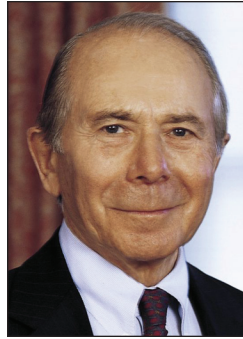


Greenberg on Growth

An Interview with Maurice R. Greenberg,
Chairman and Chief Executive Officer, C. V. Starr & Co., Inc.

EDITORS' NOTE Maurice (Hank) Greenberg joined C. V. Starr as Vice President in 1960 and was elected Director in 1965, Chairman and CEO in 1968, and continues in that role. He retired as Chairman and CEO of American International Group, Inc. (AIG) in March 2005, after serving as Chief Executive Officer from 1967 until March 2005. During the nearly 40 years of his leadership, AIG's market value grew from \$300 million to \$180 billion. Greenberg is Chairman of the Starr Foundation where he oversees the disbursement of major financial support to academic, medical, cultural, and public policy institutions.



Maurice R. Greenberg

COMPANY BRIEF With its origin in enterprises founded by Cornelius Vander Starr in 1919, New York-based C. V. Starr & Co., Inc. (www.cvstarrco.com) is a privately owned holding company with insurance agencies and a portfolio of global investments. In 1970, C. V. Starr sold the bulk of its assets to AIG, which it founded, in exchange for AIG common stock, retaining several small domestic agencies along with certain real estate properties and other investments.

How much stability is there in the market today and is this a time of opportunity?

There is opportunity in what I'm doing, so we're expanding both domestically and internationally. I'm optimistic about those opportunities.

However, I don't believe the economy is in a straight line to recovery. We're struggling and not just in our economy – the European economy is up and down every day; Greece and Portugal are issues; there are question marks about Spain and Italy; and Germany will not pay for everyone else's issues. On the other hand, they will not pull out of the Euro – if they did, their currency would soar and it would destroy their exports.

The U.S. has to get on with developing jobs. Why the Administration has not pushed for a major infrastructure development program, which we desperately need to modernize our infrastructure, I don't know. It doesn't even have to all come from government funding – a lot of it can be done by the private sector. I don't know why China, for example, would not invest in an infrastructure program in the U.S. The rate of return would be better than Treasury bonds.

Is the U.S. losing its entrepreneurial edge because of the impact regulation is having on entrepreneurs and their ability to create those next generation companies?

Yes, we are. Many of the technically trained people here are foreigners going to school in the U.S. We don't make an effort to keep them. They go back and develop ideas in their own countries.

Regulation is an issue. We have the ideas, but you run up against obstacles when you try to carry them out.

So we have to look at priorities. We have to create jobs – if we don't do that, we have a serious issue.

American companies outside the U.S. have not repatriated their foreign earnings because they would be taxed in the U.S. and, in many cases, this would be a double taxation. We need to consider either a tax holiday and require a percentage of their repatriated earnings be invested in a manner that creates jobs or simply a lower tax rate; otherwise, these funds are being invested outside the U.S., which does nothing to help the U.S. economy.

Is it tough to remain optimistic today?

I haven't lost faith in America. We're going through a bad patch but we'll come out of it. We have a Presidential election coming up and we need change.

You're in the business of assessing risk. Is managing and evaluating risk today more complex?

Yes, because the issues I'm speaking about more or less affect the global economy. China, for example, is still growing 7 to 9 percent per year. On the other hand, they're facing inflationary pressures. The RMB has increased about 7 percent this year – that is the most it has ever gone up.

That is going to have an impact on China's exports – it will slow them down. It will help those that export to China, especially the United States.

So there are pressures throughout the world. There is instability in the Middle East – Libya, Syria, Egypt. We have never lived through turmoil this extensive other than during a world war.

Do you find that many are shifting their focus from China to Brazil?

Brazil has a lot of opportunity – we're there. It's different than China. Inflation is a threat there as well. Their currency became strong, but you

worry that it's being overvalued. When you do business in a foreign country and you're doing well, it's very painful when the currency devalues.

What needs to be done to elevate the image and appreciation of the U.S. among its trading partners?

I just co-chaired a commission with Bill Cohen, the ex-Secretary of Defense, on U.S.-ASEAN relations. I was recently there trying to understand why American companies have not grown as rapidly in recent years in the ASEAN countries as China has.

We have a good position in ASEAN, but we have flattened out. One reason is that American companies turned towards China and paid attention to investing there. The other is that China became big in ASEAN and they have free trade agreements. We can't get trade agreements through our Congress. We have had agreements pending with Korea, Colombia, and Panama for a long time.

So these countries want to have free trade agreements but we're sitting on the sidelines. We've written a report recommending many things we should do. I met with the leaders of most of these countries and they want to have the U.S. engaged and involved.

One recommendation we made is to have the President take a group of CEOs to visit some of these countries to illustrate the importance that the President of the United States attaches to the region. I accompanied the first President Bush on such a trip to the ASEAN region and it made a big difference.

How have you been able to develop a culture that has stimulated such consistent growth?

The culture is the one I've always had in running a company. It attracts certain people and repels others. Those that don't have the right work ethic to be part of an exciting organization that is growing would not last here. For those who see the opportunities, it's like a magnet.

Business leaders in New York come together to work for the greater good of the city. Why is New York special in that way?

It has always been special. It's the financial center of the country. It will take an effort to retain that status and we shouldn't regulate ourselves out of existence.

But there are a lot of philanthropic feelings about New York also. Those that live here, work here, and prosper here want to give something back. ●