

Leading US investment firm chief assesses Mideast and world economic situation

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In order for the Middle East to live up to its investment potential, it should invest in management talent, said the president of Blackstone Group, one of the world's largest private equity investment firms, during an AUB lecture.

Hamilton E. "Tony" James, who is also Blackstone's chief operating officer, told an AUB audience that he would be reluctant to invest in the Middle East because it is "abundant in capital, yet short on readily available management talent."

James recently delivered a special lecture on campus at the invitation of Suliman S. Olayan School of Business (OSB). Entitled "A Fireside Conversation on Current Challenges in the Global Economy," the lecture was held in OSB's Maamari Auditorium and attracted a large audience, including former Prime Minister Najib Mikati and AUB President Peter Dorman. In his lecture, James spanned the globe, assessing the economic prospects of various countries. While the status of the world economy is generally on the mend, the future path is still "somewhat murky" as to how further economic growth will take place, he said. Nevertheless, the outlook is promising.

The United States, for instance, has seen significant growth coupled with declining unemployment rates and "a lot of healing" in the banking systems, James said.

Currently, around 80 percent all American companies are posting profits, whereas the picture was gloomy six months ago, with more than half of all US companies showing declines back then, he added.

Meanwhile, China and India, will both have very bright futures.

Both countries are experiencing economic growth at approximately the same rate, James said. As for Mexico, James called it a "basket case." Its debilitating long-term structural problems, declining economy growth, youth emigration, and burgeoning drug problem continue to stunt its development.

Brazil, on the other hand, will soon prompt "Wow's" from everybody, said James. Along with self-sufficiency in food production, Brazil has recently discovered a significant amount of oil that will put it on par with the OPEC states and boost its economy.

Australia, "the Lucky Country," is rich in natural resources like uranium, titanium, coal, and timber. Not only that, but all this natural wealth is spread among a population of only 20 million, noted James. Australia has a very sophisticated financial system and easily generated capital, and can do just as well as China and India, he added.

James also expressed concerns about a potential trade war between China and the United States. He argued that since no US political party currently garners the public's admiration, the next election is expected to be determined by the enemies of the state. "Certain politicians are working towards convincing the American people that China is the enemy," he said.

As for advice on investing, James invited businessmen to gear their focus onto long-term trends and take opportunities overlooked by others. Moreover, he said that while investors like to shun risks, his policy is to "take risks by minimizing risks." In other words, he chooses investment opportunities that guarantee a minimum 20 percent return on investment, while leaving room for some "pleasant surprises."

"Most opportunities don't grow on trees, but most people aren't looking for surprises," he said. Health care will always be a reliable sector for investment, he argued, because people will always need good medical care. Similarly, investors could always count on the real estate market

in the United States, over the long term. Natural resources are another smart choice, especially if they are currently priced at a low rate, he said.

Finally, when asked what advice he would give fresh business graduates, James recommended that they intern at large global companies that provide remarkable training experience. He suggested that students not worry about prestige or how much money they would make, because "all that would come later." His final piece of advice was: "There is no substitute for hard work."