

Uncertain times call for cool heads

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We live in changing times. In 2016, both the election of President Donald Trump and the Brexit vote caught many off guard.

Already there's nothing concrete about 2017 and looking even further ahead is fraught with difficulty. Nonetheless, it's now down to policy-makers and business leaders to chart a course through unpredictable waters.

But, for Ambassador Hugo Paemen, a senior advisor in the Brussels office of Hogan Lovells, that's nothing out of the ordinary. As an EU trade relations pioneer of over four decades' standing, he knows all about the sharp end.

Joining the Belgian Ministry of Foreign Affairs after graduating from Katholieke Universiteit, Leuven, Hugo's first embassy posting came to Paris in 1965. He followed that with time in Geneva and a stint as the Ministry's Chief Spokesman before arriving in Washington, D.C. in 1974 with an economics brief.

Multilateral knowhow

Just three years later, Viscount Davignon, Vice President of the European Commission, came calling. Hugo's talents should be brought to bear at the transnational level, he said, and spirited him away to Brussels and the role of Chef de Cabinet.

"I thought, after doing that for a couple of years, I'd return to the Belgian foreign service, but I stayed in Brussels longer than I'd anticipated. When Jacques Delors became President of the European Commission in 1985, I became its Chief Spokesman. They subsequently asked me to go into External Relations where I mainly dealt with international trade agreements.

"I was involved in bilateral steel agreements with the U.S., Japan and others, and multilateral negotiations at the time of the General Agreement on Tariffs and Trade (GATT). More particularly, during the Uruguay Round, I was Chief Negotiator on the European side and we were able to create the World Trade Organization (WTO)."

Authoring *From the GATT to the WTO: the European Community in the Uruguay Round* in 1995, Hugo moved back to Washington, D.C. as the EU's Ambassador for five years. Under normal circumstances, he might then have returned to Belgium, especially after being ennobled as a Baron by King Albert II in 2000. But a man of Hugo's caliber naturally attracted the attention of what was then Hogan & Hartson.

“In my experience, people change when they take on responsibility, so let’s be hopeful.”

Combining a part-time advisory role at the firm with an offer to lecture on European Policy and Integration at Georgetown University, Washington, D.C. remained his home until the 2010 combination with Lovells. Back in Brussels, Hugo Paemen now divides his time between his duties as one of our senior advisors and chairing the EU’s Trans-Atlantic Business Council.

Hugo has credibility and eminence in spades. So when he offered us the chance to chew the fat over 2016 and to look at future trade prospects, it was the proverbial no-brainer. As a grandee of EU-U.S. diplomacy, Brexit bargaining was the obvious starting point.

UK isolated in Brexit negotiations

“For Europe, it’s a big priority, but there are still 27 states sticking to the main provisions of the Treaty of Rome. The integration of banking, capital markets, and energy, for example, shouldn’t be halted by complicated negotiations with the UK. That’s going to be difficult to manage, but we must try to make the best of the situation.

“I think the demandeur or applicant, in this case Britain, is always in the weaker position. The Brits have a great tradition of international negotiation, but they’re on their own. The EU is a very democratic institution, so bringing all 27 to the same position is very difficult.

“The EU’s four freedoms (the movement of goods, people, services, and capital) are part and parcel of the Single Market. This is the very essence of the EU. Exceptions to these rules would only be possible in the context of a specifically decided common policy, for example, on immigration.

“The important thing for Britain is that it knows what it wants from a new relationship with the EU. That’s a political, not a technical problem. Sadly, those ideas don’t seem very clear at this

stage. The Brexit vote was unexpected, we understand that, but perhaps there should have been more thought about it as a contingency before the referendum.”

Trump and globalization’s challenges

But Brexit wasn’t the only political development to have caught us unawares last year. The odds were long on a Trump victory.

“There are definite parallels. During his campaign, Trump repeatedly equated his prospective victory with Brexit, unsurprisingly, in a superlative mode: ‘Brexit plus, plus, plus.’ Both campaigns aimed at changing the domestic balance of political power in their countries. They appealed to traditional conservative constituencies, promising a ‘change’ from prevailing centrist policies.

“That’s where globalization comes in. Both Britain’s Nigel Farage and Trump found a response to the message that traditional values and feelings of community or nation are eroded by integrationist trends unchained by technological progress in the areas of communications, transport, and worldwide production. Their vision resonates with those who, for different reasons, feel they don’t get their fair share of the supposed benefits.”

Trans-Atlantic partnerships must prevail

Trump’s rhetoric on the stump challenged globalization, but questions remain over how his words will translate into policy. For Hugo, though, it’s clear that a U.S.-EU partnership should continue to take the lead.

“The reality is that the American economy thrives on open trade and investment. This is true for the big multinationals, but increasingly also for smaller companies looking to be part of developing worldwide value and production

chains. The U.S. was a major architect of the existing world trading system. I think America and Europe should continue to shape that system in their interests. Otherwise, other major countries will do it for them.

“There are undeniably more protectionist tendencies in the world now and international trade and investment are on the defensive for causing economic, social, and even cultural distress. Most governments have readily garnered the benefits of globalization, where possible, but they have failed to take the political decisions to smooth its rougher edges in favor of the weaker elements in our societies. That’s the origin of growing inequalities, especially in industrialized countries, and of public opposition to trade agreements like the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP).

“TTIP doesn’t appear to have a future under Trump and how trade is organized depends in large part on him. But the question on everybody’s lips is whether ‘Trump the Campaigner’ continues or a different personality emerges. I can’t say there’s an optimistic atmosphere at the moment, however. More interrogative, uncertain, and somewhat scared. The rhetoric is different and there’s less of a tendency from the U.S. side to have an ongoing dialogue – it’s more about individual deal-making than permanent partnership.”

“The world is watching and waiting. Some with hope, some with trepidation. Where some see a threat, though, others spot an opportunity. Ambassador Paemen falls into the latter category.

“In my experience, people change when they take on responsibility, so let’s be hopeful.”