Chapter 48
Creative destructor

Starting in the late 19th century, when the Hall-Heroult electrolytic reduction process made it possible for aluminum to be produced as a commodity, aluminum companies began to consolidate and secure raw material sources. Alcoa led the way, acquiring and building hydroelectric facilities, bauxite mines, alumina refineries, aluminum smelters, fabricating plants and even advanced research laboratories to develop more efficient processing technologies and new products. The vertical integration model was similar to the organizing system used by petroleum companies, which explored and drilled for oil, built pipelines and ships to transport oil, owned refineries that turned oil into gasoline and other products, and even set up retail outlets around the world to sell their products. The global economy dramatically changed after World War II, as former colonies with raw materials needed by developed countries began to ask for a piece of the action. At the same time, more corporations with the financial and technical means to enter at least one phase of aluminum production began to compete in the marketplace. As the global Big 6 oligopoly became challenged on multiple fronts, a commodity broker with a Machiavellian philosophy and a natural instinct for deal-making smelled blood and started picking the system apart.

Marc Rich began by taking advantage of the oil market, out-foxing the petroleum giants and making a killing during the energy crises of the 1970s. A long-time metals trader, Rich next eyed the weakened aluminum industry during the 1980s, when depressed demand and over-capacity collided with rising energy costs, according to Shawn Tully's 1988 account in Fortune. With a depressed aluminum market in 1985, Alcoa shut down its Jamaican alumina refinery, leaving the Jamaican government desperate to reopen the plant and generate much needed export revenues. Alcoa agreed to lease the plant to the Jamaican government, but Jamaica needed a buyer for the output. Rich by then had developed close ties to Jamaica – he once reportedly flew Jamaica's President Edward Seaga to Geneva on a private jet provided by Rich, and Rich had contributed $45,000 to help send the Jamaican track-and-field team to the 1984 Olympics in Los Angeles. Rich also had loaned debt-laden Jamaica $200 million between 1980 and 1985. [1]

The Alcoa refinery was capable of producing 800,000 tons of alumina per year. Seeing an opportunity, Rich signed a 10-year agreement in 1986 to purchase most of the alumina produced at the Jamaican plant. He also began to look for smelters which could "toll" the alumina for him – typically small independent smelters that were in financial trouble. One example was in the Pacific Northwest. By 1985, Martin Marietta Corp. was preparing to permanently close its 81,000 ton-per-year smelter at The Dalles, Ore. In 1986, Clarendon Ltd. signed a long-term tolling agreement for the Oregon plant's entire capacity and provided several million dollars in working capital to a group of local businessmen who had intended to purchase the smelter and keep it open, according to Tully. Clarendon Ltd. was a front for Marc Rich. Created in June 1983 shortly after Rich and his close partner Pincus Green became the targets of a federal criminal investigation, Clarendon Ltd. basically was the new name for the U.S. branch of Marc Rich & Co. The United Steelworkers local at The Dalles agreed to scale back the workforce from 700 to 355 and reduce wages from $12 to $10 per hour, and the Bonneville Power Administration helped by providing an initial break on electrical rates. With the Oregon smelter and others in the U.S. set up to toll the Jamaican alumina, Marc Rich & Co. was in position to make a killing when aluminum prices began to climb in 1987. Sharp cutbacks by the world's aluminum producers in the mid-1980s had led to a shortage and created an upswing in the aluminum price cycle. By 1988, alumina prices increased from $1,100 a ton to $2,700. [2]

A decade after Rich made his move in Jamaica, a Swiss-based global trading company signed an aluminum tolling contract with the Columbia Falls Aluminum Co. The company, Glencore International AG, was officially created on Sept. 1, 1994, out of Marc Rich & Co. The change was more than name only, as the new company's owners sought to buy out Rich and free Glencore from Rich's notoriety and his most recent risky ventures. Rich reduced his stake in the company that year from 51% to 25%. [3] In 1995, Glencore signed a five-year tolling contract with CFAC in which Glencore agreed to supply the Montana aluminum smelter with alumina, CFAC would turn the alumina into aluminum ingots, and Glencore would take the finished ingots. CFAC also signed a five-year tolling contract in 1995 with the French aluminum company Pechiney. This marked the first time a company associated with Marc Rich had conducted business with CFAC, but there was some older history. According to a May 1999 interview with Glencore executive Simon Trinca, which took place as negotiations concluded for the sale of the Columbia Falls smelter to Glencore, the Swiss company was first interested in doing business with CFAC in 1985 – about the time Rich was looking at tolling his alumina at The Dalles. No tolling agreements were made with CFAC until 1995. [4]

The man and the myth

Journalists often are drawn to Marc Rich stories because of their grand scale and indifferent criminality. The general public is drawn to Marc Rich stories because of his incredible wealth and envious lifestyle. Extremists on the left and the right are drawn to Marc Rich conspiracies, which often depend upon his Jewish origins and ties to Israel, his business deals with hated dictators, and his well-guarded secrecy. Montana journalists pounced on the Marc Rich name as soon as CFAC's tolling contract with Glencore became known. On Sept. 7, 1995, Hungry Horse News reporter Michael Jamison reported that CFAC's new tolling customer was connected to Rich, a fugitive wanted by the FBI and Interpol. The newspaper story suggested that Glencore may not be a reliable customer for CFAC because it "has been in a downward slide ever since its original owner became an international fugitive and began weaning himself from the business." Jamison stated that Rich fled to Switzerland in 1983 to avoid U.S. charges of tax evasion, fraud, racketeering and trading with enemies of the United States. The story stated that Rich bought and sold Iranian oil during the 1980 hostage crisis, traded oil in South Africa during the embargo of that country in the 1980s, and was accused by the Russian government in 1992 of bribery, illegal export of raw materials, aiding in capital flight and laundering drug money. Jamison also reported that the United Steelworkers had forced Rich back to the negotiating table at the Ravenswood Aluminum Co. plant in West Virginia. Furthermore, Jamison reported that much of Glencore's trading business had dropped from $30 billion in 1990 to $20 billion in 1993. CFAC General Manager Larry Tate responded to the allegations for the article. "I've got to have faith that these contracts are solid and that these guys are going to be here a while," he said. "We're going to continue producing a quality product regardless of whether our contracts are with Norsk-Hydro, Pechiney or Glencore." [5]

A month later, the Missoula Independent published a feature article on CFAC that gave equal time to the on-going profit-sharing case and international fugitive Marc Rich, whose company had become a new tolling customer. Don Oko touched on all the exciting Marc Rich highlights and his connection to Glencore. Oko led by pointing out "the company's relationship with billionaire fugitive Marc Rich, and a newly signed contract with a company in the Cayman Islands – a locale which has come to rival Switzerland as a tax haven for shady businesses." Oko cited Rich's white collar crimes, the infamous labor dispute at the Ravenswood plant, and Rich's troubles with the Russian government. The article reported the concern of aluminum plant workers over CFAC's relationship with Eural, a trading company based in the Cayman Islands that might be used by CFAC's owners to siphon off missing profit-sharing money. The article concluded by reporting that 18 security guards from Vance Assets Protection were stationed around the plant as tensions grew during negotiations for a new labor contract. The guards were removed after a Sept. 21, 1995 court order stipulated "intimidation-free litigation." [6]

Oko did not describe in detail any purported connections between CFAC owners Brack Duker and Jerome Broussard, the defendants in the profit-sharing case, and Marc Rich. There may not have ever been any, but warning about a moral slippery slope could have been the justification. Officials at the Aluminum Workers Trades Council, the umbrella labor organization at CFAC, knew about Rich and Ravenswood long before the Glencore tolling contract hit the news. In October 1992, as the profit-sharing lawsuit became an uncomfortable reality for CFAC's owners, Duker and Broussard looked for buyers for their aluminum company. That's when representatives from Oralco Management Services Inc. toured the CFAC aluminum plant. Headed by R. Emmett Boyle, the West Virginia-based company managed the Ormet aluminum plant in Hannibal, Ohio. According to Platt's Metals Weekly, Boyle was interested in buying the CFAC plant, but no offer was made during his tour. Boyle was the former chairman and chief executive of the Ravenswood Aluminum Corp., where according to Business Week he locked out Ravenswood's 1,700 union workers and replaced them with scab laborers. Boyle, who owned 27% of Ravenswood Aluminum Corp., was eventually forced out by Marc Rich, who owned 49% of the company. [7] The AWTC leadership in Columbia Falls made some calls to find out more about Boyle and Oralco. [8]

It should come as no surprise that a history of a man like Marc Rich should be filled with conflicting or contrasting information, whether the sources are newspapers, magazines, television shows, books, business journals, court documents or Congressional investigations. His Machiavellian business philosophy and his success at global commodities trading seemed to demand secrecy. According to a Reuters story following his death, Marc Rich was born in Antwerp, Belgium, in 1934 under the name Marcell David Reich. He and his parents fled from the Nazis in Europe and moved to the U.S. His father became a millionaire by setting up an agricultural trading firm, and Rich learned his business acumen from his father. [9] Fortune reported in 1984 that Rich was born the only child of European Jewish parents who settled in Mount Vernon, a suburb of New York City. Marc's father David had banking interests in Bolivia and established a burlap-bag business in the New York area. Marc graduated from the Rhodes School in Manhattan, an expensive but not demanding private school, and obtained a job at Philipp Brothers through a trader his father knew after dropping out of New York University. [10]

According to a business website providing a detailed history of Century Aluminum Co., another Marc Rich derivative, Marc Reich was born in Germany and his family relocated to Belgium because of growing anti-Semitism. The family changed their name to Rich after the family arrived in Queens, N.Y. [11] According to a 1983 article in Time magazine, David Rich worked in a Manhattan burlap-bag factory to put Marc through the private Rhodes School, where Marc earned a B-minus average. Marc went on to college at New York University and then quit to pursue commodities trading at the Philipp Brothers firm. [12] According to an account that originally ran in Playboy magazine in February 1994, Rich and his family came to the U.S. in 1942 and eventually settled in Kansas City, Mo., where his father opened up the Petty Gem Shop and earned a modest income. Rich attended public schools, where he made no big impression on schoolmates, joined the Boy Scouts and went to summer camp in the Ozarks. One of his tent mates was author Calvin Trillin, who remembered Rich as "the quietest kid at Camp Osceola." The Petty Gem Shop prospered and eventually became the more diversified Rich Merchandising Co. Rich's father sold the business for a profit, and the family moved to New York, where his father entered into a partnership to manufacture burlap bags, just in time to supply the U.S. military during the Korean War. Rich attended New York University but left in 1954 as a sophomore to go to work as a commodities trader with Philipp Brothers. [13]

Bloomberg Business reported in 2013 that Rich was the only child of David Reich and Paula Rich-Wang. After the family settled in the Midwest, Rich attended E.F. Swindon Elementary School, Westport Junior High School and Southwest High School in Kansas City. After his father started a jewelry store in New York City, Rich attended Forest Hills High School and then Manhattan Rhodes School. A teacher at Rhodes reported in 1952 that Rich was "purposeful, actively creative, strongly controlling, deeply and generally concerned, assuming responsibility and exceptionally stable." The family moved to Queens in May 1950, where Rich's father started Melrose Bag & Burlap Co., which imported Bengali jute to make burlap bags. Later, Rich's father started an agricultural trading company and helped found the American Bolivian Bank with partners he had worked with previously. Rich began a business degree at New York University but dropped out in 1954 to work at the Philipp Brothers trading company. [14] Upon Rich's death in 2013, the New York Times reported that Rich's father David eked out a living peddling factory discards door-to-door. In the early 1940s, the family moved to Kansas City, where they opened a jewelry store, and then to Queens in 1950, where his father started a factory making burlap bags. Rich attended the private Rhodes School in Manhattan, learning French, German and Yiddish. He later attended New York University but didn't graduate. When he was 18, a friend of his father's got Rich a job at Philipp Brothers, at that time the world's largest raw materials trading company. [15]

Pincus Green was Rich's longtime business partner, from their days together at Philipp Brothers through the creation of Glencore in the mid-1990s. They were both pardoned by President Bill Clinton in January 2001. Green also was born in 1934, the son of Jewish immigrants to the U.S. Green grew up in Flatbush, a neighborhood in New York City, the seventh of eight children. His father sold confectionaries to small candy stores. He was educated at Jewish parochial schools until he dropped out at 16 to help support his family. Green got a big break at 17 when he landed a job in the mail room at Philipp Brothers. One year later Rich, a college dropout, joined Green in the mail room. [16] The lifestyles of the two men were very different over the years before and after they fled the U.S. Green was a “homespun Brooklynite” who flew coach or even standby and was deeply religious, preferring to live near his childhood synagogues in Brooklyn. [17] Rich lived an urbane sophisticated lifestyle with a Park Avenue apartment. [18] He was fluent in French, German, Spanish and English, preferred to live and dress well, and took ski trips to St. Moritz. He reportedly worked from 7 a.m. to late in the evening, demanding crisp answers from traders in his relentless pursuit for business. [19]

Trading school

The Philipp Brothers history goes back to the 1890s when the company began peddling scrap and brokering small deals on the Hamburg Metal Exchange in Germany. The firm used its connections among other Jewish traders and emerged as one of the major suppliers of metal to European industry during the prosperous years leading up to World War I. Philipp Brothers opened their first foreign office in London in 1908. The firm profited handsomely during World War II while cooperating with the U.S. Office of Strategic Services, alerting the intelligence agency when Germans appeared in South America and Africa to buy metal. Ties the firm made with undeveloped countries during the war became important trading connections after the war. [20] Philipp Brothers changed its name to Phibro in 1981. It was renamed Phibro-Salomon in 1982 after it purchased the securities firm Salomon Brothers. [21]

Rich spent 21 years at Philipp Brothers and became adept at lining up commodities directly from producers, such as mining companies, and then arranging delivery of the raw materials to manufacturers. He worked in the “traffic department,” where he traded in tin and manganese and the niche market for mercury, which quickly rose in value during the early 1950s. Starting in 1960, he went on a series of foreign assignments for Philipp Brothers, including a stint as office manager in Madrid in the mid-1960s, where he did well trading oil to Spain’s oil-hungry refineries. [22] Rich started as a mail clerk, but within two years he had worked his way up to a position as a junior trader. While at Philipp Brothers’ Madrid office, Rich reportedly made deals with the fascist government in Spain and closed more deals in Africa, the Middle East and with the communist government in Cuba, where he traveled frequently to deal in pyrite, copper and nickel. He developed his lifelong fondness for Cohiba cigars from his time in Cuba. [23]

A. Craig Copetas’ 1985 biography of Marc Rich, “Metal Men: Marc Rich and the 10 Billion Dollar Scam,” provides much detailed information on Rich’s early experiences in global commodities trading. An anonymous reviewer on Amazon.com, however, described the book in 1999 as “a good read… but you must decide what is real and what isn’t… The commodity trading profession has very few books written about it. This is one of the better books but you must decipher what the truth is and what is fictitious.

Copetas speculates a lot about the life of Marc Rich and takes a lot of pot shots at his career. Truth is Copetas is an outsider and outsiders cannot accurately report about covert and clandestine physical commodity trades. I should know… I worked for the best metal man in the world." [24]

According to Copetas, Philipp Brothers was the largest raw material trading company in the world in 1954 and kept an eye on American universities for prospective employees that could be turned into "lehrlings," the Yiddish word for apprentices in commodities trading. The man in charge of training lehrlings at Philipp Brothers was Henry Rothschild. Like most of the firm's management, Rothschild had escaped the Nazi holocaust. Lehrlings were trained to trade in all commodities, and the company was run like a family. Interviewed later, Rothschild recalled Rich's beginning as a lehrling in the spring of 1954. Rich was considered a sharp and patient learner, learning to make calculations in his head as well as the finer points in metals trading. He also learned to trade like a soldier by keeping his nerve and controlling fear, Rothschild recalled. According to Copetas, Rich's peers at that time considered him separate, aloof, irritable and occasionally irrational. He wore expensive suits and was a favorite with his teacher, Ludwig Jesselson. He also went skiing with one of the firm's top executives. After spending a little time in the traffic department, where he tracked cargo ships at sea, he moved into metal trading, beginning with mercury, which made a momentary boom during the Korean War. [25] Jesselson came to New York from Germany in 1937 to work for Philipp Brothers and led the company's growth from a sizable private company to an international giant. Like Rich afterwards, Philipp Brothers' trading policies and methods changed markets for international commodities. In the decades following World War II, Philipp Brothers grew to become the largest and most important metal trading company in the world. By the 1970s, the company had earned the title "$9 billion supertrader" from Business Weekly, dealing in more than 150 different raw materials for industry in nearly every country in the world. [26]

Copetas described Rich as "a beautifully sinister executive who could frame deals with the artistry of a pool shark." [27] As part of his research, Copetas visited the London Metal Exchange during one of their annual "blowouts" on Oct. 11, 1983, and interviewed several metals traders. News about Rich's legal troubles by that time was causing a stir with this secretive group of 2,000 commodities traders from around the world, including some of the wealthiest and most powerful men in industry, "a tightly knit tribe of capitalists who generate trillions of dollars by quietly controlling the buying and selling of the earth's crust," Copetas reported in a 1984 story in Harper's magazine. Rich was considered the "craftiest" amongst them and his legal problems posed a threat to the secrecy of the entire business of metals trading. According to one broker, "Everyone in this business has dealt with Marc Rich. The last thing we want is the U.S. poring over records that might outline our activities. We do not want people to understand how we operate." [28]

Rich in the early 1980s was reportedly the most secretive of all the commodities traders and was thought to be trading in not only metals, oil, sugar and grain but also military goods – including jet fighters, fuel for the U.S. Air Force in Guam, and weapons for Iran's Revolutionary Guard and Marxist tribal leaders in Africa. His headquarters was in Zug, Switzerland, also home to 8,000 other international firms drawn by lucrative tax concessions and favorable Swiss business laws. The canton's chief public prosecutor, Rudolph Mosimann, served on the board of Marc Rich AG. To the local Swiss, Rich was a hero, Copetas reported in 1984. The 1,400 employees of Marc Rich & Co. in 40 offices across 30 different countries reportedly were not allowed to mention his name in public or meet with the press. One of the company's common practices was to establish "Sociedades Anonimas" – business entities with Panamanian affiliation to avoid paying taxes and to maintain corporate secrecy. Similar arrangements were available through the Cayman Islands, Switzerland, Singapore, Uruguay and the Bahamas. According to one metals trader, the success of a metals-trading firm was tied to its being able to move money quickly around the world, and this meant keeping it hidden and free from governmental entanglements. [29]

In 1958, Rich was sent to Cuba to help Philipp Brothers deal with the collapse of the Batista government and to keep their metals cargo moving. According to one of his peers from that time, "Cuba was Marc's first taste of the illegal." Rich followed that up with trips to La Paz, Bolivia, and side trips to Europe. [30] In 1963, the U.S. barred U.S. citizens and companies from trading with Cuba after Castro declared it was a communist country. After leaving Philipp Brothers, Rich's companies reportedly facilitated sugar-for-oil deals between Cuba and the Soviet Union or Russia. Rich also was interested in minerals from the island nation. In 1989 and 1990, he sent officials to look at possible lead and zinc mines, and his trading company purchased nickel from Cuba. [31]

On Oct. 30, 1966, Rich returned to the U.S. to marry Denise Joy Eisenberg at Temple Emanuel in Worcester, Mass. They traveled around the world together as Rich conducted business for Philipp Brothers. About that time, Philipp Brothers merged with Engelhard Industries, the world's largest refiner and fabricator of precious metals. Charlie Engelhard was the inspiration for Ian Fleming's Goldfinger – James Bond's fictional nemesis, according to Copetas. As Rich climbed up the Philipp Brothers corporate ladder to become Ludwig Jesselson's dauphin, he became more secretive and, as some of his peers recalled, paranoid. Rich demanded immediate answers from his underlings and dished out sarcasm when they weren't forthcoming. According to Copetas, Jesselson taught Rich how to use letters of credit to move funds between countries and remain above the geopolitical dynamics in difficult places like South Africa, the Soviet Union and China. His peers later recalled rumors of Rich using bribes to close deals, but insisted Jesselson and the Philipp Brothers management were unaware of Rich's use of graft or gift. Others recalled Rich's photographic mind and his thoroughness in exploring the trading market, according to Copetas. By the time Rich became the manager of the Philipp Brothers office in Madrid in 1967, he had thoroughly studied the copper market, from the copper mines of Chile, such as the Anaconda Company's Chuquicamata, to the metals markets of Europe, and he began to study other metals such as tungsten. [32]

The spot oil market

Some business writers credit Rich with creating the spot oil market in the late 1960s, wreaking havoc with the vertically-integrated petroleum companies over the following decades. Typically crude oil transactions were handled by large corporations in inelastic long-term contracts. Rich began to create a spot market for oil possibly in anticipation of the Arab oil embargo that came later in the 1970s, according to a 2013 story in The Economist. Starting in Tunisia, Rich began to buy and sell oil for immediate delivery in the same way other commodities were traded. When the Arab oil embargo shook up the market after 1973, Rich had access to buy and sell oil while major oil companies struggled, and Rich was able to benefit from a mark-up as high as $14 per barrel. He called the mark-up a service charge and later remarked that he could have demanded much more, but that would be "like taking candy from a baby." [33] Rich found ways to bypass the "Seven Sisters" – the major oil companies that controlled world supplies – after being posted to Madrid. He foresaw huge price increases coming from the Organization of Arab Petroleum Exporting Countries (OPEC) in 1973 and earned big profits for Philipp Brothers. [34] Rich also did well meeting the demands of Spain's petroleum refineries. By the late 1960s, oil-producing nations began taking control of their own oil resources. With Rich in Madrid and Green in Zug trading in this evolving oil trading business, Philipp Brothers quickly rose to prominence. [35]

According to Copetas, Rich's connection to oil began through his chrome deals in Iran. Philipp Brothers had never traded in oil, leaving it to the big petroleum companies, but as profitable reports filtered back, Jesselson allowed his traders the flexibility to make oil deals as situations arose. Soon after Rich began trading in oil, he learned that transportation was much more difficult for oil than for metals, and he turned for assistance to the man nicknamed "Admiral" at Philipp Brothers – "Pinky" Green. Green was considered by some of the firm's brokers as "by far the smartest trader in all of Philipp Brothers." Rich and Green's first tanker of oil left Iran for Spain in 1968. The world of commodities trading began to change as the 1960s came to an end, according to Copetas – over-capacity in the manufacturing sector had led to a slowdown in consumption, the U.S. dollar was separated from gold in 1971 and allowed to float, and by December 1973, a new international oil cartel was formed called OPEC. While most traders were unnerved by the resulting chaos and considered Rich crazy to trade oil on-spot, Rich saw an opportunity and seized it. Eventually Rich and Green were using Philipp Brothers credit to make oil deals without informing the New York office of the details. Philipp Brothers' top management grew concerned about the risk involved in oil trading and that the company's board of directors might find out. Meanwhile, Rich grew testy over the firm's timidity, according to Copetas. [36]

In October 1973, OPEC members proclaimed an oil embargo against Canada, Japan, the Netherlands, the United Kingdom and the U.S. in response to their support of Israel in the Oct. 6-25 Yom Kippur War. Possibly tipped off months ahead of time by sources, Rich and Green bought $150 million worth of crude oil on the spot market in spring 1973, paying $5 a barrel over the spot price. Philipp Brothers managers were both frightened and angered. The directors cashed out of the deal before the OPEC nations made their play, and Philipp Brothers didn't benefit from tripling oil prices. Profits nevertheless were made, and Philipp Brothers owed Rich and Green unprecedented bonuses. [37] Jesselson ordered Rich to sell the oil before the market price dropped. When the embargo took place, oil prices increased $13 or more per barrel. Even though Rich's stockpiled oil was gone by October, he still made Philipp Brothers about $5 million in profits in 1973 from other oil deals. [38]

"That spring, Rich more or less pioneered a new form of commodities trading," Oliver Williams wrote in the New Statesman in 2012. "Future trading was the norm in the crude oil market, but realizing a price hike was imminent, Rich started buying and selling on the spot (immediate) market. This allowed him to sell on demand as the embargo took effect and, of course, demand and price rose catastrophically." Rich's bosses at Philipp Brothers, however, didn't believe Rich and Green's strategy and sold nearly all the oil before the embargo took effect. [39] By the early 1970s, most of the oil in the world was extracted, refined and sold by a small number of large vertically-integrated corporations, James Breiding wrote in the Financial Times in 2013. Rich was a major force in breaking up that market by going to officials in oil-producing countries and persuading them that they would be better off by cutting out the big oil companies and selling directly to customers, with Rich acting as their agent, resulting in more revenues for them. Many oil-producing countries were poor and unstable, so Rich provided them with essential services, including financing, insurance, customs clearance, transportation and storage. Rich went on to repeat that business formula in other commodities – and in countries that big corporations avoided because of political or governance risk, and where bribery and corruption was a cost of doing business. "Yes, he played dirty – but

Marc Rich changed the world," Breiding said. "In fact, he deserves credit as one of the greatest creators and sharers of wealth in business history." [40]

Rich was nicknamed "The Matador" during his time at Philipp Brothers for his "killer instinct." [41] But in a July 2013 opinion column in The Spectator, Martin Vander Weyer questioned Breiding's conclusion. Vander Weyer asked whether the "explosive growth of the commodity markets and consequent prosperity of resource-rich nations" that could be considered Rich's legacy were a good thing. He noted that had Rich not broke up control of energy markets by large oil companies in the 1970s, that at least those big companies would not have been as amoral as Rich. "You can't run a business on sympathies, otherwise you'd be hampered," was one of Rich's known sayings, Vander Weyer said. "They wanted money, and I wanted their commodities," Rich had said about his dealings with "vicious regimes," Vander Weyer noted. And when someone asked Rich what gave him the most happiness, Rich said it wasn't his daughters or his Picassos but that "I like making money," Vander Weyer said. Focusing on making money without caring for the social consequences was characteristic of a "silo mentality," Vander Weyer said. [42]

Setting up shop in Switzerland

By November 1973, Rich and Green began to formulate a plan for what was later called "The Mutiny," which took place at Philipp Brothers in February 1974. At the end of each year, the firm's traders met with Jesselson to haggle over their performance bonuses. Rich and Green each asked for $400,000, an unheard of amount at Philipp Brothers. Jesselson refused to grant the bonuses because they broke the firm's rules and traditions. When Rich and Green departed, they left Philipp Brothers in a state of total confusion. Management wasn't sure what the two had taken with them or what to tell clients who were used to dealing with Rich. Rich and Green took with them six Philipp Brothers traders along with company files on producers and consumers worldwide. With $3 million in loans and promises for more oil deals with Iran, the two opened up business in Zug, Switzerland, as Marc Rich & Co. [43] According to an account told by Shah Gilani, Rich was skiing in Switzerland when he "accidentally" bumped into Jesselson on the slopes. In an exchange that's "now part of Wall Street lore," Rich brought up his upcoming bonus and suggested he had earned a million-dollar payday. Jesselson reportedly answered sharply, "We've never paid a trader a million dollars and we never will." Forty-eight hours later, Marc Rich & Co. was open for business in its new offices in New York's respectable Piaget Building. [44]

Rich's work had made Philipp Brothers the world's largest spot oil dealer, Copetas said. Rich grew livid when Jesselson refused to pay the expected bonuses, and he made an oil deal of his own, pocketed $10 million and then left Philipp Brothers with Green to start a new company in Switzerland. “From that point on, Rich became obsessed with destroying Phibro,” Copetas said. [45] According to a local police report, a group of businessmen met in the law offices of Barth, Mosimann and Stadlin in Zug, Switzerland, on April 3, 1974 to form a new company. Fourteen miles south of Zurich, Zug at the time was a small alpine town of 23,500 residents with a declining population. A local bank, Kreditanstalt Zug, reported that the founders of the new company had deposited 1,055,000 Swiss francs into a Swiss bank account. During the meeting, Rudolf Mosimann stated that his group was electing Marc Rich, an American citizen living in Samosaguas, Madrid, to be chairman of the board of the new company. The board was also to include Pincus Green, an American; the three lawyers attending the meeting, Wiki, Gayler and Mosimann; and Alexander Hackel, who was to be the new company’s director. The name of the new company was to be Marc Rich & Co. AG. [46]

The canton’s 77,000 residents lived in deep mountain valleys and benefited from Switzerland’s most advantageous tax rates. Many international companies had set up shell corporations in Zug, according to Copetas. The cost of setting up a shell company at the time was a 3% duty on share capital, a $300 canton registration fee, a $500 notary public stamp and various transfer fees totaling about $3,000. The new corporation could set up a headquarters in Zug or pay an independent front man about $25,000 per year for 150 hours of office work, enough to qualify the company as a Swiss entity. For many such companies, money could be made in transfer pricing – basically a paper shuffle in which material was transferred between a corporation’s various subsidiaries. The process was legal in the U.S. so long as a U.S.-based subsidiary did not pay inflated prices for material supplied by a Swiss-based subsidiary. [47]

Rich, Green and Hackel were soon joined by Felix Posen and two other former Philipp Brothers traders. Within a few months, Rich and Green were back in New York City where, according to a former Citicorp oil expert, “They made business out of doing business other people would not do.” Rich concentrated on oil deals with Iran, Hackel on metals and Green on shipping. [48] Locals in Zug called Marc Rich & Co.’s blue-tinted steel-and-glass headquarters the “Dallas building” after the popular television show. The company soon grew to 1,000 employees with 40 offices worldwide. [49] Marc Rich & Co. was run quite differently from Philipp Brothers. By the late 1970s, traders at Marc Rich & Co. often made $500,000 as compared to $100,000 at other commodities trading firms. Around 100 employees owned the firm with shares that had to be cashed in upon departure. Rich supervised oil trading while Green handled finance and shipping, and the firm quickly grew wealthy. [50] Business Week reported that during the company’s early years, according to an oil executive, the two allegedly bought a house in the south of France and “stocked it with hookers from Paris and flew in oil guys who spent a week at their expense.” [51] Over the years, such rumors fed an exotic myth-making genre.

Rich and Green's small trading company reportedly profited from deals milked from Philipp Brothers, especially in chrome and copper, which had been Jesselson's specialty. In 1974, Marc Rich & Co. made deals with chrome mines in Iran and copper concentrators in Chile. By the end of 1974, the trading company set up a small office in London, close to the action in the London Metal Exchange. The new office was managed by Posen, called Sir Felix because of his grand manner, but the office gained prestige because of Rich. By early 1975, the company had established an office on New York City's Park Avenue under the name Marc Rich International, a subsidiary of Marc Rich & Co. [52] The new trading company reportedly waged a private war against Philipp Brothers. There were even allegations that Rich had bugged Philipp Brothers' headquarters in New York. By the 1980s, Marc Rich & Co. was doing $10 billion in trading business, while Phibro-Salomon was doing poorly. [53]

According to Ken Silverstein's account in the May 2012 issue of Foreign Policy, Rich developed connections with monarchs, presidents, diplomats and intelligence agencies around the world, including Iran's SAVAK secret service under the shah and Israel's Mossad secret service. He reportedly assisted Mossad several times, including helping them evacuate Ethiopian Jews to Israel in the 1980s. Rich made enormous profits buying oil from Iran during the hostage crisis and from Libya after the Reagan administration imposed a trade embargo on Qaddafi's regime, and selling oil to South Africa during the apartheid era, Silverstein said. Rich also pioneered commodity swaps, such as uranium for oil between apartheid South Africa and both Islamic Iran and Soviet Russia. [54] Marc Rich & Co. quickly grew into a successful commodities firm, buying and selling copper, lead, tin, zinc, oil, sugar, aluminum and rice using a network of traders who were paid large incentive bonuses. According to Copetas, the new company reportedly conducted "guerrilla raids" on Philipp Brothers by hiring away traders and conducting industrial espionage. In one case, a Jamaican aluminum trader with connections to Philipp Brothers was flown to London, driven from the airport to a hotel in a Rolls Royce and treated with a roomful of naked hookers. [55]

One of the company's original founders, German-born Alexander Hackel, became one of Marc Rich's most trusted lieutenants and partner in the early days in Zug, Switzerland. He was still a major shareholder in Marc Rich AG by 1984. [56] Another early partner was Willy Strothotte, a director at ICC Metals in 1978 before joining Marc Rich & Co. and heading up its metals and minerals division. [57] Strothotte had his own notorious back story. In 1977, the New York-based trading company ICC Industries conducted an internal audit and allegedly determined that two of the company's traders, Strothotte and David Sassoon, had embezzled $800,000 while working in the company's metals division in Brussels, Belgium. According to an October 1994 story in Forbes magazine, Strothotte allegedly used his ill-gotten gains to treat himself to a spacious apartment in

Brussels. Forbes learned that Strothotte and Sassoon avoided prosecution by agreeing to refund ICC Industries and leave the company. ICC Industries, Sassoon, Strothotte and Marc Rich would not comment on the matter to Forbes in 1994. [58]

By mid-1988, Posen was the top metals trader at Marc Rich & Co.'s London office. Posen lived outside the city in a 15th century mansion with a moat and was known for his imperious bearing. Posen was also the brains behind Rich's profitable but controversial dealings with the Soviet Union, which traded under the business name Razno and imported large supplies of lead and zinc concentrates. Until the late 1970s, Razno's leading supplier had been Phibro, but Posen determinedly went after Phibro's business by wooing the head of Razno's London office, Ivan Russov. Russov enjoyed golf and the capitalist lifestyle, and Posen's traders treated Russov to a good time. By the early 1980s, Marc Rich & Co. had overtaken Phibro and gained control over most of the Soviet Union's lead and zinc trade, earning Marc Rich & Co.'s London office $85 million a year. When a U.S. grand jury indicted Rich in 1983, the Soviet newspaper Izvestiya ran a front-page story denouncing the U.S. government for persecuting one of America's most distinguished businessmen. But by mid-1988, feelings in the Soviet Union had turned sour. The KGB audited Razno, with help from other trading companies, and focused on Rich's lead and zinc trades. The audit showed that Marc Rich & Co. overcharged the Soviets for lead and zinc, and in 1987 the Soviets forced Marc Rich & Co. to pay back $20 million. Russov and other Razno officials disappeared from their jobs, but the Soviets continued to purchase metals from Rich. By mid-1988, Marc Rich & Co. no longer dominated the metals trading to the Soviet Union. [59]

By 1980, Marc Rich & Co. had 40 offices in 30 different countries with 1,000 employees involved in trading all kinds of commodities. The company's total net worth was estimated to be $1.5 billion, with two-thirds coming from bulk oil contracts. Much of the profits were laundered through Sociedades Anonimas, which were not required to file financial reports or tax returns on international business. One former Marc Rich & Co. shareholder recalled that more than $800 million in cash was floating around between the company's subsidiaries. According to Copetas, the new company "was a liturgy of total power, executing a global commodity colossus that sold more oil than Kuwait, more copper than Chile, more grain than the Dakotas and enough aluminum to wrap the British Isles in foil." Rich and Green began to build up a fleet of oil tankers, beginning with the Devali I, named after their two wives, and later adding the Billy Jeanne A and the Mediterranean Sea. [60] By 1983, Marc Rich & Co. was one of the largest commodities-trading firms in the world, doing $10 billion worth of business, and Rich's personal wealth was estimated at $100 million. [61]

Follow the oil

Rich and Green continued to trade heavily in the lucrative oil business, which often included side deals. To ensure the completion of a multimillion dollar oil deal in Ecuador in 1979, Marc Rich & Co. reportedly acted as the agent for a weapons manufacturer and helped the Ecuador military, according to Copetas. Ecuador at the time was involved in a border war with Peru. The man in charge of the weapons deal reportedly was Edmund Mantell, an executive in charge of Marc Rich & Co.'s Southeast Asian operations, headquartered in Bangkok, Thailand. Marc Rich & Co. was also buying oil from Peru, and Mantell was the key man in defusing the sensitive situation between the two South American countries. Mantell also was suspected of brokering arms for Marc Rich & Co. throughout the Third World. [62]

One lucrative source of wealth for the firm came from selling Nigerian oil during the 1979 "oil shock" caused by the Iranian Revolution. Other traders had avoided the Marxist regime that took control of the west-coast African country from the Portuguese in 1975. [63] Rich and Green reportedly also arranged similar deals for oil men in Angola. [64] More than a decade later, between 1993 and 1998, when Nigeria was ruled by the dictator General Sani Abacha, the majority of the country's oil went to the state oil company, which was then sold to independent traders at Abacha's discretion. Among the top-three traders conducting business with Abacha was Marc Rich & Co. and later Glencore. The Abacha regime reportedly depended heavily on oil revenues, which it diverted through kickbacks, bribes and skimming to the point that much of Nigeria's oil industry was in ruins by 1998, according to the Washington Post. Kickbacks paid by traders were so high, according to John Bearman, a London-based oil industry analyst, that they "can't make a profit selling oil on the spot market. (Instead) they make their money by buying huge quantities of crude, using it to manipulate the futures market." [65]

Soon after Marc Rich & Co. set up a New York office in early 1975, the firm was concluding 200,000-barrel-per-day contracts with the Iranian National Oil Co. that paid off during the decade's next oil crisis, according to Copetas. Rich and Green recognized right away that the Shah of Iran was prepared to sell oil cheaply to pay off his $3 billion in foreign debt. The two traders pushed the ethical envelope by arranging kickbacks to the Shah's men and then arranging to deposit their money in foreign accounts. [66] On Nov. 4, 1979, Islamic revolutionaries took over the U.S. embassy in Teheran, Iran. The U.S. retaliated by seizing Iran's foreign financial assets and putting sanctions in place that continued for decades. The Ayatollah Khomeini-led revolt led to a hostage crisis at the U.S. Embassy and a doubling in global spot oil prices to $40 a barrel. Using the provisions of the 1973 Emergency Petroleum Allocation Act, President Jimmy Carter restricted price increases on crude oil pumped in the U.S. to a "permissible average markup." In 1980 through 1981, Marc Rich & Co. allegedly made $100 million by circumventing Carter's price restrictions. [67] Following the Islamic revolution in Iran, Marc Rich & Co. was able to maintain a secret pipeline linking oil supplies in Iran to Israel. With the Americans held hostage in Tehran, Iran was unable to sell its oil on the open markets, so Rich bought and sold it, using shell companies when necessary. He soon became the world's largest independent oil trader, with a turnover of $15 billion by 1980. [68]

In 1980, Marc Rich & Co. purchased $200 million worth of oil from Iran using money held in bank accounts in London, Paris and Zurich. Marc Rich operated the deal out of New York City, but the money went directly from Switzerland to Iran. [69] Rich was also willing to make side deals to facilitate oil trades with Iran, according to business writer Jim Hougan. Following the Islamic revolution, U.S. operatives had sabotaged computer records and equipment, including removing the guidance systems from anti-aircraft missiles as they departed. Rich was able to obtain gyroscopes from North Korea and provide them to the Iranians in time for the Iran-Iraq War. It was later suggested that the secret trade provided Rich good connections with Iran for future oil deals. [70] Rich later was indicted by the U.S. for "doing business with the enemy," but the indictment was lifted after Rich argued successfully "we are a Swiss company and in no way forbidden to do business with Iran." Another Swiss company, Bankgesellschaft, had played an important role in the Iranian oil transactions and was duly authorized to conduct financial transactions with Iran. [71]

On April 21, 1992, Rich was interviewed on the Dateline NBC television show. Regarding allegations that he or his company had traded commodities with Iran while an embargo was in place, Rich said, "I did not trade with the Ayatollah personally. With Iran, yes. But as a Swiss company." He added, "In our business, we're not political, never have been. It's the philosophy of our company." That lone wolf philosophy was recognized throughout Rich's career. "Iran needs people like Marc Rich because they can't sell their product directly in many countries," Fordham University professor Vladimir Kvint told the Wall Street Journal in 2001. According to Oil Market Trends, Marc Rich & Co. concluded a $400 million crude oil trade with Iran in February 1990. The sanctions were increased in the mid-1990s following evidence of Iran's support of terrorists and Iran's attempts to build a nuclear weapon. On Aug. 19, 1997, President Bill Clinton issued an executive order that "prohibits all trade and investment activities with Iran by United States persons, wherever they are located." In 1999 and 2000, however, Rich's metal traders shipped alumina to the Iralco aluminum smelter in Arak, Iran, and resold the finished metal on the world markets. [72]

One of Marc Rich & Co.'s best customers during the 1970s was the Atlantic Richfield Company, at the time the seventh-largest oil company in the U.S. During the 1979 oil crisis, as petroleum supplies fell short, ARCO was forced to deal with Rich because it lacked the necessary connections with Third World countries. At the same time, large oil companies were investing heavily in the metals industry. By the mid-1970s, with oil prices soaring due to the Arab oil embargo and OPEC price manipulations, the big oil corporations invested their windfall profits in mining, manufacturing and exploration of minerals. All told, the investments in the U.S. added up to about $10 billion per year by the late 1970s. Exxon paid $1 billion for the La Disputada copper mine in Chile, Amoco bought into the Cyprus Minerals Corporation, Penzoil invested heavily into molybdenum and copper, Sohio acquired a piece of Kennecott Minerals, Mobil bought a large share of Falconbridge's nickel operations, and ARCO paid $700 million for the Anaconda Company – including the aluminum plant in Columbia Falls. According to Copetas, Rich and Green found opportunities to take advantage of the big petroleum companies in both oil and metals trading. [73]

Daisy chains and embargoes

During the oil shortages of 1979 and 1980, Marc Rich & Co. sold crude oil from Nigeria to ARCO, which had lost one quarter of its supply when the Khomeini regime in Iran refused to sell it oil, according to a 1984 account by Shawn Tully and Ford S. Worthy in Fortune. After ARCO was also turned down by Nigeria, it turned to Marc Rich & Co. despite past problems with the trading company – in one example, the Swiss trading company's Mediterranean Sea had sailed into a Philadelphia terminal in such bad state of repair that ARCO's inspectors forced it leave the dock. Marc Rich & Co. also charged ARCO high premiums for oil – over a 21-month period, the trading company sold ARCO 27 million barrels of Nigerian oil and collected $120 million in commissions, but ARCO still saved money over what it could have paid in the international spot price market. The lucrative oil deals, however, led to a major setback for Rich and Green in fall 1979 – a pipeline employee at ARCO asserted in a memo that ARCO's Nigerian oil was being "daisy-chained" by a Texas oil firm at a time when the U.S. regulated domestic oil prices. The oil was being bought and sold by as many as 16 companies, including ARCO and a Panamanian subsidiary of Marc Rich & Co. named Rescor. According to one of its lawyers, ARCO had unwittingly fed this oil into the Texas "daisy chain" scheme, which led to the federal criminal tax evasion charges against Rich and Green that forced the two to flee the U.S. [74]

According to federal allegations, Marc Rich & Co. violated U.S. domestic oil price-control regulations in 1980 to 1981 by relabeling crude oil from old Texas fields as new-found oil and increasing the price by as much as 400%. Rich also allegedly moved his $105 million in profits from the Texas deals overseas to avoid paying $48 million in taxes. Once federal prosecutors went after Rich for these violations, they soon added 64 more charges, including racketeering and “trading with the enemy” for transactions with Iran. [75] Federal prosecutors claimed Marc Rich & Co. bought oil from old U.S. domestic wells at the U.S.-regulated price of $5 a barrel and then supplied the oil to two Texas oil companies, West Texas Marketing of Abilene and Listo Petroleum. The two Texas companies allegedly sent the oil on a “daisy chain,” which increased the sale price of the oil by shady transactions to $20 a barrel, where it was sold at the highest possible spot-oil price. Profits allegedly were sent secretly to Marc Rich & Co.’s offices in Switzerland, and taxes were evaded. [76] In 1983, Rich fled to Switzerland hours before the U.S. indicted him on more than 50 counts of wire fraud, racketeering, trading with Iran during an embargo and evading U.S. income taxes. Rich repeatedly maintained his innocence, but in Daniel Ammann’s 2009 book “The King Of Oil: The Secret Lives of Marc Rich,” Rich re-stated his philosophical independence: “They couldn’t do it themselves, so we were able to do it.” [77]

Rich and Green continued to swing profitable oil deals despite their fugitive status, and Third World embargoes continued to offer unique opportunities. In 1986, following allegations that the Libyan government was behind terrorist attacks at airports in Vienna and Rome, President Ronald Reagan issued several executive orders barring U.S. citizens from commodities trading with Libya. [78] At the time, Libya and other Arab nations were reluctant to trade with Rich’s companies because he supported Israel and sold oil to Israel. But by the late 1980s, Rich was purchasing crude oil from Libya through European third-parties. Rich’s interest in Libya continued for more than a decade. After selling his interests in Glencore and opening a new firm called Marc Rich Investment, Rich purchased several shipments of Libyan oil between 1997 and 2000. He also shipped barley and soy beans to Libya during the late 1990s. [79]

Rich also allegedly made a fortune selling oil to South Africa. The U.S. had barred companies from shipping oil, computers or weapons to South Africa from October 1986 to 1991 in an attempt to pressure the South African government into abandoning its apartheid regime. The United Nations also had a nonbinding embargo in place. Some of Rich’s deals reportedly called for pioneering commodity swaps, such as uranium from South Africa for oil from Iran and Soviet Russia, according to Silverstein. [80] Between 1979 and 1990, Marc Rich & Co. shipped about 78.5 million barrels of Nigerian oil to South Africa over clandestine routes aboard 78 ships, amounting to about 8% of the country’s supply, according to the U.N.-sponsored monitoring group Shipping Research Bureau. Many of the shipments took place despite a U.S. embargo. [81] According to one estimate, Rich and John Deuss, another oil trader, reportedly provided all of South Africa’s oil, and by 1990 the business was estimated to be worth more than $1 billion.

According to the Shipping Research Bureau, Rich's seven tankers provided more than 55% of the oil reaching South Africa between 1982 and 1986. By 1990, the U.N. had documented 25 cases in which oil had been shipped illegally to South Africa, and in 10 of the cases Rich was cited as the supplier. [82] Eddie Egloff, a founding partner in one of Rich's trading companies, said Rich also exported South African minerals. "We had quite a large office" in South Africa, he said in 2001. [83]

The Tiger Petroleum Corporation of South Africa reportedly was a front for Marc Rich & Co.'s efforts to ship oil to the embargoed country, according to the Shipping Research Bureau. Sometime in the late 1980s, Tiger Petroleum defaulted on a $7 million payment for a cargo of oil from Marc Rich & Co. and the money was never recovered. One Marc Rich & Co. employee was fired as a result. The two partners in Tiger Petroleum were Mark Wolman and Emmanuel Shaw II. Wolman, a reputed drug dealer during 1994 and 1995, was found murdered in December 1996. Reportedly a number of diplomatic passports in his name and in the name of Emmanuel Shaw were found on his person. By that time, Shaw had become a trusted associate of some of South Africa's senior politicians, and by November 1997 Shaw had been appointed as the country's state oil adviser. Police suspected that Wolman was using Shaw's diplomatic passports for his drug-smuggling activities. [84] In 1997, following the end of apartheid, a Truth Commission began to investigate the role of various businesses during the apartheid era. Terry Crawford-Browne, a former regional treasury manager, testified that Rich's companies were probably South Africa's main sanctions violator, particularly for oil. The Shipping Research Bureau estimated that Rich was responsible for about 15% of the oil shipped to South Africa during the sanctions period. [85] Testifying before the South African Parliament on Sept. 28, 2000, Crawford-Browne said weapons transactions took place between Rich and a South African company named Paramount Logistics. Crawford-Browne also linked Rich with the notorious Bank of Credit and Commerce International (BCCI). [86]

Wars in the Middle East proved to be a continuing source of oil-trading deals for Marc Rich & Co. Four days after Iraq invaded Kuwait on Aug. 2, 1990, complete financial and trade sanctions were in place against Iraq. A military invasion by U.S. forces followed the sanctions. One year later, with the sanctions still in effect, Marc Rich & Co.'s Madrid office expressed interest in purchasing 150,000 barrels of oil per day from Iraq. The suggestion surprised insiders who thought they knew Rich and his support for Israel. "I find it amazing that he was prepared to consider transactions with Iraq just after they sent Scud missiles raining down on Tel Aviv" during the Persian Gulf War, former Kroll Associates investigator Ambrose Carey said in 2001. [87] By mid-1992, U.S. government officials were investigating whether Marc Rich & Co. was lending money to Iraq President Saddam Hussein in return for future deliveries of cheap oil. [88] On Dec. 1, 2004, ABC News reported that Rich was a middleman in suspect oil deals with Iraq that took place in February 2001 – only one month after President Bill Clinton had pardoned him. At the time, Iraq was under an embargo but the U.N. had sanctioned an Oil For Food program. A U.S. criminal investigation was looking into whether Rich illegally paid bribes to purchase oil from Iraq. As much as $21 billion meant for humanitarian aid reportedly had been taken by Saddam Hussein's government. [89]

Glencore, the successor company reportedly created to separate legitimate commodities trading from Rich's notorious past, was also implicated in the U.N.'s Oil For Food program in Iraq. In February 2001, according to a U.N. Security Council report, Glencore purchased 1 million barrels of crude oil from Iraq which was destined for the U.S., but the oil instead was diverted to Croatia and sold for a $3 million premium that allegedly went into a secret bank account. After the U.N. spoke with Glencore, the company agreed to refund the money to the U.N. humanitarian program. A Glencore spokesperson claimed the company only stored the oil in Croatia for later delivery to the U.S. In addition, a CIA report claimed Glencore paid more than $3.2 million in surcharges to Iraq, money that could have gone into Hussein's pocket, a charge Glencore denied. In March 2005, Rich testified in writing to the U.S. House International Relations Committee, which was investigating the Oil For Food program in Iraq, stating that he was not in any way active in the program. Rich acknowledged his company, Marc Rich Holdings, was on the U.N.'s list of approved crude oil buyers, but he insisted to the House committee that "nothing ever came of it." Business Week, however, after closely researching shipping documents, claimed in July 2005 that Rich had in fact bought Iraq oil from various front companies. The magazine noted that no documents indicated Rich had actually paid illegal surcharges. [90]

By 1992, according to a Congressional report, there were "only two world-class players in the oil business" – Phibro was physically trading and shipping 3 million barrels a day, and Marc Rich & Co. dealt with 1.5 million barrels a day. Phibro maintained a staff of 13 people at the New York oil commodities exchange, but Marc Rich & Co. kept none. Rich and Green had started making money trading oil in the late 1960s, mainly with the Shah of Iran, the report stated. Other oil traders had dropped out over the years as financial requirements and credit limits became too great, but Rich and Green's oil trading business continued to grow. According to an oil trader, Rich was suspicious by nature but could avoid having to keep an eye on his staff if he hired oil brokers to do his business. "We aren't brokers," Rich said about his firm. "Brokering is a service we have decided to pay for." Rich also denied that his company did business with Iraq after sanctions were imposed during the build-up to the Persian Gulf War. Another inside source said Phibro had been hedging "enormous transactions" for Marc Rich & Co. until Warren Buffett took over Salomon-Phibro and announced to the media that he was breaking off all commercial transactions with Rich on ethical grounds. Buffett ordered a stop to deals with Marc Rich & Co. soon after he acquired Salomon-Phibro in the wake of a scandal over U.S. Treasury auction dealings. The scandal had led to the removal of three top executives at Salomon. Buffett's ban applied to Clarendon Ltd., despite claims made by Clarendon Ltd. traders that the company was not tied to Marc Rich & Co., since "the two firms generally have been seen by the market as sister companies, with Marc Rich himself having ultimate control over Clarendon." [91]

In a Nov. 12, 2009, interview, Daniel Ammann, the business editor of the Swiss weekly Die Weltwoche, spoke about Rich's trading philosophy. "When it comes to business, I don't think Marc Rich has any regrets," Ammann said. "If you are too proud, you don't do business." Rich was able to keep oil flowing despite embargoes. "In the end, it was Marc Rich buying Iranian oil and selling it to Israel and South Africa," he said. Ammann was able to convince Rich to provide him with more than 30 hours of interviews and access to colleagues which became part of his 2009 book "The King of Oil: The Secret Lives of Marc Rich." Rich explained how he created the world market in spot oil by writing the rules himself. That included bribing numerous heads of state, routinely breaking international embargoes and providing information to various intelligence agencies. Rich noted that "business is neutral." Rich believed that business had no politics because every politician had a business agenda – the price for rewarding his own country. [92]

Good staff was important to success, Amman noted. "The biggest advantage of Marc Rich and his company is that they were on the spot," he said. "They weren't dealing from the U.S. or Switzerland. There were on the spot. Let's say Iran after the 1979 revolution. They were there. In Angola, Cuba, Jamaica, South Africa. There were always his people working with local authorities. The commodity trade is often done by governments, so they really had the best contacts imaginable." Also key to success was being sure to pay off all the correct people and depositing the money in the correct offshore bank account without error. That required good information, and Rich's information was considered very good – he had provided information to various intelligence agencies, including the U.S. Ammann said Rich was not specific about which U.S. intelligence agencies. "He did not want to tell with whom he cooperated within the U.S. authorities or which branch of the U.S. government he supplied with intelligence," Ammann said. Rich made about $2 billion getting Iranian and Russian oil to South Africa, Ammann estimates. He also helped Israel get oil from Iran during the Arab embargo. "Rich confirmed to me that the Iranian government perfectly knew about it and they didn't care… Behind the scenes, they just wanted to sell their oil. They didn't care where it was going." Ammann looked at Rich as a business and organizational genius. "Rich was the very needed and useful intermediary," he said about the Iranian deals. "He was the one who brought their oil to the customer and converted it into foreign currencies. I really think they needed him as much as he needed them. This is sort of the principle of trading." [93]

The metals trades

Rich's earliest metal trades came in the mid-1950s while he was at Philipp Brothers, when he bought mercury at the outset of the Korean War and sold it to battery manufacturers for the Army. [94] After setting up business in Switzerland, Rich and Green soon profited from trades lifted from Philipp Brothers, especially in chrome and copper, which had been Ludwig Jesselson's specialty. In 1974, Marc Rich & Co. made deals with chrome mines in Iran and copper concentrators in Chile. [95] In the mid-1970s, Marc Rich & Co. took control of the copper business in the Philippines previously held by Philipp Brothers. [96] The company also made deals with the mineral-rich Soviet Union. Up until 1979, the Soviet Union sold only limited amounts of strategic metals on the international market through its small agency, Raznoimport, according to Copetas. The metals, including titanium, lithium, cadmium, vanadium, manganese and platinum, were often purchased by Marc Rich & Co., which also bought much of the Soviet Union's oil. Eventually the leaders of the USSR realized how much money they could make and expanded their business with Marc Rich & Co. In turn, the trading company helped the Soviets set up an office and residences in London. [97]

Perhaps Rich's most notorious metals deal came in the 1980s when he tried to corner the global tin market. The story began in 1975 when an Egyptian tin trader named David Zaidner was implicated in illegal financial transactions by his employer, Amalgamated Metals Corporation, including allegations Zaidner might have bribed a buffer-stock manager at the International Tin Council. By 1978, Zaidner was working for Marc Rich & Co. He moved to Malaysia, where he received a warmer reception from the government-owned Malaysian Mining Corporation. By the end of 1980, MMC had chosen Marc Rich & Co. as their trading agent and a secret operation began to corner the world's tin market, with Marc Rich & Co. and Zaidner purchasing tin around the world and combining their efforts with the resources of Malaysia. Between March 1980 and mid-1981, tin prices fell from $8.65 per pound to $4.33. In 1981, the tin-producing nations demanded that the International Tin Council raise prices, which was rejected. Mahathir Mohamad then ordered his company, MMC, to incorporate a subsidiary named Maminco Sdn. Bhd., which began purchasing tin futures contracts and tin ingot. [98]

Within five months, the price of tin increased to $7.50 per pound, which encouraged other tin-producing nations to increase production. At the same time, the Reagan administration ordered sales of the tin from the U.S.'s 200,000 ton strategic stockpile. A hard-pressed Hong Kong bank helped shore up MMC's effort to corner the tin market, which had amassed 50,000 tons of tin, with $570 million in credit. During all this time, the cornering scheme was kept secret from metals traders and other tin-producing countries. The scheme came to an end for two reasons. First, the London Metals Exchange, realizing many of its members could not possibly cover the costs of their maturing tin contracts without wiping out their capital, offered those members an escape route – members who could not meet their contracts could pay a modest per-ton daily fine. Second, Marc Rich & Co. executives began to investigate Zaidner's finances after they learned about his previous corrupt dealings in Indonesia. Alarmed that he had purchased so much tin and exposed the company to a huge shortfall, the company began to dump its tin holdings. By March 1982, world tin prices had fallen by more than 22%, and the entire scheme had collapsed. By 1985, world tin prices had slumped to record lows, and losses at Malaysian trading houses were estimated to range from $80 million to $190 million. [99]

The scheme proved to be a roller-coaster – at first Marc Rich & Co. made huge profits, but when the U.S. government sold tin from federal stockpiles, prices plummeted. [100] According to Copetas, Rich was interested in a shell game involving tin concentrates traded between Singapore, Thailand and Malaysia. The world trade in illicit tin was estimated at the time to be 10,000 tons per year with a market value of $40 million. By July 1981, Rich's local trader had conspired with Malaysian officials to hoard tin and drive the price up, but Rich had no knowledge of the scheme. Tin prices began to climb right away on the London Metal Exchange, but the U.S. government dumped tin from its federal stockpile in January 1982, forcing prices down, and the price had fallen by 22% by March 1982. Rich personally lost $60 million while the Malaysian government lost $150 million and were stuck with 60,000 tons of unwanted tin. [101] Copetas later wrote that it was Edmund Mantell, the executive in charge of Marc Rich & Co.'s Southeast Asia's operations, who struck the deal with Malaysia's prime minister in 1981 in which the trading company agreed to buy all of Malaysia's tin, stockpile it in Singapore and try to push up global tin prices. Prices, however, fell less than a year after the scheme initiated, and Marc Rich & Co. took a "$60 million bath" because they held onto the tin for too long. [102] The trading company's actions precipitated a crisis in the tin market and eventually forced the London Metal Exchange to discontinue trading tin as a commodity in 1985. By the end of 1986, tin prices had fallen from $17,000 per ton to $6,500, Forbes reported. [103]

Marc Rich & Co. bounced back quickly. By mid-1988, the trading company and its subsidiary Clarendon Ltd. were posting strong profits in the zinc and lead business. Rich had increased his share of the global zinc industry's $10 billion-per-year production to 10% by increasing the zinc concentrates he bought or refined from 200,000 tons per year to 1 million. He employed the same risky strategy he used in the aluminum industry by acquiring productive mining or mineral-processing facilities, according to Tully. He owned mines in Peru and Australia and held long-term contracts to purchase zinc output from operations all across Latin America. In 1987, the market price for zinc increased more than 40% to $1,450 per ton. Rich also made money in the lead industry, especially after his long-time rival Phibro stopped trading with South Africa in 1985 over the apartheid sanctions. Rich moved into South Africa as the exclusive sales agent for Black Mountain, one of the world's largest lead mines. He also bought Phibro's lead and zinc businesses in Peru and elsewhere at very low prices. [104]

In 1989, Marc Rich was accused by the Mexican government of collaborating with two other metals traders in an attempt to bankrupt the state-owned Cananea copper mine and take control of it at a bargain-basement price. According to the charges and testimony from 65 former and current Cananea officials, workers and internal auditors, Rich and the two others conspired to sell copper from Cananea at 5% below the world market price so the company would lose money, and that Rich tried to buy off company executives and manipulate copper sales contracts with Japanese and South Korean companies. Rich denied the accusations through a spokesman in Switzerland, saying, "To allege that such negotiations represent a conspiracy to seek control is errant nonsense." [105] The Anaconda Company had invested $6 million in the Cananea copper mine in 1906 and eventually took over the mine in 1929. The Mexican government nationalized the Cananea copper mining operation in 1971. [106]

Soon after Rich and Green fled the U.S. to avoid facing numerous federal charges, Marc Rich & Co.'s U.S.-based trading company was renamed Clarendon Ltd. Some U.S. officials became aware of the name change and grew concerned that the two fugitives were continuing business in the U.S. – including with the federal government. From 1988 to 1992, Clarendon Ltd. sold $45.5 million worth of metals to the U.S. Mint. The connection between Rich and Clarendon led to a Congressional investigation in 1991, and Clarendon was barred from all federal procurement programs in 1993. "Evidence exists that Clarendon Ltd. is affiliated with Mr. Marc Rich, and that Mr. Rich controls or has the power to control Clarendon Ltd.," Treasury Secretary Robert Welch told media. "Both the president of Clarendon Ltd., Willy Strothotte, and shareholder Alexander Hackel are longtime and close associates of Mr. Rich. This long history of business dealings, combined with the evidence of corporate relationships, strongly suggests that these individuals have maintained their ties to Marc Rich." [107]

In November 1990, Clarendon acquired several metals contracts belonging to Salomon Inc.'s Philipp Brothers unit, an acquisition which was expected to enhance Clarendon's power in aluminum, zinc, tin, nickel and copper concentrates. By early 1991, Clarendon

Ltd. had become possibly the world's largest trader of metals on the spot market. [108] In 1988 and 1989, Clarendon Ltd. sold nearly $30 million worth of nickel, copper and zinc to the U.S. Mint, according to U.S. Congressional investigators. Congress also discovered that Rich's company had entered into the metals contracts with assurance from the U.S. Mint that related documents and materials would be shielded from public scrutiny. [109] According to a 1993 House investigation, in fiscal year 1988 Clarendon Ltd. sold to the U.S. Mint $190,000 in copper and $2 million in nickel. Sales in following years included about $8 million in nickel and $496,680 in zinc in 1989, about $8 million in copper and $2 million in zinc in 1990, about $8 million in copper and $5 million in nickel in 1991, and about $4 million in copper and $533,577 in nickel in 1992. For the years 1988 through 1992, Clarendon Ltd. altogether sold $45 million in metals to the U.S. Mint. [110]

Rich's metals deals in the former Soviet Union did not always go smoothly. In April 1993, the government of the former-Soviet republic of Georgia announced it would not extend a contract with Marc Rich & Co. to sell 10,000 tons of copper concentrates for $24 million. The deal involved nearly half the republic's annual copper production. A spokesman for the government pointed out that any gold extracted from the concentrate that was mined and processed at the Madneuli plant must be repatriated to the republic. Russian smelters which had dealt with Madneuli in the past had returned to Georgia 330 kilograms of gold, but a war in the Abkhazia region within Georgia had temporarily halted delivery to Russian smelters, so the plant had turned to Rich for assistance during the crisis. [111]

The transition of the Soviet Union from communism to a free market nearly coincided with the transition of Marc Rich & Co. to Glencore, with varying results. In one case, the dumping of cheap Russian vanadium became an issue when the International Trade Commission notified the U.S. Department of Commerce of the matter on July 15, 1994. The Commerce Department began investigating by sending out questionnaires to the Russian Federation embassy and trading companies. Three of the trading companies did not respond to the questionnaires, including Marc Rich Co., and the Commerce Department completed a report on improper importing of ferrovanadium and nitrided vanadium from the Russian Federation to the U.S. on Dec. 7. The report was a notice of preliminary determination for sales at less than fair value in violation of the 1930 Tariff Act. On Dec. 19, the Commerce Department received a letter from Marc Rich Co., which by then was known as Glencore, asking for a second questionnaire. The Commerce Department rejected Glencore's request as untimely and uncooperative and stated that their "estimated dumping margins" or profits in the matter would be based on a special higher rate. [112]

Rich's connections to Sudelektra, the huge mining company that eventually became Xstrata and merged with Glencore in May 2013, go back to around 1990 when, after a career in spot oil markets and other commodities trading, he recognized the advantages of vertical integration and began buying mining assets through Sudelektra. Marc Rich & Co. became a majority shareholder in Sudelektra, and the publicly-listed company assigned exclusive marketing rights for its mineral production to Marc Rich & Co. Rich's initial idea was that mining assets would remain in the hands of Sudelektra, and the profits would end up in Marc Rich & Co. But as Sudelektra evolved into Xstrata, the company was very successful and grew quickly, becoming the world's largest exporter of furnace coal, the largest producer of ferrochrome and a leader in coking coal, copper, nickel and zinc. Outside investors saw their shares increase in value 30-fold. Rich, however, nearly bankrupted Marc Rich & Co. through zinc trades in 1993 and was forced to sell his entire stake in the trading company that bore his name to its management. As other problems closed in on Rich, including his fugitive status, he was obliged to sell his 51% stake in Marc Rich & Co. to his partners in 1993 for $480 million. Rumors at the time suggested that Marc Rich & Co., which became Glencore in 1994, would merge with Xstrata, the former Sudelektra. The merged companies by 2013 were worth more than 100 times what Rich got when he left. Bitter at being forced out, Rich went on to found another trading company called MRI Trading AG, which was eventually sold to Russian Crown Resources in 2001. [113]

Grain, Hollywood and hotels

In addition to oil and metals, another bulk commodity Rich traded was agricultural products, particularly grain, where opportunities existed in the nooks and cracks of subsidized government programs. Rich and Green started taking advantage of European grain subsidies in the 1970s soon after they formed Marc Rich & Co. By 1992, Marc Rich & Co. traded $30 billion in commodities worldwide and made $1 billion. A subsidiary specializing in grain trading, European des Cereales, took 16% of France's grain subsidies, worth $260 million in 1992 and equal to 9% of all grain subsidies paid by the European Agricultural Guidance and Guarantee Fund to France. In 1992, Marc Rich's trading companies made $480 million from European Community subsidies intended to help European grain farmers. In the U.S., a Congressional investigation showed that Richco Grain had received close to $100 million in U.S. grain subsidies between 1985 and 1992. [114] In 1989, Congress discovered that Richco Grain had earned nearly $100 million in sales through an Agriculture Department program designed to help foreign nations purchase U.S. wheat and barley. The program subsidized grain exports by paying traders the difference between the domestic and world prices for wheat and barley. The traders were paid in surplus grain, which they were free to sell at global market prices.

Congressional investigators believed Richco Grain sold its bonus grain to the Soviet Union, Saudi Arabia and China. [115]

President George H.W. Bush had approved generous subsidies for a $260 million grain sale to the Soviet Union in May 1989, amounting to 1.5 million tons, according to Jack Willoughby's 1989 account in Forbes. One benefactor of the sale was Marc Rich & Co., despite a $400,000 to $500,000 reward offered by the U.S. Internal Revenue Service for the arrest of Rich and Green. At the time Rich owned a large home in Switzerland and a multimillion dollar estate on Spain's Costa del Sol. Forbes magazine estimated Rich and Green's net worth at $1.5 billion. After fleeing criminal charges in the U.S., Rich had continued to trade grain through Richco Grain, which took in $65 million in subsidies from U.S. grain deals, Forbes reported. Richco Grain was one of 40-some grain dealers approved to participate in the U.S. Export Enhancement Program, which was originally designed to help American exporters compete in the international market against heavily subsidized European grain companies. To participate in the exclusive group, a dealer had to convince the Agriculture Department that it had the experience, the financial resources and the legal means needed to deal with the government. Richco Grain maintained an office in Stamford, Conn., but Forbes noted the irony of a European grain dealer benefiting from a U.S. program designed to help U.S. companies compete against European grain dealers. [116]

One reason Richco Grain could continue operating in the U.S. was because of a settlement Marc Rich & Co. and Clarendon Ltd. had made with the Internal Revenue Service in 1984 – in exchange for a $150 million payment to the U.S. government plus $21 million in contempt fines and the elimination of $40 million in tax deductions, U.S. attorneys had granted a waiver which allowed Marc Rich & Co., Clarendon Ltd. and other Rich companies to deal with the U.S. government – so long as they were not seen as "alter egos" of Rich or Green, according to Willoughby. The definition of an alter ego was open to interpretation and didn't apply to Richco Grain even if it shared the same address in Connecticut as Clarendon Ltd. Forbes noted that when Rep. Dan Glickman asked Agriculture Undersecretary Richard Crowder how the U.S. government could pay such large subsidies to a fugitive, Crowder replied that he didn't know who Marc Rich was, according to Willoughby. [117] The House investigation of Richco Grain concluded in November 1989. At Rep. Glickman's request, the Agriculture Department suspended subsidy payments to Richco Grain for the sale of grain to the Soviet Union. The outcome was attributed partially to a news-breaking story on the subsidies by Forbes magazine. [118]

Beginning in 1996, a Rich company called Novarco Ltd. set up 17 offices across the U.S., in New York, Connecticut, Texas, Kentucky, the District of Columbia, Missouri, Louisiana and Pennsylvania, according to a 2013 story by investigative reporter Roger Friedman. With headquarters in Zug, Switzerland, Novarco handled oil, grain and other commodities trading for Rich, who had not yet been pardoned by President Clinton. Novarco had been registered with the Agriculture Department as a licensed exporter since 1995. Friedman claimed Novarco was just another example of company name-changing by Rich, who traded commodities as Marc Rich & Co., Clarendon and Glencore. [119] One of Novarco's top officers, Clyde Meltzer, was indicted with Rich in 1983 for participating in illegal oil sales and creating illegal "daisy chains." Meltzer was given a three-year suspended sentence and placed on probation for five years. [120]

Rich took an unusual turn away from the commodities trading world in 1981, two years before he fled the U.S. as a fugitive, when he invested heavily in the entertainment industry, becoming the secret partner in a $722 million purchase of 20th Century Fox. [121] According to Copetas, Rich was in need of a tax shelter in spring 1981 as Marc Rich & Co. accumulated about $1.2 billion in cash. He contacted Marvin Davis, a Denver, Colo., oil man who had just made $650 million selling oil wells in the Beaufort Sea to Hiram Walker, the whiskey distiller. Davis was keen on acquiring 20th Century Fox, and Rich was ready to go along if he could keep his name out of the public eye. Rich established a corporation in the Dutch Antilles called Richco Holdings which purchased 50% of TCF Holdings, a private holding company formed by Rich and Davis to purchase Fox. Once word got out that Rich was a secret owner of Fox, he immediately saw the advantages that the purchase had on his international commodities trading, especially in light of personal contacts with the rich and famous. Rich also developed relationships with two members of the Fox board of directors – former President Gerald Ford and former Secretary of State Henry Kissinger. Kissinger's first visit to Rich's office took place in early 1982. Over time, Kissinger made at least 10 visits to Rich's offices, according to Copetas, and one witness believed their relationship was like "childhood friends." [122]

Marvin Davis at the time was nearly a billionaire, a former garment manufacturer who had done business with Rich in the past, according to a 1984 Forbes article. He and Rich put up $172 million of their own money in June 1981 and borrowed $550 million from banks, led by Chicago's Continental Illinois. The banks gave Davis and Rich until Dec. 31, 1981, to repay the loans. Rich stayed in the background and let Davis manipulate the assets, which to some observers was difficult to determine. Davis' plan was to break the company up into marketable pieces and sell enough of them to pay off the bank loans without losing the valuable pieces of the company. Divided into small but valuable chunks, the company's assets could then be used as collateral to pay off the loans. The bank loans were then transferred from Davis and Rich to 20th Century Fox itself. In early 1982, Fox paid Davis and Rich proceeds from its valuable assets – $328 million, enough to pay off what was left of the original loans used to purchase the company. All that was left to account for was the $172 million of personal investment. [123]

Among the assets that were sold were the Pebble Beach Golf Club and a ski resort in Aspen, Colo. According to the Hollywood Reporter in 2013, Davis sold pieces of Pebble Beach to Aetna Insurance for $184 million and nearly 10 years later sold the rest of the golf club for $840 million – more than Davis and Rich had paid for all of 20th Century Fox. Other assets that were sold included Coca-Cola bottling plants, movie theaters in Australia and New Zealand, Fox's music publishing business and real estate in Century City, in Los Angeles. [124] By September 1982, Davis and Rich had only $79 million of their own money in the company. In 1983, the two took $66 million from Fox, in 1984 they took $145 million more, and for the tax years 1983 to 1984 Fox paid $66 million more to help Davis and Rich pay their income taxes. Then in December 1984, Davis and Rich made complex business agreements between Aetna Insurance and Fox with regard to Fox's land operations in Aspen, Pebble Beach and Century City. By August 1984, Davis and Rich had taken enough money out of Fox to repay the $550 million purchase debt, the $172 million purchase equity and still be $300 million ahead. At this point, ownership of the company became murky, according to Forbes. When Davis and Rich initially purchased Fox, only Davis' shares counted for voting purposes, and it was never clear how much of the company Rich owned. [125]

Early in the partnership, Rich thought Davis wasn't selling assets fast enough, and in January 1982 he filed a petition with the Securities and Exchange Commission to get equal voting rights in Fox with Davis. The petition came too late, as Rich was indicted on 65 criminal charges in 1983, including tax evasion, wire fraud, racketeering and selling oil for Iran. [126] Rich was under investigation by the Justice Department by summer 1982 for illegally selling price-controlled oil and failing to pay $48 million in U.S. taxes, and he fled to Switzerland before he was indicted. Davis had closed numerous oil deals with Rich in the 1970s, but there was no indication that he was aware of Rich's illegal oil trades, according to Ben Block's 1984 account in Forbes. Once Rich was a fugitive living in Switzerland, Davis announced he would buy out Rich's shares in Fox, and the U.S. government approved the deal. The purchase price was never disclosed publicly, but a Justice Department insider said it was close to $116 million, all of which went to pay off tax debts for Rich and his companies. By December 1984, Davis was the sole owner of Fox's remaining valuable assets, including 25% of Aspen, Pebble Beach and Century City, worth more than $500 million; the Fox film library, worth at least $400 million; and the active film and television production business, worth more than $400 million. [127] Davis sold half of 20th Century Fox to Rupert Murdoch for $250 million, and Davis pocketed $162 million of that as his personal share. Davis then sold the rest of 20th Century Fox to Murdoch in September 1985 for $325 million. When Davis died in 2004, his net worth was estimated at more than $5 billion, but lawsuits over his estate uncovered that he was actually broke. [128]

Over the years, Rich also invested in hotels. Rich told an interviewer in 1992 that Marc Rich & Co. had invested 500 million Swiss francs in real estate, tourism and industrial shares. The company made a profit of 50 million Swiss francs after owning the Tryp Palacio, a luxury hotel in Madrid, for only three years. His company owned five hotels in Spain and Portugal. Marc Rich & Co. also invested 140 million Swiss francs in Carnicas de Madrid, a bankrupt meat-packing company, which was then resold intact. He said the company had plans to invest $50 million to $100 million in homes for the elderly in the Madrid area. Tryp, a Spanish hotel conglomerate, was providing business advice to Marc Rich & Co. for investments in Eastern Europe. In April 1991 the company began negotiating with the Romanian government to take over the Palace Athenee, a legendary hotel in Bucharest. Five hotel projects were planned in Eastern Europe with a total investment of $250 million to 300 million. [129] By mid-1992, Marc Rich & Co. had signed major trading agreements with Romania and Bulgaria, and Rich bought the Athenee. [130]

In September 1983, as Rich, Green and their trading companies faced a 51-count indictment that included tax evasion, racketeering, mail fraud, trading with the enemy and other charges, Fortune magazine reported on Marc Rich and his growing notoriety. "In the highly secretive and tightly knit fraternity of international commodity traders, Belgian-born Marc Rich is known for his encyclopedic mind and his insatiable appetite for work," Fortune said. "Though only in his late 40s, he began trading about 30 years ago at Philipp Brothers, now Phibro-Salomon." [131] It was the Texas "daisy chain" that set the wheels of justice in motion against Marc Rich and Pincus Green. But even facing $50,000-a-day fines for failing to produce documents, he continued to conduct trades out of his New York office. Finally, following the notorious "Steamer Trunk Affair," Rich and Green fled the U.S. for the safety of Switzerland – and much of the rest of the world. Continuing his commodities trading in the U.S. proved no more difficult than making deals in Third World countries – government bureaucrats just didn't pursue him. There were half-hearted attempts to track him down and indignation at Congressional hearings, but the fugitive traders remained at large until finally they were granted presidential pardons.

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