past 3 and a half years. I am the second longest serving U.S. Ambassador to Belgium in the past 31 years. And if you like to think about government, about politics, about economics and economies, can there be any better two places to focus on than Belgium and America? We have so much in common . . . both countries even adopt dramatic names for our political conflicts. I thought Belgium showed great flair and originality when everyone in the country walked around decrying and bemoaning about "B-H-V" . . . I thought that name for a political conflict would be hard to top. But just leave it to America to beat it, because we came up with "the fiscal cliff."

Let's focus first on economics and economies; then we can look at politics, and then our relationship.

As to America, although we still have a bit of a political cloud cover, although the skies can still seem somewhat gray from the smog of politics, I think to a large extent our economy consists of mostly sunny skies. While some people viewed the American economy as defined by three years of economic crisis, I tend to view it more as one year of economic crisis that was then tackled and from which we largely recovered, but the success of some of that recovery was masked by two years more of political crisis and stalemate.

In hindsight, I think our economic crisis consisted largely of three problems that were tackled quite a while ago. First, we along with Europe had lax financial regulation, and so when elements of the economy began to falter, when the foundation shook, the buildings toppled. America and Europe have long ago responded with significant financial regulation and shored up the foundations.

Second, our housing market and to some extent our industry had profited from the loose financial regulation to record gains and growth never justified by reality. Some industries like the auto industry had never responded to shrinking demand. We had to go through a painful course correction -- the fall of housing prices, the closure and downsizing of businesses and the rise of unemployment -- Belgium has focused on the problems of overcapacity at Ford Europe leading to the closure of Ford Genk plant

but few realize Ford had to shed 22% of its US domestic capacity between 2006-2009 -- we had to make those course corrections before we could emerge on the other side and begin the ascent again. But we did that too relatively quickly.

The third problem, the one that then appeared structural and the most difficult to overcome, particularly in any short run, was our dependence of foreign oil and runaway energy costs. We were borrowing from the Chinese and paying \$800 million per day for fossil fuels to people in parts of the globe who were not always our good friends, with the net result of costly energy. And in so doing, we were all at once undermining our national security, losing all opportunity to create job growth in any energy sector, watching our carbon footprint soar and with it the anger of our allies here in Europe, and potentially putting the last nail in the coffin of American manufacturing since the addition of high energy costs to relatively high labor costs created a hurdle often too high for our ingenuity and efficiency to overcome.

We have largely solved this third set of problems as well. Maybe we were just lucky . . . we found out we were sitting on a game changing energy source of natural gas. Or maybe we instead were good in learning how to frack our way to securing that new energy supply – you know, sometimes you have to be good enough to know when you are lucky . Either way, by turning to the natural gas that we had long stood on but could not previously secure and by making significant progress in the techniques surrounding fracking, we have reduced our dependence on foreign oil from 64% to 47% and between now and 2020, we will become the largest energy producer in the world and we will be a net exporter of energy. Because natural gas has only 50% of a carbon footprint, we have reduced our carbon footprint more than any Kyoto country in the world. And manufacturing is coming home, as cheaper energy costs are restoring our competitive advantage against countries that boast low labor costs.

What has been the result of tackling the problems in our house? How sunny are the skies? Well, plainly we still have a ways to go and as the “fiscal cliff” and “debt ceiling” disputes demonstrate, our democracy is always worth the price but never that easy. But still, the crisis saw unemployment soar from its usual 4.9 % to over 10% with a threat to go much higher. As of today, we have increased private sector jobs for 33 months in a row and our unemployment has fallen steadily from the 10.1% to 7.7%.

The crash in housing prices of a couple of years ago has been followed by the excitement of recovery. U.S. housing prices in October registered a 6.3 percent increase since the same time last year. We have seen some markets, like Arizona, with prices rising by over 20 percent. October 2012 marked the eighth consecutive month that housing prices have risen year-on-year. It is not just American buyers that are moving back into the housing market. Non-American buyers accounted for \$82 billion in home sales in the U.S. last year, of which the Chinese alone accounted for \$7 billion. In the years after I arrived, Belgians used to ask me what they should buy in the U.S.? Where should they invest? Without fail, I used to respond that they ought to buy the whole state of Florida, everything was at bargain prices. It is still worth it to buy, but the day of the steal deal is quickly fading as we recover.

And because world economies are largely one big boat – we either rise together or none can rise for long, our recovery has aided Europe and Belgium. Belgian exports to the U.S. this year are up 40%.

Yet as I noted the recovery has been slowed somewhat by our deep political divisions and the lack of consensus. Before moving here, I used to wonder how well the U.S. could do if we did not have political divisions—if we were a politically unified country where all believed in the same fundamental policies. If for example, instead of dividing 51%-49% in our election, between Democrats and Republicans or left and right, 98% of our country all supported for example President Obama and every Minister agreed with him. Where an entire country supported health care, a women's right to choose, the importance of fighting climate change, and the importance of the transatlantic relationship. I wondered what such an extremely politically unified country would look like. And then I got my answer – if all that happened, it would be called Belgium.

So I learned that no matter how big or small your country, no matter how substantively unified you actually are or at least appear to be to outsiders looking in, the greatness of democracy is also its biggest challenge. Find two people and we will have 2 opinions and two opinions always move slower than one. But you have to love a country where 50,000 out of 11 million run in October for political office, where every town is plastered with posters of contenders for office so that you can no longer see the road signs, and where it took 541 days to form a government among a group of leaders who all said that in my country they would have belonged to the same party. And you have to similarly value a country like mine where a presidential debate can keep everyone in the country and many in the world talking for weeks. And if you have any doubt about the greatness of our economically inefficient democracies, about the greatness of Belgium last October or of the U.S. last November, just compare them to the selection of new leaders that occurred around the same time in countries where democracy is but a future dream. There is no BHV or fiscal cliff in such countries, but the citizens would relish having them.

As to the economy ahead here in Belgium, I don't have any answers and it is not for me to make the choices. But I at least see some of the issues that lie ahead. And so Belgium will have its choices. The economic news here is largely good – while Europe generally faces slow growth times ahead, Belgium is at least near or at the front of the pack. There are businesses like dredging companies screaming for more engineers and areas where help wanted signs still cannot be filled.

But with a growing diverse population, there are some urban areas with high unemployment particularly among younger age groups. And so on my visits, many mayors and governors have asked me about bringing American businesses, perhaps focusing on restaurants and retail, that could help with unskilled labor unemployment. And my job is to help double U.S. exports, so such a mission was consistent with my role as well. So I wrote to dozens and dozens of U.S. franchise restaurants and retail businesses that are already based in many countries around the world about expanding to Belgium.

But the effort has been difficult. It is in this area where high labor costs make such business openings and job creation difficult. I checked with both Starbucks and Le Pain Quotidien and the numbers are roughly the same. For an hour of labor for someone working there, all in with all costs counted, an hour of labor in the U.S. costs under 10 euros, in the UK it is 12 euros, in the Netherlands it is 15 euros and in Belgium it is 24 euros. In Moscow, unemployment is under 2 percent but the stores are open 7 days a week and often till 10 or 11. I recently visited a mall in Warsaw that rivaled anything I had seen in the U.S. and was more different than anything in Belgium, with 100s of modern stores, dozens of restaurants, a huge cinema, open 7 days a week for long hours and more. I asked my

Commerical Officer to get me the name – and it turns out that there are three such malls in Warsaw that fit that description. Now Belgium is doing just fine without U.S. restaurants or gleaming Polish malls or long retail hours – but plainly the choices and the issues that it can focus on lie ahead.

Having looked at economies and politics, what about our relationship and our roles in the world going forward. After three and a half years here, I have discussed often but believe more than ever in the importance of Belgium, in the credibility of Belgium, in the need for Belgium to be part of the voices among world leadership. As I have said often for the past three and a half years, there are many wonderful countries in Europe. But too often other countries and particularly Europe North and Europe South tend to speak pass one another. Some countries speak simply to be heard, with sometimes predictable tones and messages. But Belgium is different. Belgium speaks past no one but to and with each one. Belgium never speaks simply to be heard. When Belgium speaks, it does so for only one reason – it has something to say. Though smaller and perhaps with less total wealth than some, Belgium I believe is a leader in credibility. And credibility is the most powerful force for persuasion and persuasion is the most powerful tool in diplomacy. And, as the seat of the EU and NATO, Belgium also has a stage when it so wants and a podium from which to speak to many others. And together, credibility and a pulpit combine to make a potentially very powerful voice.

Believing always in the power of Belgian credibility, our Embassy website for the past three years has urged: "If You Want to Be Heard, Say It In Belgium." And, as you all know, Europe takes steps often to confirm this view, for example selecting then Belgian Prime Minister Herman Van Rompuy to lead the European Council and recently naming Steven Van Ackere as the most credible finance minister in Europe at this vital time.

Truth be told, Belgians along the way have questioned whether we were sincere in our belief in the importance of Belgium or whether we were just saying that. But now that more than three years have passed, history has removed much of the doubt.

Belgium has been heard about Afghanistan. In 2010, President Obama asked for surge troops in Afghanistan, promising to foster civilian reconstruction and stability and promising to draw down troop levels when conditions permitted us to do so. While other allies struggled, Belgium responded favorably, went in with additional troops and indeed has supported NATO's efforts to begin the transition to an Afghan-led security effort. While some other new leaders have announced the complete withdrawal of all troops from Afghanistan this year, the new Belgian government announced that Belgium will remain side by side with America as we initiate the transition through 2014 and has pledged the full amount of the NATO ask for post-2014 financial support to the Afghan security effort.

When human rights were at risk in Libya, Belgium helped lead flying 620 air to ground bombing missions in Libya while the United States flew none. Instead we armed and fueled allies like Belgium who put their pilots in harm's way in defense of the citizens of Libya as they demanded democracy and their human rights. Belgium has been heard about Iranian sanctions, closing the Port of Antwerp to the Iranian state shipping line and denying the regime in Tehran access to its financial system. On the need for compromise and action in the eurozone crisis. And on so much more.

And we, the U.S. and Belgium, have fixed our problems of the past, gotten by our very rough patches, and today form the strongest of partners. We have progress and we have momentum.

Of course, we had the strongest roots for a relationship as dear allies and partners, roots dating back to the two world wars. The liberation of Belgium by the United States and our allies after the devastation of 2 world wars is and will always remain a preeminent and unifying part of our history. I shall always be moved by the fact that Belgians never forget; by the fact that they today still tend to the graves that they have adopted of American boys who died over a half century ago.

But particularly because of how deep and how strong our roots are, the yesterday that existed when I arrived here in Belgium over three years ago – the yesterday of the mid 2000's is a place from which we may learn a great deal about foreign relations but to which we should never return.

You see, despite our history as the dearest of allies and the bonds that followed the world wars, in the mid 2000's, that relationship between us was widely described in the press as "frosty." As a result of policy differences, particularly over the handling of the Iraq war, the Belgian government considered closing the Port of Antwerp to U.S. ships, closing Belgian airspace to U.S. planes and subjecting U.S. officials to its law of universal jurisdictions for criminal charges in Belgium.

However the U.S. and Belgium got so far off track with each other, the U.S. had faltered in the minds and hearts of the citizens of Belgium. We separated from the people. Indeed, the Gallup Polling Company started in 2007 to track public opinion in every country in the world concerning America and U.S. leadership. And the results of the first poll showed that in Belgium in 2007, only 8 per cent of the citizenry had a favorable view of U.S. leadership while 65% had an unfavorable view and 27% were neutral or had no opinion.

Think about that. 8% favorable and 65% unfavorable. 8 to 1 times as unfavorable as favorable. Could there have been a greater call for change? For renewed leadership to rebuild the partnership?

And it is not about and was never about a popularity contest. It is about results. When the citizens are frosty and cynical, politicians threaten to close ports and airspace. In that world of cynicism and mistrust, in that environment, both American interests of any sort and the Belgian-American relationship suffer mightily. Ex-pats must feel at least somewhat uncomfortable amidst their neighbors; tourists hide the tee-shirts or guide books that would identify them as American. And in that environment of those days; U.S.-based businesses play down their home roots. And an Embassy finds frustration behind many doors. Indeed, diplomacy remains stalled at the door.

In that yesterday, we had lost our way with one another. We talked past each other. We failed to look each other in the eye.

We can not go back there again. That yesterday must continue to fade as tomorrow grows ever brighter. We should not return to that yesterday no matter who leads Belgium, no matter who leads the United States. No matter who the ambassador. . No matter whether he or she studies French and Dutch daily and tries to build a friendship with the Belgian people by visiting every city, village and commune or, alternatively, spends more time at the Embassy and is less known to the public.

But the path of change was as identifiable as the path of destruction. It almost always is. You just need to identify causes and react with solutions. When we first arrived in 2009, we candidly admitted that the Belgian-American relationship had recently suffered and I explained the values of the then new President, the man who had sent me here. We promised to be better listeners and learners and to rebuild the partnership where it had suffered most – with the people. We outlined our plans as part of that reconstruction of the bridge with the citizens of Belgium to study both French and Dutch and to visit all of the people – to visit the 589 cities, towns and communes in Belgium.

The election of Barack Obama and the appointment of Hillary Clinton as Secretary of State in the beginning of 2009 took us a long way towards rebuilding that bridge. They were for Belgium more than a catalyst for change; they were the embodiment of change. The Gallup Poll for 2009 showed that the change in leadership raised the favorability rating from 8% to 30% - a 22% gain – and cut the unfavorability from 65% to 23%, a decrease of 42% in the unfavorability. So that the rating as of 2009 was 30% favorable and 23% unfavorable.

We have to date worked hard to reap change, to rebuild the Belgian American relationship. As a country. As an Embassy, and even as an ambassador. We still study French one day and Flemish the next and we have to date visited 587 cities, villages, and towns, leaving me 2 to go.

The latest Gallup Poll of all the countries in the world came out on May 1 of this year. The eurozone crisis and Afghanistan fatigue contributed to the favorability rating for US leadership losing ground in much of Europe.

But we have been proud to note that in that same international poll released by Gallup in May ---4 months ago –Belgium finished first in the world with the highest gain in favorability rating for the U.S. leadership. There was another 16% gain in favorability and another decrease in the unfavorability so that the rating – which was 8%-65% just 5 years ago now stands at 46% favorable and only 22% unfavorable – a more than 2 to 1 edge in favorability where a 1 to 8 rating once stood. Which means that Belgians view American leadership today more favorably than Americans view American leadership.

And again, this was never about a popularity contest. With the change in public opinion, came the change in action that we discussed: among other places, in Afghanistan, in Libya, and the other advances we discussed.

Rebuild a partnership and they will come.

And that change also means that Boston Red Sox tee shirts and U.S. guide books have reappeared in the Grand Place. Tourists are proud to meet Belgians and to talk about their country. It means that ex-pats again proudly discuss their home. U.S.-headquartered businesses operating in Belgium recruit employees and customers by flagging their U.S. roots. The Embassy often finds smiles, not frustration, at the door, which is usually wide open for the diplomacy of discussions among partners.

And yet, I learn never to be too confident, never to stop communicating and working on mutual understanding. For we still sometimes talk past one another and often the fault for the communication gap is mine. Sometimes it is about how much we value Belgian leadership and Belgian credibility.

We had one such example just two weeks ago involving the Palestinian request for observer status at the UN. We thought Belgium should abstain and help lead Europe to vote to abstain. And truth be told, we believed for good cause right to the end that Belgium would do so. But on the day of the vote, Belgium decided otherwise and cast a ballot for membership.

Now, though many in the press did not so state, the issue concerning the Belgian vote never really was about membership – you see, whether or not Belgium abstained, whether or not Belgium led Europe into abstaining, the vote was going to admit the Palestinians.

And though many in the press also did not so state, the issue of membership was not really about how to help the Palestinians or the peace process. Because after viewing the history of tactical advances by either side and without doubt after viewing the prior vote last year on admitting the Palestinians to UNESCO, there was no doubt that the vote in favor would hurt the Israelis, hurt even worse the Palestinians and be a devastating blow to the peace process. You see, we have learned through history and knew to a certainty, that tactical efforts by one side are met by tactical counter-responses by the others and always divert from forcing both sides to meet in true negotiations aimed at a long term peace. So it was not a surprise that the result of such tactical efforts by the Palestinians would be paired with a tactical counterresponse – the announcement of new settlements and the withholding of tax revenue from the Palestinians to pay amounts long due to the Israelis – which leaves both people far worse off and the peace process, the only meaningful path here, even more distant.

So, although media and some political leaders analyzed the issue only from the perspective of Israel or of the Palestinians, lost in the discussion was the focus on Belgium and Belgium's heretofore role as a credible force in the MidEast working towards that long term peace agreement. You see, recognizing Belgium's credibility with both parties, I had seen the US leaders meet with the then Belgian foreign ministers to coordinate voices in our overtures and efforts with both Israeli and Palestinian leadership. An abstention vote would not have hurt the Palestinians or helped the Israelis, it would instead have preserved Belgium's role as a credible interlocutor in the Mid East and a credible force for peace. And in that vote as in every vote, I believe in Belgian credibility and I will never sell Belgium short.

With that issue in the rear view mirror, there will be other issues that will raise difficult choices but for which a Belgian vote to remain among the credible world leaders may be difficult but certainly will be worth the cost or challenge. As Norway, Denmark, the Netherlands and the UK have made efforts to update their Air Force by buying new F35s – never an easy decision and ever the more difficult in a time of budget squeezes – Belgium is still considering the issue. It is far too easy for some to say why do we need some new planes. But I believe whatever plane Belgium chooses, Belgium needs to maintain an equally modern military and deserves to maintain its voice as a small but reliable partner in NATO, whether in protecting human life in Libya or fostering civilian reconstruction in Afghanistan, a voice among the leaders. And there is more to do in combating terrorism. In preventing Hizbollah from contributing to the atrocities being committed in Syria. The U.S. has designated Hizbollah as a terrorist organization, and believes others should do so as well, in part for its material support of

Assad's regime, support which has contributed to the slaughter of over 30,000 Syrian civilians. Belgium has been a strong voice in condemning the human rights violations of the Assad regime, and can help raise awareness of Hezbollah's role in these atrocities.

And on more. On the leading issues today, Belgium can help and can help leading others who have to decide as well. I for one believe in nothing less.

Thanks so much and all the best.