

Interview: Galileo Global Advisors CEO Georges Ugeux on investing in Asia

By Hao Li

Galileo Global Advisors is an investment banking advisory firm focused on emerging markets, particularly in Asia. Some of its past clients include Jaguar Land Rover, Fortis, Peugeot, Natixis, Tata Motors, and Infosys.



Georges Ugeux is the CEO of Galileo. He is also the honorary ambassador of Foreign Investment Promotion for Korea, an initiative of the South Korean government.

Previously, he was the head of New York Stock Exchange's International Group for seven years, during which he brought over 300 non-US companies, valued at \$ 2.7 trillion, to the U.S. market.

Ugeux speaks to IBTimes about investing in Asia outside of the scope of public markets.

IBT: Can you tell me a little bit about Galileo and what it does?

Georges Ugeux: I created Galileo when I left the New York Stock Exchange, where I was running the international business, for two reasons. The first, because the new legislation called Sarbanes–Oxley Act basically created a situation where the listing of international companies [in America] no longer became a priority.

But the second one is that I had noticed during my tenure at the NYSE that companies and governments were not trusting investment bankers and bankers in general. Companies would come to me and say, “can I trust my banker when he tells me this or that?”

So I decided to build a company that is based on a trust relation with the customer.

IBT: Can you explain why Sarbanes–Oxley was bad for international companies?

Georges Ugeux: What Sarbanes–Oxley did for the first time was to impose U.S. governance regulations on foreign companies. Before that, it was local rules and regulations. And they did that without realizing that it would put U.S. law in conflict with local laws. And I worked with the Securities and Exchange Commission (SEC) to mitigate those issues, but it became much more cumbersome to maintain [foreign] listing in the U.S.

IBT: It was curious to me that BNP Paribas trades on the pink sheets and is not listed on the major exchanges.

Georges Ugeux: Never was listed. But you are going to find a series of French companies that were listed before, but then delisted, like Vivendi, Suez, companies like these.

IBT: So you were responding to a need that was created by a not-so-wise legislation?

Georges Ugeux: Absolutely.

IBT: What are investors getting themselves into when they invest in companies in emerging market countries?

Georges Ugeux: The perception of "emerging" has completely changed.

Emerging markets are in better financial health today than the industrialized world. And they, on top of that, have a much higher growth [rate]. So, from an U.S. and European perspective, the action is in the emerging markets.

When you go to Korea, China, or India [now], companies are looking for more than just money. They are looking for technology, they are looking for direct investment, they are looking for joint ventures.

To a certain extent, [Western investors have] been behaving like the rich people who come with the money, and everything opens up because we have money. That's no longer true.

The dynamics have completely changed. The way you have to look at investing in emerging markets – outside of the public markets, that's easy – is by bringing a value proposition that is more strategic than it used to be.

IBT: Kind of like foreign direct investments?

Georges Ugeux: It's a mixture of foreign direct investments and foreign acquisitions. [And it's the sharing of both] technology...and sales.

Sometimes, what the foreign partner can bring is sales capability outside of the local market.

IBT: So U.S. corporate investors have an advantage over other investors?

Georges Ugeux: Definitely. There is still a lot of private equity capital happening, but I am convinced the long-term trend is corporate.

IBT: That's not so good for the private equity firms.

Georges Ugeux: Correct. The financial crisis has shown the limits of the value added [to society of] private equity, hedge funds and others. To a certain extent now, they are more regulated and restricted in what they do. I think their size will not grow as fast as they used to.

[Conversely], large corporations are going to grow [in terms of foreign investments].

IBT: Which sectors are most prominent in this trend? Health care? Technology?

Georges Ugeux: Health care, technology, media, telecom, financial services. [Galileo] is also involved in hospitality companies. Retail doesn't internationalize that well. Utilities are not terribly international.

[But] oil & gas is a sector that by definition is operating globally.

IBT: Can you talk about the specific countries [in Asia]?

Georges Ugeux: There are lots of misconceptions about China. China is growing extremely fast, developing its infrastructure, and has a political regime that allows that.

But, the tension in the Chinese society has become very high. Recently we became aware of strikes, we became aware of university graduates who are selling pizzas.

[China is also] protectionist. So when a foreign company wants to go to China, it's not that easy.

IBT: You mean to sell in China?

Georges Ugeux: Not just sell, but to establish yourself.

Korean companies have been successful in India, now in China. That's particularly true from the consumer electronics side.

One of my questions about Korea is if it can become a hub. Do all the companies – and I'm talking about trade companies in particular – do they all have to go to China, Korea, India, Indonesia, and others?

There is a good opportunity for Korea to develop itself into a hub.

IBT: So go to Korea, and you have access to all these countries?

Georges Ugeux: They have to work on it. At this stage, the position of Korea in Asia is still unclear. Another thing [that] is unclear, which needs to be clarified, is the attitude towards the free market. And then there is the North Korean issue.

Instead of letting the companies grow where they want to grow, I am struck by the influence of [the Korean] government in sectors where they don't necessarily need to be as involved. And I'm particularly struck by the financial sector. It seems by what I hear that a lot of top people are still, more or less, appointed by the government.

Sooner or later, [South Korea] will [unite with] North Korea – it's in the history, 20 years or 40 years, doesn't matter. The Korean peninsula is a real force.

The Japanese have been exporters and have established themselves everywhere. Their strategy is Asian and American, much less European.

India knows that it will not have a sustainable advantage forever in terms of flow, service, and so on.

What are they doing? They are starting to acquire companies and assets abroad, so when the balance changes a little bit, they have a foothold.

So China, self-centered. Japan, export-driven. Korea, a possible hub. And India, going abroad. It's four very different strategies. To a certain extent, the combination of the forces is extraordinarily powerful.

IBT: What advantage does Korea have in becoming this hub?

Georges Ugeux: Operating in China is far from easy. Talk to people who have done it in China -- it's still a Communist country, it still has a huge bureaucracy, it's very complicated and corrupt and so on. I think Korea can become this sort of example and that it could compete with Singapore -- because Korea is a real economy and Singapore is not.

IBT: So Korea's advantage is policy?

Georges Ugeux: Yes, if they look at [themselves as] hubs. If they try to develop their special economic zones just for the purpose of foreign direct investments into Korea, then I think it will have limited appeal.

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