

Building Relationships

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

EDITORS' NOTE Maurice "Hank" Greenberg served as Chairman and CEO of American International Group, Inc. (AIG), from May 1989 to March 2005. He joined C. V. Starr and Company as Vice President in 1960 and was given the additional responsibilities of President of American Home Assurance Company in 1962. He was elected Director of C. V. Starr and Company in 1965, President and CEO in 1968, and Chairman and CEO in 2005. He currently serves as Chairman of The Starr Foundation, Chairman Emeritus of New York-Presbyterian Hospital and New York-Presbyterian Hospital Foundation, Vice Chairman Emeritus of the Council on Foreign Relations, and a member of the board of overseers of the Weill Cornell Medical College of Cornell University. His own charitable enterprise, the Greenberg Foundation, focuses on education, medical research, human need, and culture.



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. C. V. Starr sold the bulk of its assets to AIG in 1970 in exchange for AIG common stock, retaining several small domestic agencies, along with certain real estate properties and other investments.

Did you see a major impact from the economic recession on the BRIC countries, and have those come back stronger?

Some of them have. Brazil is doing much better than most people thought it would, and the leadership there has done a great job.

The Chinese economy is going to grow this year between 8.5 and 9 percent. They have a tremendous stimulus package that they instituted very quickly in the areas that were necessary. Infrastructure development in China is critical to opening up the Western part of the country. So roads, airports, and fast trains are long-term priorities and create jobs, but at the same time, they lead to the stimulus that they needed right away. So that kind of stimulus has its benefits.

Shanghai had a disappointing first quarter of 2009 because it is probably one of the largest export centers of the world and exports have been

way down. But the leaders in Shanghai almost immediately created plans to reverse that downturn, and they ended up growing over 8 percent in the second quarter of 2009. Their response to a problem is very quick. There is no debate – they just get it done. Shanghai will be the world's largest port and a huge logistics center very shortly. It will probably be the number three financial center in the world at some point. There is also a tremendous effort being made in environmental areas and research going on at the universities that

is spawning new companies, so venture capital will grow there. This same thing is happening with many of the BRIC countries.

Many would imagine that an emerging market like China wouldn't get things done that quickly. Does their speed surprise you?

They've learned so much in the past decade about how to respond to changing conditions and issues. The head of their banking ministry is a terrific guy, as is the head of their Central Bank. They've gained such knowledge and experience that they can respond very quickly, and whether you're a Mayor or a Governor of a Province or a party leader, you feel a sense of responsibility because performance standards have been set and you have to perform.

China is facing huge environmental and energy issues. Do you foresee them successfully addressing these issues?

I see China as willing not only to address, but to fully understand the environmental issue, and the impact it will have on health care in the country. The amount of green you see in Shanghai parks and along their roads with hedges, is bursting. Beijing is also aware of it. They have a lot of automobiles on the road, and they recognize they have to develop a battery-powered car, which will happen. I don't know where it will come from, but it will come, because a lot of people are working on it. So they're aware of what needs to be done.

Energy is a major problem for China, as it is for us. Both countries have the largest coal reserves in the world, and I hope and recommend that we have the best brains from both countries work together to find solutions that haven't been discovered yet for making coal a more efficient fuel that doesn't pollute our world. They're working towards this and moving plants out of

cities to areas where it won't be as harmful. Urbanization is going to be a big part of China's future, as new jobs are created in cities. You don't solve these issues overnight, but they're on a fast track.

When you look at the workforce and the impact we've seen in China from the minimum wage law, has the resulting loss of jobs been a big negative for China?

No, it hasn't been negative; it's a price they were willing to pay. In many of the plants in Guangdong Province, which abuts Hong Kong, they put in minimum wages and the plants closed – they couldn't be competitive. Many of the people went back to the farms where they came from for a period of time, or started looking for jobs in different cities.

When looking at Southeast Asia, the focus is often specifically on China, but many are beginning to look at Vietnam and Cambodia. Do you foresee advancement in those markets?

Yes. Southeast Asia has changed dramatically. Malaysia and Singapore have always been, and continue to be, growth areas. Singapore is a great example of how a small country can redefine and reinvent itself when it has to. They have new industries and technologies, and they continue to reinvent themselves. There is more research going on in many sectors of science in Singapore than in many other developed countries; stem cell research was going on in Singapore where it wasn't in the U.S. because of government policies. They attract some of the best minds in the world, and Singapore has invested all over the world. It's a great example of what can be done in a mixed society. But Malaysia, Cambodia, Vietnam, and Indonesia, are all benefiting from the improvement of both their leadership and their governments.

With regard to U.S.-China relations, many talk about the playing field not being level. Are you optimistic that the relationship will continue to grow in a positive way, and is the correct dialogue taking place on the issues being addressed?

We're always going to have differences with other countries – China is no exception. But differences don't have to mean hostilities. In the past 20 years, China has been an export society, and the trade balance has been much in their favor. They're sitting with about \$2 trillion of U.S. treasury bonds.

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On the other hand, we benefited from imports that are much cheaper than our people are able to produce. Also, we were not manufacturing things that China was manufacturing.

China has to, over a period of time, become more of a consumption-based society, and it will. You don't achieve that overnight though. So there will always be ebbs and flows in trade. We have differences with China in a number of other areas, but these differences should not affect our overall relationship. You have to have an open dialogue all the time, and you can't preach to countries. You have to understand their culture, their history, and what makes them do what they do. We don't agree on everything, and everybody is not going to agree that we have the only form of government that the world should consider. You have to respect that, as long as people treat people decently. So I'm not concerned as long as we have a dialogue, and we don't start throwing bricks at each other.

When you look at the type of innovation coming out of China, Brazil, and other emerging markets, do you see the U.S. remaining a leader in that area?

We should continue to be one of the world's leading innovators, but we're not going to be the only one. There is a lot of innovation going on in China and elsewhere in Southeast Asia and India, and other nations in the world. So I don't think we should view that as something that is negative. Innovation is not going to be only from the U.S. I hope we don't lose our edge, or regulate ourselves out of existence. I hope we don't burden our companies with so many new things they have to comply with that innovation becomes difficult to maintain. You need to have an environment where innovation can flourish. We have some of the best universities in the world, and surrounding these universities, we usually have a lot of R&D going on. Other countries are doing the same thing; we don't exclusively own that.

We hear more about business going on in China as opposed to India. Is it more challenging to do business in India than in China today?

India has a lot of technology innovation – much different than China. In many ways, everything in India is debated endlessly, and therefore, it takes forever for many things to pass their legislative scrutiny. Their Prime Minister Singh is a very good man, but he has a balancing act of minority parties in his parliament,

which means you have to take your time with their government structure and recognize that it takes much longer to get something done than it does in China.

Do you see growth in Russia and are they making the right moves to foster that growth?

A lot is being done in Russia. Obviously, the recession hurt them; oil prices sank, but seem to have now stabilized at very close to \$80 a barrel. Russia has problems: it has an aging and decreasing population, and they have to modernize their industry, which is very limited. They have the intellectual capacity to do this – there are very bright people in Russia, and they've got some very good universities. I think there is a desire today to do more than they have done before. President Medvedev has been speaking about this openly. So there is a chance that will gain more traction.

Russia is not the Soviet Union. You have to treat Russia with respect. It's a country with a very rich history. So if we recognize that and treat them with the respect they deserve, we can get a lot done together.

You have developed relationships in China and other areas that have endured for many years. How critical has that been when you look at the success you've been able to achieve, and is there enough of an understanding about the need to build those long-term relationships?

You have to have relationships. If you want to do business in a country, you must understand and respect its culture and its history, and recognize how it is different from ours. It takes time. You can't go in and out quickly. It took me years to develop an understanding of what I thought China would become one day. I first went to China in 1975. How many American or European leaders of business were visiting China in the '70s or early '80s? There is a price you pay in time and effort to build a relationship, and you have to recognize that the relationship has to be one that just doesn't benefit you – it has to benefit them as well.

Looking back to when you first entered the market, do you marvel at what China has achieved in so short a time?

It's unbelievable. I'm astounded every time I go. I was there for two weeks on a recent trip, and spent time in Shanghai, Shenzhen, and Beijing. The change is startling. I don't

think what they've accomplished has ever been achieved in the history of the world.

Many today talk about recovery and feel we're on the right path, but we still don't see job creation. Can we have a real recovery without new jobs?

The glass is half full, half empty. You'll read as many arguments that we are on the way to recovery as you will that the recovery is a long way off. Employment is a lagging indicator, so that doesn't surprise me.

What is somewhat surprising is the strength of the stock market. A lot of that is based on earning reports that show improvement, but a lot of earning report improvement is expense savings, not revenue growth; that's very important, because until you have revenue growth, you don't have the employment component that it requires. So that is a concern.

Moreover, the debt we are piling up is very disconcerting. Interest rates are going to stay low for a while because there is no reason to increase them, and that would just snuff out any kind of incipient recovery. Our recovery is going to be very fragile. We're probably going to need another stimulus package. The dollar decline is hurting lots of countries around the world, which is another concern. The dollar has been the world reserve currency since the end of World War II. Bretton Woods established a regime. The question is whether, in five or ten years, is the dollar still going to be the world's reserve currency? The jury is out as to what's going to happen. It depends upon how we recover and what level of confidence the world will have in investing in the U.S. dollar. Why is gold doing as well as it is? It has limited capacity, but governments are buying gold rather than just paper. So we have a lot ahead of us to work out.

When you look at C.V. Starr's products and services offered in the BRIC countries, how do you differentiate C.V. Starr from its competitors, and what makes the brand unique?

Unlike other insurance companies, C.V. Starr has a very significant direct investment capability as well as detailed knowledge and relationships in many countries. These attributes can be very helpful in assisting clients of C.V. Starr not only by underwriting their insurance needs, but assisting them within the country by seeking a joint venture or government approvals and possibly even an investment. ●