Announcer: Ladies and gentlemen please welcome our second panel, The Next Big Thing Prospect for Growth in 2014, our moderator David Rubenstein the Carlyle group. He is joined by panelist Emilio Lozoya CEO of PEMEX, Aliko Dangote chairman of Dangote group, Robert Wolf founder and CEO 32 advisors and David Wessle director of Hutchins Center for Fiscal and Monetary Policy the Brookings Institution.

David Rubenstein: Okay can everybody please take their seats. Everybody please take their seats, close the doors, turn off your cell phones, everything else. Everything you need to know about the world you're going to learn in the next one hour. Okay. Let me give a little fuller introduction to the people on our panel. And from my immediate left Emilio Lozoya is the CEO of PEMEX which is the Mexican government owned Oil Company....Energy Company. He is the youngest person ever to have that job at the age of 38, he became the head of PEMEX and he is a graduate of the Kennedy School at Harvard. And he is also somebody who's had his own private equity business, the highest calling of mankind in my view. He's given that up for a temporary period of time, I guess at PEMEX but ultimately he'll come back to this highest calling I hope. In any event he also has been at the IFC and worked in Washington DC and he's been in charge for the World Economic Forum of Latin America and was a Young Global Leader of the World Economic Forum. So next is Aliko Dangote, he is one of the best known businessmen in the world, widely regarded as the wealthiest African businessman. TIME Magazine came out today and said of the...he's one of the 100 most influential people in the world and by far the most influential business person in Africa. A story about him was written by Bill Gates who praised Mr. Dangote not just for his extraordinary business successes in Nigeria and throughout Sub-Saharan Africa, but for his commitment to the eradication of polio in Nigeria and to malaria eradication as well and to the other things he has done for health related causes in Africa. His business is primarily in cement, food, logistics and it expands throughout Sub- Saharan Africa. Robert Wolf. Robert Wolf is a person who is known to many people as President Obama's best friend in the financial services world. He was an early supporter of and very close friend of President Obama's but he was at the time the Global Head of the...the head of UBS in Americas. Previously been the Global Head of Trading and Credit for UBS. A long career on Wall Street had been at Salomon Brothers for 10 years before he went to UBS and rose up at UBS to be ultimately the head for Americas for UBS. And now has 32 Advisors which is a cross boarder advisory firm. In his background he was also a star football player at the University of Pennsylvania, wore the number 32 and that's why it's 32 Advisors. And Penn under his full back leadership won two Ivy League Championships, right?

Robert Wolf: Yeah.

David Rubenstein: Okay. And David Wessel is well known to many people around the world for his journalism career. He won and shared in two Pulitzer Prizes, one at the Boston Globe and one at the Wall Street Journal. For 30 years he was at the Wall Street Journal and was the Economics Editor at the Wall Street Journal most recently and a columnist at the Capital Column. And now he is heading the Hutchins Center for Fiscal and Monetary Policy at Brookings Institution. So a very distinguished panel, so lets start...well on my immediate left lets start with Mr. Lozoya. Perhaps you could tell us why it is that all of a sudden after 75 years PEMEX is now going to be deregulated. The government of Mexico has controlled oil and energy in Mexico and now there is deregulation. And why is that a good thing for Mexico and why is it a good thing for the rest of the world?

Emilio Lozoya: Thank you very much David. First of all I would like to thank EXIM Bank for this invitation. EXIM Bank is a trusted partner of PEMEX, we are EXIM Bank's largest client and EXIM Bank is our largest financier and we thank them very much for the business that we carry out with them and for this invitation. And indeed David Mexico is changing, Mexico has deregulated not only the industry in terms of energy but it has carried out in the last 16 months more than 16 key structural reforms. All of these reforms were focused with one big aim which is to affect those areas that dampen productivity growth. Productivity growth in Mexico was stagnant basically for the last 30 years, therefore we had the economy growing but not at its fullest potential. In the case of energy we faced a paradox, very abundant energy reserves but very high energy costs. Vis-à-vis United States our largest trading partner we face upward of 50% of increased electricity cost. So our firms were less competitive. So the President decided as a campaign promise back then and delivered on it to change the constitution. And basically it is the most important reform in the last decades. PEMEX is the largest company in Mexico, we invest about 25...25 billion a year in exploration and production and as a result of this reform, we expect investment to increase to about 50 to 60 billion a year over the next years. What impact it would have on GDP growth? We are sure that just the inefficiencies that will be affected throughout the process and the increased investment will bring GDP growth rates towards 5% in a couple of years.

David Rubenstein: So I assume everybody ask you this question. What's the price of oil going to be next year, can you tell us?

Emilio Lozoya: You're the private equity guy so you would now.

David Rubenstein: Pick for me a guess...nobody knows.

Emilio Lozoya: Well, the reality is that mega projects are becoming more and more difficult, more costly, the industry as a whole is facing an escalation of costs. And that means that every barrel or every unit of gas or oil is becoming more expensive. I do expect that prices will be stable around the levels that they are today and you can see this as well we have gone in North America towards shale place because easy oil is over and you need to go new technologies.

David Rubenstein: So Mexico's economy is growing at a higher rate than the United States; I think it's fair to say. So do you think you will need to erect a wall to keep Americans from coming to Mexico looking for jobs or...?

Emilio Lozoya: The energy reform is the last piece in my opinion or one of the last pieces of North American integration. We liberalized trade as you know through NAFTA. It has been extremely beneficial to the three countries, and energy will be even more so. We foresee North America as an energy powerhouse, through what is happening in the shale revolution in the United States, in Canada and now within changes in Mexico energy production should go up but not with the aim only to increase production but to have lower cheap stock...feed stock in order to fuel our economy.

David Rubenstein: Okay. Aliko how does it feel to...there are seven billion people on the face of the earth and you're one of the 100 most influential. So do your children respect you more with this title now, that they treat you differently or you haven't noticed any greater respect from like your children or anything or how does it feel to be one of the 100 most influential people in the world?

Aliko Dangote: Well, thank you David. I think I feel normal. I think you know in the face of my children I will still be the same person you know. The same as you, I'm sure...

David Rubenstein: Well my children had no respect for me before... So let me ask you a more serious question, and that is this. All of a sudden investors around the world act as if Sub-Saharan Africa was invented yesterday and all of a sudden people want to come into Sub Saharan Africa. It's been around for quite a while. Why do you think all of a sudden people want to invest in Sub-Saharan Africa?

Aliko Dangote: Well, you know the normal return on investment in Sub-Saharan Africa is about 30% and when you look at...

Person: Pardon me three-zero?

Aliko Dangote: Three-zero yes...30% you know the issue is that we've been growing. If you look at even Africa as a whole which really the driver is the Sub-Saharan Africa. We've been growing at about 5.5% in the last decade...actually its 12 years. And apart from growing at 5.5% when you look at it today you need to also look at the future. Today in Africa we are growing at 5.5%, one billion people and 1.85 trillion in GDP. And going forward if you look at even if we will reduce by going at 4% by 2050 the economy of Africa will be about nine trillion which is equivalent to Japan and you know China put together. And if we grow...we continue to grow at 5.5% which I believe we should, because right now the 5.5% growth is actually growth without power. Because if you look at most of the countries in Africa apart from Ethiopia really we lack power and you know definitely there's that saying that without power there won't be any growth. So with that, you will now can see okay fine. If you continue at 5.5% by 2050, will be equivalent to the economy of the United States which is 15 trillion with 2 billion people, because the population will double by 2050.

David Rubenstein: Right, 800 million people now in sub-Saharan Africa more or less.

Aliko Dangote: Yes, it's about 820.

David Rubenstein: 820?

Aliko Dangote: 820, so when you look at it you know, you tend to say, okay fine, well why is it that people are not investing? Because majority of people especially down here in the States, people are still working on archaic information which is 1970 information about the GDP growth, about what is happening in the economy. I mean, when you look at companies like General Electric, they truly believe in the Sub-Saharan African region. Their sales of this first quarter of 2014 is equivalent to their total sales in 2011.

David Rubenstein: So somebody wants to invest in sub-Saharan Africa, and they don't know as much about it as you do, where would you recommend that they put their money? Which countries, which industry?

Aliko Dangote: I think the most drive in this is actually is...the real driver is the western part of Africa and the eastern part of Africa. That's where really the growth you know, when you look at West Africa, you are talking about Nigeria, you are talking about Ghana and on the other side of East Africa you are talking about Kenya, you are talking about Tanzania and Zambia. These five countries, they really do drive the forces.

David Rubenstein: And in your own country Nigeria has now surpassed South Africa as the largest GDP of any country in Sub-Saharan Africa but there has been some problems in North Eastern Nigeria for some revolts and other interruptions of the economy. What do you think is the likely outcome of that, are you worried as a businessman about the future of the country's stability?

Aliko Dangote: Well, the future of the country's stability, I'm not really worried about that because the government is doing quite a lot in terms of trying to stop the insurgency. And as a business person, if I', really worried or if there's any information that's there, I will be one of the first few to know about it or at least to foresee something coming because of our own size in Sub-Saharan Africa. But today, they were investing 12 billion in Nigeria alone and 4 billion outside Nigeria in other 16 different countries. Yes it's true when we look at it for our own business; the insurgency did not really reduce our own business. Our business, last year grew by 40% in terms of revenue and in terms of profit 46%.

David Rubenstein: And your main business has historically been cement is that?

Aliko Dangote: Yes, that's right.

David Rubenstein: So I'm just curious; is the cement in Africa different as the cement in any other part of the world, is the cement all the same, are there different flavors of cement or it's all the same?

Aliko Dangote: Well, no it is not so. When you look at it for example, why are we investing heavily in cement? When you look at it really by 2007, I think it was around 2005; we went to IFC to do a package for us and that was our first external loan of $479 million. And we took the $479 million worth two years moratorium and also five years of payment period. But we paid back the loan in 18 months. Okay? That's one. Number two; when you look at the demand, normally average demand per capita of cement is 500 kg even in emerging markets. But in Africa majority of the markets about 100, 120. So it means that there's quite a lot of prospect for growth. Today in Nigeria we are just at about 125 million but we have 18 million housing deficit. So that's why we continue to invest, I mean, this year we are at 20 million tons, in the next six months we'll be at 20, in another two years we'll be at about 65 million tons of cement.

David Rubenstein: So Robert, when you picked the person who was running for president in United States named Barrack Obama, you got to know him, did you think he was actually going to make it when he was just senator and when you play golf with him now, it's like a five foot putt. You just conceive that to him or do you make him pack those things out?

Robert Wolf: I love how everyone forgets I was president of the UBS before....

David Rubenstein: I'm going to get to that.

Robert Wolf: This president was president. So one of the...but before I begin, literally I want to congratulate Chairman Hochberg for another great year at EXIM and I know the Whitehouse announced today their five year 160 reauthorization and we hope that you don't have to go through the same thing you went through last year and it's a quicker approval process. So I won't tell you that 32 advisors is counting on you, but we are counting on you.

David Rubenstein: So you were president of UBS before he was president of the United States...

Robert Wolf: Yeah.

David Rubenstein: Have you given any advice on how to be a president?

Robert Wolf: Listen, I think what's incredibly interesting is whether you listen to what PEMEX is doing or Dangote companies, it's no different than what the United States needs to do. Everyone needs exports to increase, okay, manufacturing to grow. Everyone needs infrastructure around the world. We all know in the United States we are all applauding ourselves that we just got promoted to a D+ on our recent civil engineers report which we all know isn't merely where we expect it to be in the United States. But it's the fastest multiplier of GDP growth. And we all need...now we need inbound investment in public-private partnerships, so when I think about what Mexico is doing and what Africa is doing, and obviously what the EXIM Bank is doing, and seeing that you know Carlyle just closed on their Africa fund. It says to me that this whole idea of breaking down barriers around the world is the future. And if you think about the three needs in the US, it's no different than the needs everywhere else. So I would say when you look at the president's policies and you look at his export initiative which I'm on his council, that he's had for a while to double exports because we are one of the lowest industrialized company...countries in the world for exports or you listen at his need for an infrastructure bank, or you listen to the idea of, that he began select USA, a few years back to help foreign direct investment, it is no different than when I speak to our clients around the world what they are trying to do. So I think policies of growth is what we need all around the world, we need to get education going, we need to get employment up, and we need to get infrastructure going. So I think if we just think about what the leaders around the world are trying to do, it's not that dissimilar. So I think he's been ahead of the game there, I think it's obviously been a struggle to get things approved, the idea that we don't have an infrastructure bill approved in this country is despicable considering what needs we have. I think we have something like three and a half trillion dollars of public-private partnership needs just in this country alone. So yes, I give him the putt of if it's a five foot or no, he doesn't give me the pitt okay? And yes, we've been talking since he was then senator and yes, I always thought he had the chance to be president which is why I was one of the first ones on board but when I went on board I think he was running 10th in Iowa right behind Kucinich. So it was one of the best trades I've ever done.

David Rubenstein: David, you covered the Federal Reserve for quite a while and in fact you wrote a well known book, a bestseller about Ben Bernanke's leadership at the Fed. Now Ben Bernanke is at Brookings and he's working for you. So how does that feel to be Ben Bernanke's boss?

David Wessle: Well, I always figured that if you have people working for you who are smarter than you, you are ahead of the game and I succeeded. Ben Bernanke showed up for work on the Monday after the Friday where his term was finished. There was a bit of a flurry at Bookings because they had sent him a pass for the parking garage, they sent it over to the Fed on Friday and the Fed lost it. So I was worried that he wouldn't be able to get his car into the garage and he came in, he's wearing a blue buttoned down shirt and khakis and he said to me, "I wasn't sure what the dress code here was." And I assured him it was whatever he wants.

David Rubenstein: Has he been a good employee so far?

David Wessle: He's been a very good employee, I have to admit that I still haven't got used to the fact that I'm sitting at my computer typing away, and I hear someone at the door to my office and it's Ben Bernanke saying, "You are doing anything for lunch?" But seriously, I really admire the guy, he stepped down as chairman of the Fed, he has...he doesn't seem to have the need to have any of the trappings of power; he doesn't seem to miss having security guys around. He comes to work every day, he's working on a book as you know. Bar Barnett is still in the process of selling it and I don't think he'll have a problem. And I think he's...it will be a fascinating book to read, because here's a guy who spent his entire academic career studying The Great Depression which seem like a nice historical curiosity, something like studying dinosaurs and then he, by total coincidence, is Chairman of the Fed whien a Tyrannosaurus Rex appears on the horizon. And so the fact that he had this understanding of what happened during the depression about why it was so bad for the country that banks failed and clogged arteries of the economy so informed his leadership during the crisis that I'm really fascinated by how he reflects on that.

David Rubenstein: President Obama, I think I considered having Larry Summers as a replacement for Ben Bernanke I don't think that's a secret. How do you think the Fed would be different today, if at all, if Larry Summers was there instead of Janet Yellen?

David Wessle: It would be a hell of a lot more fun for reporters to cover if Larry Summers were the Fed Chair. actually, President Obama considered appointing Larry Summers when Bernanke's term...first term was up, and in part because of Tim Geithner's advice, decided that having continuity during the crisis was a better thing. And then, I think he wanted to appoint Larry Summers as Fed chairman the second time, but he discovered that one thing Larry Summers did, was unite republicans and democrats in the senate. That's why they wanted somebody else. I think Yellen would be very much...Bernanke 2.0 that will get continuity, she was there for many of the policies, she maybe a little more worried about unemployment even more than the moderate Bernanke. I think Summers would have been two things, one is I don't think he would've been of nearly...I don't think...I think the character towards Summers was wrong, I don't think he would have been particularly friendly to the banks, and I don't think he would have been at all reluctant to use expansionary policy. But I do think he would have been unpredictable, he would have felt the need to break the paradigm and that might make people nervous.

David Rubenstein: Okay so, you might have a chance here to move markets, tell us when you think Janet Yellen is going to increase interest rates?

David Wessle: If I answer that will you answer it too?

David Rubenstein: I'll give you my guess, but go ahead you...you are more informed.

David Wessle: Second half of 2015, like what's your guess?

David Rubenstein: I'd say as soon as she thinks the unemployment rate is truly much stable around six and a half percent, six point six I think, and she thinks it's not going to above that that's probably likely...but I don't think she is going to rush to do it obviously so you agree? Okay, so let me ask you Emilio a question about Latin America. Mexico is often thought by the United States to be part of the Latin America, but when you go down to Brazil or Argentina, they don't really have much to do with Mexican economy. So, do you consider yourself more closely tied with Latin American economies in Mexico, or more closely tied with the United States?

Emilio Lozoya: No, in Mexico, we clearly see each other as part of both, and first in terms of integration of our economy, North America has been the driver of exports over the last 20 years through NAFTA, but under the leadership also President Pena we have recently close trade agreement with Colombia, Chile, and Peru which accounts for 40% of Latin America's GDP. This integration pact called the Pacific Alliance because it's all the countries on the pacific coast...means that 90...more than 95% of total trade has zero tariffs. There's full...capabilities for workers to go and work in other places, and full integration of the financial markets. So, today Mexico has a foot on both sides and...this has no political aims by any mean, we just want growth to happen. We believe integration is good, Mexico is one of the most open economies in the world, we believe in the principles of free trade, and therefore we are also pushing for other parts like TPP actively.

David Rubenstein: Now, other countries that are have had energy companies like PEMEX have ultimately deregulated them and let them go and invest in other countries. So do you see PEMEX becoming an investor in energy around the world, or you want to stick to Mexico?

Emilio Lozoya: Well, right now the low hanging fruit is in Mexico, we have abundant reserves, we believe in the North American energy concept, look at what is happening in the United States and in investing in Mexico in energy...there are many ways. Number one...many ways to see there's a profitable. Number one; there are many reserves that are accessible, compared to other parts of the world, number two; we have talent, PEMEX has been in business for 76 years and there is a lot of talent as well in the United States and companies that could come in and develop Mexican reserves. And third; is we have infrastructure we have pipelines throughout Mexico, 80,000 kilometers. So, for any oil company to come and invest in Mexico it is easier, because you don't have to lay out all the infrastructure, so it is...it is cheaper. That does not mean that PEMEX will not go international at some point. But right now, the easier opportunities for us are in Mexico.

David Rubenstein: Now...one of the issues that Mexico and United States have been divided on over recent years is immigration. And as a business leader is that a major concern for you if the United State resolves or doesn't resolve immigration by some legislation, do you care that much about it? Or it's not major focus for you?

Emilio Lozoya: We believe that immigration reform in the United States is positive for the United States, but this is something that the United States has to deal in its own terms. We are very respectful of that. But...as a business leader what I believe what we have to do is to look at ways to reduce immigration and we have some very good ideas. Look at what is happening with natural gas in the United States it has made the industry much more competitive through various infrastructure projects that we are building in particular pipelines connecting the United States and Mexico, we will have abundant natural gas in Mexico. Just to give you an idea what it would mean to for PEMEX that means that we will go from consuming 6% of the total electricity demand in Mexico to produce about 15% of it. How does this happen? We will shift from...using fuel oil which is much expensive and utilize natural gas. So the impact on the economy will be great. And when you ask me about immigration, why...why am I talking about natural gas and immigration. Well, if PEMEX together with partners builds some energy infrastructure, to bring this cheap feed stock to Central America, we will create economic opportunities in Central America. Henrico prices which is the reference price in the United States for gas is about $4.50. You know how much they're paying in Central America? More than $20. There's no way that they can create economic development down there, with this high energy cost. If we work together on this, bringing cheaper electricity and gas to Central America, we will reduce immigration.

David Rubenstein: Now, what about telecommunications, deregulation? That's not your area of expertise, but give us your insights...there are some people that say that prices are higher in telecommunications in Mexico because it hasn't been that deregulated, do you expect some of the deregulation to occur?

Emilio Lozoya: It happens, one of the 16 reforms that I was mentioning to you was the telecom bill, it was passed at the constitutional level last year, and it is being discussed this week, as the secondary law...level. It will change the landscape drastically, and it will create much more competition...which...the natural effect will be cheaper price for the consumer.

David Rubenstein: So, in...in Sub-Saharan Africa, Aliko, let me ask you a question, very often Americans look at Sub-Saharan Africa, and they invest some, but they not...they not probably the leading investors there. My impression is that, people from China or Japan, or the Middle East, or Europe are well ahead of Americans there, but as you see foreign business people coming into Nigeria, or other parts of the Sub-Saharan Africa, who do you see as being as being the most aggressive and the people who are really doing the most creative things in Sub- Saharan Africa, where are they from?

Aliko Dangote: Well, I think normally from Asia...China normally targets the natural resources, where the heavily...you know look at investing in terms of maybe iron ore, coal just you know for their own security but not really that they establish there in Africa. In the Sub-Saharan Africa when you look at the...I think the Europeans are much more you know, aggressive in terms of you know investing. The only...people that are lagging behind I think are the Americans like what I said that...they haven't really you know updated their, you know, information in terms of what is happening in the region. But you know, looking at it really right now, almost everybody has put Sub-Saharan Africa on their search light you know, because there are quite a lot of things that are happening and...you know people are investing heavily.

David Rubenstein: Now, one of the issues in emmerging market investment that people often talk about is the concerns about corruption, and in Nigeria there was a report from in Nigerian government, I think it was the Central Bank, saying that seems to be a lot of money was missing from the... had come in oil reserve, oil revenues had come in and they seem to be missing. So, is that a big issue in Nigeria now, the oil money that seem to be missing, and how do one deal with so called corruption issues in Sub-Saharan Africa, how do you deal with them when you go to a country that is not your own country, how do you deal with these problems?

Aliko Dangote: Well, normally what we do in the area that our company invests you know, we are in a different...area you know in Nigeria we invest in you know, in oil in...you know food in cement but outside Nigeria we only do cement. So we really don't have much issues. Yes, corruption is there but definitely but corruption doesn't also stop business. The only thing that we need to do is not to participate by you not to participating then it will reduce the number of people corrupt in government officials. I mean talking about the missing money which we just mentioned in you know in Nigeria. I think they have already set up you know a firm to audit what was missing. Was it really missing amount of money or was it really in terms of numbers which I believe is going to come out very soon.

David Rubenstein: So very often when people make a lot of money in let's say one part of the world they let's say try to diversify and invest in other parts of the world but you seem to be focused mostly in investing in Sub-Saharan Africa which is the area you know why don't you say I want to invest some of my money in the United States or Europe, or Asia, why are you still focused principally in Sub- Saharan Africa?

Aliko Dangote: Well yes we feel that there are more opportunities there you know right now when you look at it if we're not going to invest as company in Sub- Saharan Africa, the only other area for us to invest is maybe United States of America. And I think for now we are much, much better off to invest...because there's quite a lot of need in Sub-Saharan Africa. You know I mean we need massive tons of investment in infrastructure which we're also involved in which is power generation, and then we also want to do a lot of cement we are doing refineries. Let me give you an example of the opportunities that we have; take a place like Nigeria, in Nigeria really we are only agriculture is contributing more in terms of GDP, I think it's now after rebasing of the GDP at about $510 billion, agriculture is about 23% but even with this we're using less than 7% of our arable land in agriculture, so there's quite a lot. Nigeria alone imports about 1.5 million tons of sugar from Brazil alone and we have the land, we have the resources to grow most of these. So what we're trying to do right now is actually invest as much as possible in Africa. Like right now when we look at it the only working refinery in Sub-Saharan Africa...good refinery working. They are in two places one is in South Africa the other one is a small one 70,000 barrels per day in Cote d'Ivoire and that's why we decided now to actually build 400 thousand barrels per day refinery in Nigeria because you know 90% of Nigeria's consumption is imported so we export the crude and we import the finished product which does not make any sense.

David Rubenstein: So you are a leader in trying to eradicate polio in your country where it's one of the few countries that still has polio in Africa, why did you decide to get involved in that issue and was Bill Gates influential in your thinking or you did this without anything from Bill Gate?

Aliko Dangote: No actually you know it wasn't Bill Gates you know I've heard our foundation was registered in February 1993 and so I think at that time really Bill Gates didn't even do any foundation yet. And we've been actually doing quite a lot and Think Health is one of the areas that we concentrate on and when Bill Gates was having issues especially in Kano where I come from, we now partner ourselves Bill and Melinda Foundation and then the state government which is now working extremely well. If you look at his own report is that since when we got involved the polio thing has actually drastically been going down and we're going to actually go and work with him in other States to make sure that we eradicate polio in the next two years.

David Rubenstein: you were a great trader for many years at Salamon and at UBS so just give us a little advice, should we be getting out of bonds because interest rates are going to be going up and when should we be doing that?

David Wessle: Interesting well I would agree that we probably won't see a rising rate environment before the second half of 15 and it could even be further out the curve than that. It feels to me that all the asset classes right now feel a bit toppy, whether it's the equity markets, the bond markets, the housing markets. But when you have rates at zero people are not necessarily interested in putting their cash under the bed, so they reach for yield. And so it's not surprising to me that the high yield market is on wild fire, it's not surprising to me that the private equity market is on wild fire. And that there seems to be some opportunities that over the last five years people would say seems a little frothy, but we could all surprise ourselves and it could continue to run because there's so much money chasing it. I'm glad I'm not trading anymore because everything is so transparent nowadays, we don't have that advantage from my old Salamon brother days but...

David Rubenstein: Do you think what's up is $19 billion, you think that's toppy or not?

David Wessle: You know I...you know I miss Twitter, I miss Facebook I'm not on LinkedIn so I'm probably not the best to ask although I did start...do this start up recently. You know it feels to me that people are chasing you know the whole idea of how do you reach the consumer. And this new technological revolution we're having the best way to reach in is through digital media and mobile. So no I'm not really surprised, I'm probably surprised that some things worth 19 billion that we never heard about until a few months ago, but I'm not surprised that you're seeing some of these people reach for these growth engines and using it with stock. Remember it's not like they are paying cash for it, they are using what we think is there frothy stock price to buy something else at a frothy stock price. So I mean you could argue...I mean I think Facebook came out with their earnings and they look like they are probably going to be one of the fastest advertising companies in the world. And so you know maybe it does make sense they have now another 450 million users by what's that.

David Rubenstein: You maybe more technologically savvy to me because when my daughter was at Harvard undergrad she met a young man who's now her husband. He wanted to introduce me to his classmate from Philips Exeter who was leaving Harvard to start a company it was called Facebook, I read it and I said that will never get anywhere and so...and then recently in Davos, Bill Gates and I were hosting something for the giving pledge to entice people to sign the giving pledge. And he said would you mind if I invite somebody who's not likely to give right away but he's probably be worth a fair amount of money soon, he's only 32 years old? And I said well what's his company and who is he? He said he started a company called Air BNB which I'd never heard of course and then the kid came and he's 32 years, started a company three years ago now just been valued at $10 billion so I am the last person to know about some of these things as well. But anyway so today if you were recommending to people let's say here what would you recommend, where do you invest your money?

David Wessle: You know as someone who feels fortunate that I've been in Wall Street for 30 years I am incredibly conservative, so I'm buying Munis and I have a ladder and I just hope to keep the money I made. But now what I'm doing with my money is I'm building 32 advisors, so I'm trying to do what you all did you know many years ago doing something entrepreneurial that I never have done. And as I said to Fred this morning it's humbling, it's hard, it's liberating but it's incredibly exciting and you know when I graduated from Wharton at 21 I never thought I'd turn around and I'm 50 and I've done thing my entire life. So leaving Wall Street to do something entrepreneurial has been a very exciting stage for me but...but you know there's something to say for a big company that has a lot of the resources and provides you a lot of the things. But you know when you listen to the people on the stage here today and the people prior to us; there's such opportunity around the world that we're not familiar with. I mean you know I've been studying you know the last few months Sub-Saharan Africa as our company is doing some cross boarder advisory work there, and yes I've had my polio shot, my malaria, my typhoid, my yellow fever and all the other great things I've recently taken. But what's interesting to me is when you do some of the diligence you realize that actually the script is much better than the cover, so in the US and I heard you said it about Russia in years past one of the reasons you always nervous David Russia was rule of law and geopolitical risk. And we think about often Sub- Saharan Africa with the corruption and the geo...geopolitical risk or the trafficking and they go on. But I think what we actually could think about is as this country continues to grow which it's growing so fast, this...these countries will change dramatically as well and their health care as a percent of GDP will go from one to five, maybe not 20 like this country but it will continue to increase and the cost of...and the amount of education they are doing will go from one percent to 10% and as people like what Aliko is doing in Nigeria and around the continent...listen there's nothing more important as people making money and people getting education. And I think that as Sub-Saharan Africa continues to thrive in it's very immature stage, I think you're going to see an abundance of growth opportunity then, and I think people will then feel less concerned about putting private money into that environment.

David Rubenstein: And if the president said he would like you to be a full time employee of the federal government as an ambassador or cabin officer your response would be?

David Wessle: Would be no.

David Rubenstein: No okay.

David Wessle: Like it has been for a while.

David Rubenstein: Okay so you've turned down things. Okay and are you a better golfer than he is?

David Wessle: No I always see him on TV here, he's a great golfer.

David Rubenstein: He's a great golfer. He...he is a 10 he's a what? A zero handicap or?

David Wessle: No, no but he's actually improved much more than I have over the last few years.

David Rubenstein: Okay very good.

David Wessle: Because he's probably done more practice...exactly.

David Rubenstein: Okay, so let me ask you this, the congress sometimes says David they ought to audit the federal reserve because the federal reserve is a little opaque and do you think the federal reserve would benefit from an audit done by the congress or done by somebody on behalf of the congress?

David Wessle: No.

David Rubenstein: Okay.

David Wessle: Look the congress has done such a great job with fiscal policy but they're looking to diversify into monetary policy. Audit the Fed sounds good but it's not like Pricewaterhouse, it's like members of congress saying oh you should have done 590 billion of QE or you should have raised the rates sooner. I think that the Fed has a particularly difficult challenge, it's a fundamentally anti democratic institution, technocrats whose power was exposed during the crisis and it's difficult to make the case that this is a legitimate thing in a democracy. But most it all really big capitalist democracies have decided that if you let the politicians control the money supply you end up with more inflation than you'd like in the long run. So I don't think it's going anywhere, I think congress is too wise for that but can I pick up on your last question? I think that if you look at the world from the point of view of the American worker or the American middle class, this whole discussion is a little bit scary. We have good reason to believe that we're going to have much more competition whether it's from Africa Latin America, Asia. We've been through a period of time where the US economy really doesn't seem to have delivered for ordinary workers, partly we had this horrible recession and then...but even before then the trends of slow growth and widening inequality have been really unsettling to people. And so I think there's a need to think about what are the things we need to do in the United States so ordinary voters, middle class people feel like their kids have a chance of doing better than they are.

David Rubenstein: Well we'll talk about that for a moment.

Person: Okay may I just add to that, I think the one thing we need to be careful about and this is something that you know we think it's a great opportunity and it's breaking down these barriers but in September 11 2001, a disproportionate amount of foreign direct investment came into this country. We were number one in the world without a close second, over the last 10 years well actually now 12 years. Because of protectionism, lack of immigration reform, labor arbitrage, over regulation, we're no longer the powerhouse for inbound investment. China has overtaken us, Brazil and Mexico are on our heels, Canada is on our heels and we've lost about 50% of our market share. So I would say that you know where there is nervousness about the barriers being open I think we need to continue to have more free trade, we continue to have...we have to continue to reduce our barriers because I think actually that's where business gets done, it gets done around the world 24/7. And I think we've missed that over the last decade.

David Rubenstein: Great yes Emilio.

Emilio Lozoya: Let me add to that, for example many of the reforms that Mexico was carrying out, means opportunity for American jobs. The opening up of the sector...of the energy sector it means you know there are hundreds of companies that are drilling in the United States could come to Mexico and create jobs in the United States. This is where we were with the EXIM Bank on many fronts. Another area for opportunity is...Mexican exports to the United States mean as well jobs in the United states about 50 cents of every dollar that we export to the United States is...has the value added generally to the United states. So I fully agree with you, it means bringing down barriers or something that we've discussed here means greater prosperity for the world and for American jobs.

David Rubenstein: In the end who do you think was the greater beneficiary of NAFTA, Mexico or United states?

Emilio Lozoya: I think it's hard to say, I think both.

David Rubenstein: Alright that's a very diplomatic answer okay, David. Normally when you go into a recession you kind of...when you're out of the recession now usually they end in about nine months, this one took a lot longer. You get back to the unemployment rate that you had before the recession about two years or so after recession ends but we still don't have that unemployment rate. Do you think we are locked into a 6% plus unemployment rate for the foreseeable future in the United States?

David Wessle: I don't, I think it's been incredibly painful, the slow recovery process but we are healing, we're out of intensive care but we're not yet back to where we were. I think the danger is that the longer it takes to get unemployment down, the more we're creating this large number of people, many of them middle aged men who have been out of work so long that they'll never go back to work. And that's why there's a certain impatience I think with the fiscal policy we pursued, contractionary too early because we...if we wait too long we will be in a permanent...

David Rubenstein: Explain this to people here who may not be from the United States, we have roughly 18 trillion dollars of debt, not counting the 60 trillion of unfunded Medicare or social security liabilities but let's say 18 trillion dollars of debt, roughly 100% of GDP, more or less.

David Wessle: That counts the money in the social security trust fund.

David Rubenstein: Yeah okay so external, internal debt 18 trillion dollars. Why is nobody in Capitol Hill worried about that anymore, they you know Bowles-Simpson is gone, nobody cares about it, the deficit has come down to only 500 billion a year which is...to be such a great thing. Why does nobody talk about the debt anymore?

David Wessle: I think two reasons, one is as we know politicians are short sighted and when the current year debt falls abruptly they kind of breathe a sigh of relief. Secondly, many of the arguments for dealing with the debt have to do with oh if we don't deal with the debt we'll have higher interest rates well that doesn't seem imminent or we'll have a financial market crisis and well people predicting that for about three years and that doesn't arrive. And the third thing is politicians don't like to define their goals as things they can't achieve. And when they try to make deficit reduction a prime objective they failed miserably and so now they decided to define the problem as something else.

David Rubenstein: You know congress pretty well as well as the Fed, do you see anymore government shut downs and efforts to basically not pay the US debt on time?

David Wessle: I don't see more efforts either one, I think the republicans have learned that when you shut the government or threaten to default you hurt yourselves as much if they do the other side?

David Rubenstein: Now when you go out and let's say have a drink with Ben Bernanke and maybe he drinks a few drinks and he's feeling you know very willing to tell you...

David Wessle: I've never gone drinking with Ben Bernanke.

David Rubenstein: Well then just well have a lunch with him and his innermost secrets will he tell you that he thinks maybe they should have bailed out Lehman brothers. Does he ever say that?

David Wessle: No, he has his story on Lehman brothers and he's sticking to it. Both Ben Bernanke, Hank Paulson and Tim Geithner at the moment that Lehman failed had lots of explanation for why they were doing it including it was time to wean Wall Street off. I was there that three day weekend in that room, I would tell you...

David Rubenstein: So it's your fault.

David Wessle: Some of the things you hear are not...

David Rubenstein: I mean you should persuade them, you should...

David Wessle: Some of the things that took place in that room.

David Rubenstein: But I think I mean it's really interesting to remember that if you read the newspapers the day that Lehman went under, the Wall Street journal, the New York Times editorial page, they were applauding. After the fact Paulson, Bernanke and Geithner particularly Paulson and Bernanke have landed on one explanation. We did not have the legal authority to prevent Lehman from failing but do you agree with that?

David Wessle: It's all hard for me to accept that the Fed had the power to do almost anything it wanted every other day of the crisis except that one day.

David Rubenstein: And what was it like in that room, what was it like in that room were they...were they drinking a lot or they weren't drinking? A lot of coffee.

David Wessle: Yeah I mean it was one of the most surreal three days of my life, we got called down and said come down to the Fed at 4:00 it was about 10 of us in the room. And they walked in and said we have till Sunday night to save Lehman, we have to figure it out, a private sector solution. I would agree that their perspective is that they did not have the regulatory authority, they walked in and they said you know you have the Fed, the SCC and obviously the treasury and there was a feeling like by Sunday they really couldn't have the repo already and the counterpart risk of Lehman without some sort of serious contagion I think the most interesting thing was you know considering UBS ourselves was in our situation is that no one really could discuss AIG during that meeting, that's where we didn't have the real regulatory capability. They were really the big elephant in the room that couldn't be discussed and I think which is why the regulatory reform and having systemic regulators so critical, we'll never go into a meeting where we can't discuss okay the entire financial services system. And I'm not saying too big to fails end. I'm just saying we do have better tools today than we had then.

David Rubenstein: In emerging markets very often inflation is a concern and I don't know are you worried about inflation right now in Nigeria?

Aliko Dangote: No well I'm not really worried about inflation because inflation last year was as high as about 12% we're down to 7% now.

David Rubenstein: 10%.

Aliko Dangote: No, seven.

David Rubenstein: Yeah right.

Aliko Dangote: Yeah last year was high but we're down to seven, the only thing that we're really more worried about is interest rates and also availability of funding. Interest rate is a little bit high so you know in Sub-Saharan Africa on average.

David Rubenstein: Now is inflation a problem in Mexico or not so much?

Emilio Lozoya: We do not see it a problem, we have a fully independent central bank and inflation is on the...under the bans that the central bank has envisioned it and actually our challenge is just as in Nigeria is to increase financing. Reform has been passed to increase financing from about 23% of GDP to hopefully levels closer to about, to 50%.

David Rubenstein: Is the Fed worried about inflation, it seems to be not a big problem but maybe if we had a little more inflation would it be good?

Person: Well the Fed thinks so, the fed has set a two percent inflation target and they're having trouble getting it to two percent, the European Central bank is having even more trouble. I think there are some people in the fed's policy committee that are uneasy, they expect it to show up any day now but Janet Yellien said in her speech the other day that she was more worried about deflation that inflation. I don't think that means she's predicting it but I think it tells you where she's worried.

David Rubenstein: When I was in government I managed to get inflation in 19% and I...

Person: So maybe you should go back, you could help.

David Rubenstein: I'd be willing to go back and teach them how to do it, it's not that hard but okay. So yeah let's suppose you were all just a private equity investor and somebody came along to you and said here is 100 million dollars that you can invest anywhere in the world over the next five years, do whatever you want with it, just get the highest rate of return, don't lose your money. Where would you put that 100 million, other than Mexico Energy, any place?

Emilio Lozoya: I think Mexico Energy.

David Rubenstein: Mexico Energy okay. Can you put it in Nigerian cement or no?

Aliko Dangote: No I think I'd put it in Sub Saharan Africa.

David Rubenstein: Sub Saharan Africa.

Aliko Dangote: Yes.

David Rubenstein: Robert you'd put it...

Robert Wolf: Well this is easy for me, I would put a third in Carlyle okay. I would absolutely put a third.

David Rubenstein: Why only a third?

Robert Wolf: Because I would absolutely put a third in the deregulatory environment of energy in Mexico and then easily with 30% returns in Nigeria and half I would absolutely put the last third in there.

David Rubenstein: Okay.

Robert Wolf: In short of all it.

David Rubenstein: Alright.

Robert Wolf: So then that would...that's just easy for me, give me the 100 million first.

David Rubenstein: Alright well I'm working on it.

Robert Wolf: I'm not as...I'm not in this league.

David Rubenstein: If you would and I suppose I give you a million dollars

Robert Wolf: In the Brooking institution of course. What about you, if you weren't investing in Carlyle where would you put your 10 million?

David Rubenstein: Well the key to...if you have money the key is not to lose it so I think people should take relatively modest risks and seek relatively modest returns. When you think you're an investment genius and you go for spectacular returns you often lose money. So I think the key to investing is diversification so I wouldn't put it in any one place because I think no one place you can predict is actually going to be very good. So I'll do some fixed income, some equities and obviously some private equity of course but you have a different idea?

Emilio Lozoya: No something that has been raised here and I believe is key is the infrastructure needs in the world including the United States are huge. And there are tremendous sums of money being parked in very low returns fix income that could be channeled to promote greater prosperity the multiplier effect of infrastructure in the world is huge and this applies equally for emerging markets and developed markets.

David Rubenstein: Well business people have responsibilities other than making profits, I think people recognize that you just can't do anything to make profits. So suppose I gave you 100 million dollars to give away or to solve some social problem in your country or your region what would you do with 100 million dollars you have to give it away?

Emilio Lozoya: We invest heavily in education, the money that we give away I mean its state money but that we give directly to institutions is mostly focused on education, just as many of you who are in this panel do.

Aliko Dangote: We'll invest in education, health and also employment.

Person: Well it's easy my wife works for the Robert F. Kennedy Center for human rights and social Justice so I'd probably start with that. And then obviously with children and education.

David Rubenstein: Okay David.

David Wessle: I think I'd invest in young black, Africa-American men. I think when you look at the data, the number of young African-American men who get in trouble and never make it to anything regarding a stable family or the American middle class is going to hurt us in the end. A lot of that has to do with education but not all of them.

David Rubenstein: And so may I ask each of you very quickly, what is the biggest concern you have today about the state of the world? What do you, as you look at the world you're a citizen of the world, what are you most worried about, what keeps you up at night or what do you think the world should worry more about than they're worrying about?

Emilio Lozoya: I'm worried about the availability of talented people for this industry and in general for industries that are driving growth just like technology companies well in the case of energy I mean we feel growth and I clearly see bottle necks in several industries including the energy sector where not only one company will solve it, we need to collaborate on facilitating the right investment in education.

David Rubenstein: Okay.

Aliko Dangote: Well I think mine is youth and employment and I think you know that's one of the things that really gives me quite a lot of worry.

David Rubenstein: So what's the usual unemployment rates in let's say Nigeria, very high, double digits?

Aliko Dangote: Well you know in Nigeria or when you look at like Sub Saharan Africa you know 60% of our population they're all below the age of 25. And you know there are quite a lot of them that really...they're jobless and that's really what caused the crisis of North Africa; you know the uprising you know it was actually started by youth, unemployed youth. So I think really it's one of the key challenges that we have in mainly Africa but it is a problem all over the world.

David Rubenstein: And Robert I can't ...well go ahead.

Robert Wolf: I would say skills training because we have a pretty negative [???] [0:55:43] we have an aging population that don't have the skills really for today's society and we have a young population who aren't really getting the skills in Science, technology and math. And so I would say that I'm very nervous about you know how we are teaching education around the world and making them prepared for their next employment.

David Rubenstein: So you were very prescient in picking the next president of the United States years ago, can you tell everybody here who the next president of the United States will be?

Robert Wolf: I'm staying out of that until at least after the midterm.

David Rubenstein: Okay, alright and David.

David Wessle: I think I worry that the developed world is settling for too little growth that we could have more growth if we put our mind to it and that the growth that we do have is increasingly unevenly distributed and that the inequality thing is going to come back and bite us on the butt.

David Rubenstein: Final question, what is the most important agency of the federal government, anybody know? ... Carlyle Group ... Export Import Bank, Everybody agree on that. All right, thank you all very much for a very interesting panel. (Applause)