Chapter 49

Fugitive trader

It was oil trading that first brought fabulous wealth to Marc Rich and Pincus Green, and it was oil trading that tripped them up and sent them fleeing from the U.S. The criminal case against the two global traders developed after two Texas oilmen were indicted for falsifying the offshore origin of what was purported to be domestic oil, in violation of U.S. domestic oil regulations in place at the time. The two men offered evidence against Rich and Green in exchange for lighter sentences. [1] During the oil shortage of 1979 and 1980, Marc Rich & Co. sold crude oil from Nigeria to the Atlantic Richfield Co. which, unwittingly according to one of its lawyers, fed this oil into a "daisy chain" scheme. ARCO had turned to Marc Rich & Co. after the Khomeini regime in Iran refused to sell it oil, losing about a quarter of its supply, and then was turned down by Nigeria. Marc Rich & Co. sold ARCO 27 million barrels of Nigerian oil and collected $120 million in commissions. But in fall 1979, an ARCO pipeline employee reported that ARCO's oil was being bought and sold by as many as 16 companies, including ARCO and a Panamanian subsidiary of Marc Rich & Co. named Rescor. The Texas oil scheme led to tax evasion charges against Rich and Green. Ironically, the oil price regulation that tripped up Rich ended one week after President Reagan took office in January 1981. [2]

In 1983, federal officials requested documents relating to oil trading activities by Marc Rich & Co. in order to obtain an indictment against Rich and Green, along with principal directors and officers of Marc Rich & Co., for criminal violation of U.S. tax laws. A U.S. district court and court of appeals asserted jurisdiction over the Swiss trading company, even though the company did not engage regularly in business in the U.S. and the courts ordered the documents from a site in Switzerland. Swiss law prohibited the disclosure of business secrets, and Marc Rich & Co. submitted an affidavit from a law professor at the University of Zurich stating that by complying with the U.S. court order, Marc Rich & Co. would probably violate Swiss law. [3] According to U.S. Justice Department allegations made in 1983, Marc Rich & Co. illegally diverted $20 million in profits from its subsidiary in New York City to its headquarters in Zug, Switzerland, in 1980. [4] When Marc Rich & Co. failed to produce the requested documents by June 1983, Judge Leonard Sand imposed a $50,000 a day fine on the trading company. When the fine totaled $1.35 million in August, the company paid up and then 11 days later paid another $1.25 million. At that point, the government's actions were aimed at Marc Rich & Co. and its subsidiaries, but not at Marc Rich himself. [5] According to one account, Rich later paid the $50,000-per-day fine by check twice a week. [6]

In June 1983, in a move to protect their U.S. financial interests, Rich and Green sold their U.S. trading subsidiary, Marc Rich & Co. International Ltd., to Alexander Hackel who renamed it Clarendon Ltd. Willy Strothotte was made chief operating officer and later president of Clarendon. Judge Sand called the move a "ploy" to avoid paying the hefty daily fine, noting that Clarendon employed the same people as Marc Rich & Co. International and had its headquarters in the same offices in Zug, Switzerland. [7] In late July, the federal court froze the new company's accounts, which had an immediate effect on the company – business shrank from $130 million to $1 billion as Clarendon sought credit lines. [8] Marc Rich & Co.'s assets were held by various firms, including Exxon, Shell, Citicorp and Chase Manhattan. Lawyers for Clarendon included Peter Fleming and Edward Bennett Williams. [9] Meanwhile, Rich was trying to sell his half interest in 20th Century Fox to raise the needed money to maintain U.S. trade deals and handle his growing legal costs. [10]

On the loose

While federal officials investigated charges of tax evasion against Rich and Green and Williams negotiated with the government in June, Rich and Green left the U.S. Williams offered the U.S. government $100 million to resolve all matters pertaining to Rich, Green and their companies, but the prosecutors turned down the offer and stated that the two men would have to plead guilty to felonies and face jail terms. [11] Rich and Green by then faced a total of 300 years in prison for 51 charges of conspiracy, tax evasion, racketeering and trading with the enemy. Once in Switzerland, they were protected by an extradition treaty with the U.S. that predated U.S. income tax law. The treaty allowed persons to be extradited for murder, rape and mayhem, but none of the charges that Rich or Green faced. The two fugitive traders hired numerous expensive attorneys to fight the case in the U.S., including Michael Tigar and Boris Kostelanetz. U.S. courts blocked $50 million in payments owed to Marc Rich & Co., and there was talk of property seizures. Rich complained that if he surrendered the documents, he would be guilty of business espionage under Swiss law. [12]

The FBI eventually put Rich on their "most wanted" list, and the IRS offered a $500,000 reward for his capture. The man who was known as the world's biggest trader in metals and minerals had become the world's most famous fugitive. [13] But Rich and Green possessed both the smarts and the funds to remain at large – Rich also reportedly had multiple citizenships, including Spain, Switzerland and Israel. On Aug. 16, 1982, Rich appeared at the Bureau of Vital Statistics in Madrid, where he took an oath to the Spanish King, swore to obey Spanish law and renounced his American citizenship. Over the years, Spanish became the language he used with his daughters as they grew up. [14] On Jan. 20, 1988, U.S. District Judge Thomas P. Griesa determined that Rich's renunciation of his American citizenship in order to obtain Spanish citizenship was unsuccessful. Rich and Green obtained Israeli citizenship in mid-July 1983 – not long after they fled the U.S. [15] Green reportedly also became a Bolivian citizen by 1984. [16]

Faced with the inability to obtain the financial credit needed to function as an international commodities firm, Marc Rich & Co. began negotiations with U.S. courts over the contempt issues. To rein in the company, the federal government served restraining notices on virtually every financial institution and company which conducted business with Marc Rich & Co. until the company was forced back into court. On Aug. 5, 1983, lawyers representing the trading company reached an agreement with the court by which the company agreed to pay more than $1 million in accumulated contempt fines and immediately produce all subpoenaed documents or else continue to pay the contempt fines. Then on Aug. 9, in what became known as the "Steamer Trunk Affair," federal officials received an anonymous tip that many of the documents under subpoena were being smuggled out of the U.S. by a paralegal working for a law firm representing Marc Rich & Co. Two unmarked black steamer trunks filled with subpoenaed documents were seized by U.S. Customs Service from a Swiss Air flight leaving New York City. Judge Sand then ordered the production of every subpoenaed document from every Marc Rich & Co. subsidiary throughout the world. [17]

Marc Rich & Co. claimed the documents were merely being shipped to Switzerland for review prior to turning them over to U.S. authorities. The company already had turned over 252 cartons of documents, paid $2.6 million in contempt fines and put up $55 million in securities as collateral for any future fines, but Judge Sand was not satisfied. The Swiss government in turn complained about heavy-handed tactics by the U.S. government. [18] Judge Sand set an Aug. 15 date for all subpoenaed documents. [19] As the company began producing the documents, the Swiss government moved on Aug. 15 and seized all of the unproduced documents remaining in the trading company's headquarters in Zug. The seizure of the documents by Swiss officials made it possible for Marc Rich & Co. to argue that it could no longer produce the subpoenaed documents because they were in the possession of the Swiss government. [20]

Based on what was found in various seized documents, a Manhattan grand jury indicted Marc Rich & Co. and its wholly-owned U.S. subsidiary, Marc Rich & Co. International for allegedly concealing more than $100 million in taxable income in 1980 and 1981. The case involved one of the largest tax evasion schemes in U.S. history, prosecutors announced. According to the indictment, Marc Rich & Co. International diverted income through sham transactions by buying oil at artificially high prices from Marc Rich & Co., which did not file U.S. income tax returns. The indictment charged that Marc Rich & Co. International purchased domestic oil under federal price controls and then passed that oil through a "daisy chain" of other oil traders, with Marc Rich & Co. eventually repurchasing the oil and reselling it at illegally high prices. To avoid paying taxes on the profits of these activities, Marc Rich & Co. set up another series of transactions in which other traders would bill Marc Rich & Co. at much higher prices for oil than Marc Rich & Co. actually paid. The profits were sent on to Marc Rich & Co.'s overseas operations. [21]

After 18 months of investigation, the 51-count indictment brought in September 1983 against Rich, Green, Clyde Meltzer, Marc Rich & Co. AG, Marc Rich & Co. International Ltd. and Listo Petroleum included a racketeering count, various mail and wire fraud counts, tax evasion for Marc Rich & Co. International's 1980 and 1981 returns, and a count of trading with the enemy involving Rich's secret oil deals with the Iranians during the Iran oil embargo and hostage crisis. At the time of the indictment, Marc Rich & Co. AG, the parent company, was the second largest commodities trading company in the world. [22] Rich and some of his associates were accused of evading $48 million in U.S. income taxes. Marc Rich & Co. International was accused of illegally making $71 million in profits which was shipped outside the U.S. The 1981 tax return for the U.S.-based subsidiary had only showed a profit of $2.4 million. While investigating the case, U.S. attorneys also discovered that Rich and Green allegedly violated a presidential embargo against Iran when they purchased 6.2 million barrels of oil worth $200 million from the Khomeini regime during the 1980 hostage crisis in Iran. Rich and Green faced 325 years in prison, $500,000 in fines and millions of dollars in asset confiscation. Hoping to return to the U.S., Rich had tried without success to plea bargain his case down to four or five years in prison in exchange for a halt to the investigation, but by September 1983 justice officials believed he had abandoned hope of returning to the U.S. and had sought citizenship in Spain. [23]

The district court's decision set a new federal standard of jurisdiction in criminal cases, Debra Pogrund Stark wrote in the Northwestern Journal of International Law & Business in 1984. Neither Congress nor the U.S. Supreme Court had stated a clear federal standard of jurisdiction for use in criminal cases. Until then, the primary theory of jurisdiction was the "presence or doing of business test" for criminal cases and the "transaction of business test" for civil cases. The court of appeals found a technical violation in the district court's decision, but the district court's use of the "transaction of business test" for jurisdiction in a criminal case was implicitly validated. The logic used by the appeals courts included several points: 1) both the conspiracy to evade the income tax laws and at least some of the conspiratorial acts occurred in the U.S.; 2) Marc Rich & Co.'s alleged violation of U.S. tax law occurred with the cooperation of the U.S. subsidiary Marc Rich & Co. International, which was authorized to conduct business in New York City; and 3) two of the five board members of Marc Rich & Co. and of Marc Rich & Co.International resided in the U.S. [24]

"It is the biggest tax-fraud case ever brought in U.S. history," U.S. Attorney Rudolph Giuliani, the lead prosecutor, said following the indictment. Giuliani acknowledged that he anticipated difficulties dealing with Swiss authorities. Shortly after the two steamer trunks were confiscated, the Swiss government had seized more documents from Marc Rich & Co.'s headquarters in Zug to protect them under Swiss corporate-secrecy laws. The Swiss government said the documents could be made available in three weeks if the U.S. applied formally under a mutual-assistance treaty, but the U.S. refused. Giuliani claimed the documents seized in the steamer trunks confirmed the contents of documents seized in Zug by the Swiss, which made a formal application unnecessary. "I've been involved in a lot of different cases in which the Swiss government has concealed records of drug dealers and income-tax evaders and swindlers," Giuliani said. Other experts agreed by pointing out how Swiss secrecy laws were being abused. After a new treaty between Switzerland and the U.S. was made in 1977, the U.S. government requested records 250 times and were only refused twice, and in 1982 the Swiss government for the first time agreed to provide the U.S. Securities and Exchange Commission with information regarding insider-trading allegations. Many experts and U.S. government officials agreed that the days of Swiss secrecy laws helping criminals were ending. [25] Giuliani went on to serve as mayor of New York City from 1994 through 2001. He unsuccessfully ran for the U.S. Senate in 2000 and for U.S. President in 2008.

The Clarendon case

From the middle of September to the end of October 1983, as Rich and Green scrambled to raise funds to save their businesses and address legal costs, Clarendon Ltd. dumped 60,000 tons of refined copper on an already weak international market, selling to any metals traders they could find. Rich was difficult if not impossible to locate, and his companies were said to be holding large stocks of silver, gold, platinum and base metals which might also be dumped on the market. The copper sold by Clarendon in the six-week period amounted to about 15% of all the copper held in vaults approved by COMEX, the commodities and futures trading market based in New York City. COMEX officials expressed disapproval about the dumping, which caused copper prices to fall 15%. [26]

Analysts believed the metals dumping was related to the freezing of Marc Rich & Co.'s assets by U.S. courts – including a Sept. 30 Internal Revenue Service lien against Clarendon. On Oct. 28, Richco Bullion, a London-based Marc Rich & Co. firm that speculated in silver and gold, announced it was suspending trading as a consequence of court orders, as did Richco Bullion's U.S. operation, Richco Capital. Unlike the Richco firms that speculated in metals, Clarendon was said to have come by its large metals holdings by conventional means – it bought raw copper ore from copper mining companies, processed the ore through tolling contracts, stored the finished copper and then traded it. To protect itself against declines in copper prices before it sold the final product, Clarendon sold futures at COMEX, thereby providing a minimum profit between the cost of producing the copper and the sale of futures contracts. The squeeze on its operations by court orders was hurting its position at New York and European markets, and Clarendon faced the possibility it would have to buy back its own futures contracts on copper. [27]

U.S. District Judge Richard Owen issued a two-page ruling against Clarendon Ltd. on Oct. 25, 1983. The trading company had contested an IRS jeopardy assessment of about $90 million for unpaid taxes, penalties and interest for the tax years 1980 and 1981. Giuliani represented the U.S. in the case brought by Clarendon. Judge Owen saw two issues to decide – whether the jeopardy assessment was reasonable and whether the amount assessed was appropriate. He ruled that the jeopardy assessment was reasonable based on two conditions in U.S. law: 1) "The taxpayer is or appears to be designing quickly to depart from the United States or to conceal himself," and 2) "The taxpayer is or appears to be designing quickly to place his property beyond the reach of the government either by removing it from the United States, or by concealing it, or by transferring it to other persons, or by dissipating it." [28]

Judge Owen noted that Clarendon's assets had shrunk from $1 billion to $261 million from March to August 1983, "during the time of government investigation of the entire Marc Rich operation which culminated in an indictment on massive tax and R.I.C.O. charges in September 1983." He added that "substantial amounts of these assets were used to pay off debt guaranteed by Marc Rich & Co. A.G., Clarendon's former parent company, of which Marc Rich is a major stockholder, rather than being kept in use by Clarendon in the normal operation of its business." He also took note of "Marc Rich & Co.'s multimillion dollar fines already accumulating in another proceeding pending in this court dealing with Marc Rich's failure to turn over documents subpoenaed by a grand jury." Judge Owen pointed out that all of this coincided with "a secret shipment of its documents to Switzerland in August 1983, notwithstanding their being under subpoena by a grand jury in this court" and "Clarendon's long expected indictment on tax and other charges." As for the amount of money sought by the IRS, Judge Owen said the $90 million figure came from the IRS's indictment of Clarendon and had been "duly voted" by a grand jury. "I did not sense a contest on this issue on this record," he concluded. [29]

By early 1984, Clarendon Ltd. was facing so many hurdles in the financial dealings necessary to trade in metals commodities that it was "all but extinct," according to Shawn Tully and Ford S. Worthy's 1984 account in Fortune. In the meantime, Marc Rich

& Co. AG was doing a brisk business in aluminum and other metals but had closed up shop in trading gold, sugar, grain and some other commodities. Oil trading, one of Rich's specialties, was not doing well because so many oil-trading firms needed to check all their dealings with Rich through lawyers before finalizing deals. Meanwhile, the $50,000-per-day fine continued to be levied by the U.S. government and filed at a federal courthouse in New York City. Trial was set for March 1984 for Rich and Green. [30]

The U.S. government requested Rich and Green's extradition from the government of Switzerland on July 20, 1984. The Swiss denied the request on all counts on Sept. 25. According to Swiss law, the acts Rich and Green were accused of "qualified as fiscal violations" and were violations of "provisions concerning currency, trade policy and economic policy" and therefore were not offenses for which extradition could be enforced. [31] The May 1900 Swiss-U.S. extradition treaty covered cases involving murder, arson, robbery, embezzlement, forgery, abduction and rape, piracy, destruction of railroad property and perjury. [32] No further extradition requests were made to the Swiss government by the U.S. for Rich and Green. The U.S. also never requested Rich's extradition from Spain after the Spanish government said that "as a Spanish citizen Rich is not subject to extradition." Justice Department officials believed Green's Israeli citizenship would pose a similar problem for extradition if he was found in Israel. Nonetheless, the Justice Department made requests for Rich's provisional arrest five times in several different countries after 1984 without success. [33]

In what the federal prosecutors hailed as a victory in the U.S. government's largest corporate tax-evasion case, Marc Rich & Co. AG and Clarendon Ltd., the former Marc Rich & Co. International, settled out of court in mid-October 1984 and paid the U.S. government a record $200 million in back taxes, interest and fines. The settlement freed up assets held by the two companies so they could pay back $130 million owed to 14 banks and so Rich could sell his half ownership in 20th Century Fox for $116 million. Both Rich and Green remained in Switzerland safe from U.S. criminal charges of tax evasion, fraud and racketeering. [34] Marc Rich & Co. AG and Clarendon Ltd. pleaded guilty to 38 counts of tax evasion, wire fraud and false statements. Clyde Meltzer, the owner of Listo Petroleum, pleaded guilty to aiding and abetting Clarendon's tax evasion scheme. Marc Rich & Co. AG and Clarendon paid $150 million to the government along with $21 million in contempt fines, $780,000 in court fines and $33,000 in court costs. Clarendon also gave up about $40 million in tax deductions. Rich raised the money for the fines and penalties by selling his 50% interest in 20th Century Fox to Marvin Davis, who owned the other half of the company. The government stated that Rich and Green were still subject to prosecution but agreed that it would not "in connection with the individual liabilities of Marc Rich and Pincus Green alleged under the Indictments, seek to restrain or enjoin the business or assets of the Corporations and the subsidiaries." [35]

The tax charges against Rich, chairman of the board of both companies, and Green, a board member of Marc Rich & Co. and second in command at Clarendon, remained. [36]

The payoff was itself newsworthy. The money exchanged hands at the federal courthouse at Foley Square in New York City on Oct. 11, 1984. "It was like an E.F. Hutton commercial," Martin Auerbach, a former federal prosecutor, recalled in 1990. "Twenty lawyers in a room. Marvin Davis's lawyer handed Rich's lawyer a $116 million check for 20th Century-Fox; Rich's lawyer handed Chase Manhattan's lawyer a $130 million check for the money owed the bank and Chase Manhattan's lawyer handed Sandy Weinberg (the federal attorney who charged Rich and Green) a check for $133,081,306.76. It was real dramatic and very quiet. All anyone could do was gawk when the checks were signed over." [37] Giuliani held up the check drawn on Chase Manhattan Bank for the press and described the settlement as "the largest amount of money ever recovered by the United States in a criminal tax-evasion case." He also said he would not accept a plea bargain for Rich and Green unless it would "expose them to substantial prison terms." [38]

Rich goes public

Two years later, Rich was interviewed by Shawn Tully for Fortune magazine. By the time of the November 1986 interview, Rich had mounted an expensive public-relations campaign and employed generous charitable giving to re-establish respect in Switzerland after his run-in with U.S. authorities. He also had hired expensive and well-connected attorneys to negotiate an end to his fugitive status, including Leonard Garment, a former special counsel on the Nixon White House staff, and Robert Gray, a Washington, D.C. public relations consultant who once served on President Eisenhower's Cabinet. After failing to negotiate a favorable plea bargain, Rich's lawyers had turned to finding fault in the tax evasion case in hopes the government would drop the matter. The lawyers had also considered a public relations campaign in the U.S. In 1984, Frank Mankiewicz, the former head of National Public Radio, traveled with Gray to Switzerland to meet with Rich. Gray had advised Rich to meet with U.S. media interviewers after seeing some success with Swiss and other European media. [39]

"No other journalist had ever spoken to the shy, secretive Rich," Tully recalled about the 1986 interview in 2013. When he initially approached Rich about an interview, Rich sent Garment to interview Tully first. Garment told Tully that Rich had gathered together a group of close friends and advisors from all over to discuss whether he should grant the interview, and Garment said he recommended that Rich do the interview. While Swiss officials in Zug were unwilling to talk to Tully, Rich was "amazingly confessional and candid," providing financial numbers no other reporters knew about, Tully recalled. [40] Marc Rich & Co. AG by November 1986 was the largest commodities trading company in the world. The firm earned more than $100 million before taxes in 1985 on a trading volume of $12 billion and with capital assets of about $950 million. Headquartered in a six-story cube-shaped building of blue reflecting glass where soft jazz and popular music filled the halls and elevators, the firm continued to be controlled by a triumvirate of Rich, Green and Hackel, who owned most of the company's shares. About 100 employees also owned stock in the company. [41]

"We're not sexy or speculative," Rich told Tully in his first-ever media interview. "We buy commodities only after lining up a buyer first, and take a small markup or commission. Buying commodities any other way is incredibly risky." Rich talked about his break up with Philipp Brothers and "trading legend" Ludwig Jesselson in 1973. "Jesselson talked about handing over responsibility to me, but he really didn't mean it," Rich said. "He still wanted to control the company." [42] Rich told Tully that Marc Rich & Co. AG traded about 900,000 barrels of crude oil per day and another 400,000 barrels per day in naphtha and other petroleum products. A head oil trader at Chevron International commented that Rich had "good standing with the majors" and always fulfilled his contracts. [43] "I've been portrayed in a horrible way, as a workaholic, a loner, a money machine," Rich told Tully. "It's not a true picture. I want very badly to be able to go back. I think about the United States every day. My mother is there and my in-laws. It's a generous country that accepted my parents and me. What happened to me was an unfortunate chain of events that hasn't shaken my faith in the United States." [44]

Rich told Tully that he was a modest and quiet person who had never done anything illegal and didn't like the notoriety attached to his name. "People point and gesture when I walk into a restaurant," he said. His hilltop home, named Himmelreich, German for paradise, was a chalet-type home decorated with Rich's collection of Miros and Giacomettis. [45] According to Fortune, Rich chain-smoked cigars and downed Diet Cokes in the five-bedroom chalet overlooking an alpine lake in the picturesque village of Zug. Rich also owned a ski chalet in St. Moritz. [46] Pincus Green entered the room during the interview. An Orthodox Jew from Brooklyn, Green had avoided extradition by becoming a Bolivian, Tully reported. He was known to fly coach and drive a mud-splattered Oldsmobile around Zug. Nicknamed the "Admiral," Green was "practically a walking database of shipping rates, especially for oil tankers," Tully reported. [47] Green had kept his old ways – he was devoutly religious with a home in the Enge Jewish quarter of Zurich, where he rushed to every Friday afternoon to begin the Sabbath. [48] Tully also met Rich's wife, Denise Rich. She recounted how Rich had invited her on a date on New Year's Eve in 1965. She had agreed to go if he could find dates for her roommate and another friend, and Rich had complied. She also described how she and Rich once got lost while skiing on an unmarked trail at Squaw Valley. They kept walking and were found nearly frozen to death two days later. [49] Denise had become a European poprecording star with a song that sold 750,000 copies in 1985 and was a No. 1 hit in Britain for six weeks. [50]

Tracking the fugitive

U.S. marshals and international executives operating under the code name Otford Project were tasked with bringing Rich back to the U.S. for two decades following his indictment. [51] Rich was nearly captured by British authorities at Heathrow Airport in July 1986. He had flown to England aboard Swissair perhaps to visit his wife, whose pop hit "Frankie," sung by the rock group Sister Sledge, had become a No. 1 hit in Britain. As he was heading for the departure gate at the end of his trip, Rich noticed numerous security personnel near the gate. What Rich didn't know was that a dragnet was in place to capture terrorists. He hustled to a public telephone booth and hid three checks made out to himself totaling 1.6 million pounds in a phone book. The checks were eventually turned over to British authorities, but by then Rich had boarded his Swissair flight and flown home to Zug. [52]

The Justice Department requested that Interpol issue a Red Notice for Rich and Green on March 4, 1987. Interpol issued the notice in April. By 1992, when a U.S. House subcommittee hearing was held about Rich and Green's fugitive status, no European countries had ever detained the two traders, and the Justice Department had not issued wanted posters or offered a reward for their capture. The U.S. Marshals Service dispatched agents several times to Europe between 1984 and 1987, including to Zug, to investigate their whereabouts. The Justice Department received a total of 50 leads from legal attaches stationed abroad between 1984 and 1988 and another 30 leads from Interpol between 1984 and 1991. Justice Department personnel reported having numerous contacts with legal representatives for Rich and Green seeking some kind of plea arrangement between 1984 and February 1990. They informed the subcommittee that "Rich and Green must be prepared to surrender and enter guilty pleas to some or all of the pending charges before any other terms and conditions could be discussed." [53]

Rich had another close encounter with authorities in November 1987, according to A. Craig Copetas' 1990 account in Regardie's Magazine. A U.S. Marshal deputy code-named Chameleon who was assigned to the Otford Project reportedly drove to the Biggen Hill airport in Kent, England, with members of the British Fraud Squad following up on a tip from a European businessman that Rich was on his way from Zurich to England aboard a Gulfstream jet to attend a weekend party. Fog dense enough to be called "the worst fog to hit England in 27 years," however, forced the Gulfstream to turn around somewhere over Germany and return to Zurich. Chameleon had been on the hunt for Rich since 1983. Shortly after Rich became a fugitive, Chameleon sent a personal message to him saying, "The team can afford to make as many mistakes as it wants in trying to capture you. You can't afford to make one." According to sources familiar with Rich's travels, Rich was very nervous about being followed and was always accompanied by a trio of former Israeli soldiers carrying Uzi machine guns. Rich reportedly changed his bodyguards every few months to prevent them from becoming too familiar with his routines. [54]

According to a 1988 report in Fortune by Shawn Tully, Rich was living in a $9.5 million Moorish-modern estate in Marbella on Spain's Costa del Sol. Set among Lebanese pines, the estate had three buildings designed by a disciple of Frank Lloyd Wright with room for 40 guests. Among his esteemed guests were European princes and opera star Placido Domingo. A swimming pool was set into a seaside cliff with views across the Mediterranean to North Africa. Estimates of Rich's net worth had reached $750 million. Marc Rich & Co. AG, with offices in 35 countries and a trading volume of $13 billion a year, was ranked second only to Minneapolis-based Cargill among the world's diversified commodities trading companies. The year 1988 was expected to be a good one for Rich, earning him perhaps $300 million. Rich had recently pushed into grain markets, but his biggest successes came in the metals markets, where he focused much of his attention in the mid-1980s. He was by far the biggest trader of metals and minerals in the world, especially in lead, zinc and copper concentrates and in alumina. He was the world's largest independent aluminum producer. Rich also owned luxury hotels in Madrid and held a large stake in a Catalonian gas company. His business strategy continued to defy conventional business strategy – commodities trading tended to be extremely cyclical, but Rich made risky moves during downturns, according to Tully, risking small profit margins or even losses so long as he increased his market share. Commodity prices had fallen 32% from 1980 to 1986. [55]

In November 1990, the Reuters news agency quoted sources in the metals trading business to report that a U.S. metals-trading business sold by Salomon Inc. to Marc Rich & Co. AG was already being handled by Clarendon Ltd., the U.S.-based trading firm that supposedly had no formal ties to the Swiss-based Marc Rich & Co. AG. According to the sources, Clarendon had already taken ownership of 4,542 copper futures contracts from Philipp Brothers, the commodities unit being liquidated by Salomon Inc. Furthermore, Philipp Brothers notified its futures brokers on the floor of the commodities exchange that their business in the future would be handled by Clarendon. Sources at COMEX added that although no formal ties existed between Marc Rich & Co. AG and Clarendon, Rich monitored Clarendon's operations. Although the price was kept confidential, inside sources said the deal was worth about $200 million and included contracts on aluminum, copper, zinc, nickel, tin and copper concentrates. In the deal, Marc Rich & Co. AG took over all of Philipp Brothers' non-American business while Clarendon, which was 49% owned by Marc Rich & Co. AG, took over all of Philipp Brothers U.S.-based business. The federal government was said to have scrutinized the deal because of Rich's criminal charges. [56]

Tracking the ownership of Rich's various companies was an important part of the Congressional investigations conducted in 1991 and 1992. According to an April 4, 1989, Dun & Bradstreet International report, Marc Rich & Co. Holding AG was the parent company of Marc Rich & Co. AG. Rich was chairman of the board overseeing Marc Rich & Co. AG. Other board members included Green, Erich Gayler, Andrew P. Mueller and Rudolf Mosimann. The report stated that the "sole shareholder of the parent company is Marc Rich." Marc Rich & Co. AG was founded in 1987 when it changed its name from Marc Rich & Co. Trading AG and was registered by that name on Dec. 6, 1987.[57]

Rich had moved up the ladder in commodities trading to the highest rung possible and was considered an empire builder, according to a 1992 report in Institutional Investor by Peter Koenig. At the bottom rung were hedgers and speculators, many in financial institutions who dealt primarily in commodities futures. The next rung was occupied by brokers who found buyers and sellers with mutual interests and who arranged a transaction between them in which the broker made a profit on the spread without assuming any risk. On the next rung, brokers bet long or short on commodities based on information obtained through special or even secret means, such as satellite imagery of agricultural resources or political intelligence on copper mining. On the top rung stood the few traders like Rich who participated in commodities trading at all levels, but whose company was powerful enough to push for global control over select natural resources. [58]

According to Koenig, Rich's companies owned mines, plantations and processing plants and held long-term contracts to buy minerals and other commodities directly from the governments of developing nations. His companies were so all-encompassing that many of the world's largest corporations inevitably conducted business with one or another of his companies. Part of Rich's strategy was to form joint ventures with local partners in order to exert control over local commodity markets without assuming all the risk. The joint ventures also provided a large degree of anonymity, which was particularly important for Rich when he operated inside the U.S. But sometimes this investment strategy led Rich astray. According to Jeremy Johnson, an aluminum market analyst at Chase Manhattan Bank, "I doubt very much that Rich fully understood what he was getting into when he went in with local partners at Ravenswood. But it fit the pattern." [59] The aluminum plant in Ravenswood, W.Va, became embroiled in a lengthy strike by Steelworkers that eventually brought Rich into an unwelcome spotlight.

U.S. House investigation

Less than a decade after Rich and Green were indicted, members of Congress were keen on finding out what was going on with the two fugitives and their companies. In July 1991, the House Subcommittee on Government Information, Justice and Agriculture asked the Justice Department what had been done to detain and arrest Rich and Green in the nearly nine years since their 51-count indictment in 1983. "At first, the Department ignored the request. After many months and considerable wrangling, the Department provided some information in response to specific questions submitted by the subcommittee," a subcommittee report titled "They Went Thataway: The Strange Case Of Marc Rich And Pincus Green" stated in its introduction. [60]

The subcommittee followed up with hearings in December 1991 through March 1992. The law firm of Milgrim, Thomajan & Lee P.C. provided the government with an organizational chart of Rich's various corporate holdings. At the top was Marc Rich & Co Holding AG. Next was Marc Rich & Co. AG, which was 51% owned by active employees of Marc Rich & Co. AG. Next was Clarendon Holding AG, which was 100% owned by Marc Rich & Co. AG. Next was Clarendon Ltd., which was 51% owned by Alexander Hackel and 49% owned by Clarendon Holding AG. All of these companies were headquartered at the same address in Zug, Switzerland. Clarendon Ltd. had a branch office in Stamford, Conn. Beneath Clarendon Ltd. were a number of companies including Clarendon Marketing Inc. of Stamford, Clarendon Fe Alloys Ltd. of Pittsburgh, Clarendon Fe Alloys Ltd. of Flossmor, Clarendon Coal Inc. of Delaware, Clarendon Commodity Pty. Ltd. of Melbourne, Australia, Berkeley Aluminum Inc. of Stamford, Virgin Islands Aluminum Corp. of the U.S. Virgin Islands, Century Chartering Inc. of Delaware, Century Tankers Inc. of Stamford, and Revell Trading AG of Zug. A photo of a company directory sign in the lobby of an office building in Zug demonstrated to the subcommittee the links between the various Rich businesses. Starting at the top, the names included Marc Rich & Co. Holding AG, Marc Rich & Co. AG, Marc Rich & Co. Finance AG, Marc Rich & Co. Investment AG, Marc Rich & Co. Securities AG, Clarendon Holding AG, Clarendon Ltd., Marc Rich & Co. Far East AG, Richco Grain AG, Richco Sugar AG, Marc Rich & Co. Mining AG, and Vialco – the alumina refinery in the U.S. Virgin Islands. [61]

The House subcommittee held hearings on Dec. 4, Feb. 18 and March 5 and reported the findings under the title "The Strange Case Of Marc Rich: Contracting With Tax Fugitives At Large In The Alps." Among those participating in the hearings was Rep. Robert E. Wise Jr. of West Virginia, who had been contacted by the United Steelworkers and informed about the labor dispute at the aluminum plant in Ravenswood, W.Va. Wise was the chairman of the Government Information, Justice and Agriculture Subcommittee. [62] When Justice Department officials at first refused to appear before the subcommittee and then later stonewalled, Wise was outraged. “This isn’t your average miscreant who has fled the country for knocking over fifteen 7-Elevens and is kicking around the dock at Marseilles,” Wise said. “This is Marc Rich operating with total impunity out of a tall office building in Switzerland. Why hasn’t this been made a priority?” Wise noted that Rich was under indictment for trading with the enemy and for “the biggest tax fraud in history.” Wise noted that there seemed to be “a lack of political will” to apprehend Rich and Green – no published reward had been offered, and neither Rich nor Green were on the top-15 most-wanted fugitives list. Calling the case “strange,” the subcommittee criticized the Justice Department for its “lack of relentlessness” and cited numerous failures by the department, including failing “to ensure that, at a minimum, the fugitives do not make money from the U.S. government.” [63]

Looking back in 1994, investigative writer Jim Hougan suggested that the Wise subcommittee report showed that Rich and Green “are being protected” – possibly by people inside the U.S. government. Hougan noted that when Wise asked Justice Department officials about their contacts with Rich’s attorneys and other agents, who were seeking to make a deal on his behalf, “the department refused to discuss the matter.” Wise speculated that “few would doubt that the wall was built to conceal the fact that Rich is working with Justice (and quite possibly with other agencies) on what can only be called ‘special projects.’” Hougan noted that Justice Department officials had placed two sealed envelopes in Rich’s case file, which Hougan suspected pertained to Rich’s efforts to help the Justice Department arrest other fugitives. [64]

During the hearings in summer 1991, Wise warned, “The continued failure of the department to catch these high-profile individuals sends a questionable message to the American public – if you are indicted for evading your taxes and doing it on the order of millions of dollars, chances are good the government may not catch you.” The first three hearings focused on whether Clarendon Ltd. of Stamford, a company 49% owned by Marc Rich, should be allowed to do business selling metals to the U.S. Mint. When the subcommittee met for the fourth time in February, Wise expressed frustration at the Justice Department’s failed eight-year effort to bring Rich and Green to the U.S. to face a total of 65 counts of racketeering, wire and mail fraud, and trading with the enemy. “What are the reasons that the most powerful government in the world cannot apprehend some of its most notorious fugitives?” Wise asked. Howard Safir, a private investigator and former director of operations for the U.S. Marshals Service, told the subcommittee, “No one can make the decision (to vigorously pursue Rich and Green) except the political decision-makers at the highest levels.” [65]

The subcommittee found that the Marshals Service had been saddled with the primary responsibility to apprehend Rich and Green. Safir was asked by the subcommittee in December to explain the extradition process, how it might work in the case of Rich and Green, and what other legal means could be used to bring the two back to the U.S. for justice. The case was unlike other cases involving fugitives, Safir explained – the government knew exactly where the two were nearly all the time. He believed that the failure to apprehend the two fugitives was due to a lack of support at the highest levels of government. "There's no one in the Marshals Service and there's no one in the FBI who could make a decision to marshal all the resources of the United States government to focus on Pincus Green and Marc Rich," he said. "I believe that if a political decision was made at the highest levels of this government that we were going to apprehend Marc Rich and Pincus Green and use all of the available tools… that we would have Marc Rich and Pincus Green very quickly." [66]

Safir tried to explain the apparent lack of communication between legal and police branches of the U.S. and foreign governments in their pursuit of Rich and Green. "The fact is, as far as being fugitives are concerned, these people are very good," he said. Safir didn't believe Interpol and other normal avenues of pursuit would be effective because "what it's going to take, in my opinion, is having some people do some creative things, some of them on the ground in various countries. And, at least from my perspective, that kind of activity (extraordinary renditions) in my last two and a half years at the Department of Justice was discouraged." Richard Stiener, the former chief of the International Criminal Police Organization of the U.S. Department of Justice, stated that the Red Notice system employed by Interpol in Europe would never work in detaining and arresting Rich and Green. "When you're talking about criminals of that magnitude, they generally are going to know about the information in a Red Notice at the same time as law enforcement," he said. "A Red Notice would not be the avenue that you would utilize to pick up somebody like that who is traveling." [67]

Charles D. Fowler, the Treasury Department's Assistant Inspector General for Investigation, appeared before Wise's subcommittee on Dec. 4, 1991. He said his office was first contacted by the U.S. Mint on Nov. 2, 1989, with questions about the connection between Rich and Clarendon. His office then obtained a wide variety of information, including reports from the National Crime Information Center and Dun & Bradstreet, records from the Commodities Futures Trading Commission and documents from the Milgrim, Thomajan & Lee law firm, which represented Clarendon. In May 1991 Milgrim sent Fowler's office the organizational chart of Rich's companies and a notarized certificate indicating Hackel's 51% ownership of the stock in Clarendon. Milgrim asked that the information be kept confidential, but since the investigation was not a criminal matter and Fowler's files were subject to the Freedom of Information Act, Fowler couldn't guarantee their secrecy. Fowler said he was concerned about pending criminal cases involving Clarendon or Rich, and when the U.S. Mint became the subject of an investigation, he decided not to accept any more documents from Milgrim. According to Fowler, the U.S. Mint's chief counsel was considering debarment for Clarendon but was concerned about the 1984 global settlement between Clarendon and the Justice Department and the effect of the debarment of Clarendon on the Defense Logistics Agency, which purchased key metals for military purposes. [68]

The Treasury Department's Thomas O'Malley testified the same day on the U.S. Mint's procurement procedures. According to O'Malley, the U.S. Mint had heard through the Washington, D.C. grapevine about an investigation into the relationship between Clarendon and the U.S. Mint – first from Donald Forcier of the General Accounting Office on Nov. 1, 1991 and then 11 days later from Lynn R. Williams, the international president of the United Steelworkers. The union had been feeding information about Rich to various government agencies as it fought the lockout at the Ravenswood aluminum plant in West Virginia. The U.S. Mint received a letter after that from the subcommittee investigating Marc Rich, he said. By that time, Treasury Department officials had conducted their own investigation and discovered that since 1989, U.S. Mint officials had been in communication with the Justice Department about the possibility that Rich was connected to Clarendon. O'Malley said U.S. Mint officials then requested an investigation by the Justice Department. Since the U.S. Mint never received further information about Clarendon from the Justice Department, it continued to operate under its normal procurement procedures and contracted to purchase metal from Clarendon. [69]

After learning about Rich's possible involvement in metal sales to the U.S. Mint, Wise remarked that the "money we need to pay our taxes is making the biggest tax evader in American history richer than ever." On Jan. 29, 1992, Wise received a letter from Kenneth Gubin, chief counsel for the U.S. Mint, in response to questions the subcommittee had made at a Dec. 4, 1991 hearing. Gubin's response was that debarment of Clarendon was premature. "In truth, despite the length of time that has passed, the process of determining whether there is adequate evidence to support debarment or suspension is at an early stage," Gubin said. "It is premature to make judgments on the process until the evidence on possible links between Marc Rich and Clarendon Ltd. is gathered and evaluated. Additionally, our extremely limited experience with procurement debarments counsels caution in generalizing from the Clarendon matter. We therefore are not prepared to recommend changes in the government procurement debarment and suspension system." Gubin did feel a need to settle the matter despite the "unusual suspension situation, complicated by the fact that Clarendon had previously been debarred." [70]

The matter took a turn on Feb. 27, 1992, when attorneys representing Clarendon sent a letter to the U.S. Mint stating it would no longer bid on metal supply contracts. The letter also asked the U.S. Mint not to pursue an investigation of Clarendon's links to Rich. Clarendon had been the low bidder five times on U.S. Mint contracts in 1991, including 732,000 pounds of nickel and 6 million pounds of copper. Between 1988 and 1992, Clarendon was awarded $45.5 million in metals contracts with the U.S. Mint for nickel, copper and zinc. Wise, however, felt Clarendon's withdrawal from the bidding process was not a satisfactory solution to a serious problem. Published reports showed that Clarendon was 49% owned by Rich through a holding company he controlled in Switzerland. In a letter to the Treasury Department, Wise asked whether an investigation into the ownership of Clarendon would be pursued and what kind of protection other government agencies would have from dealing with firms connected to wanted fugitives. [71]

The Wise subcommittee's investigation was adopted by the Committee on Government Operations and transmitted to the House on May 27, 1992. A key reason for the subcommittee's investigation of Rich and Green was the possibility that companies owned by them were doing business with the U.S. government. This business connection was described in a report titled "Coins, Contracting, and Chicanery: Treasury and Justice Departments Fail to Coordinate." The report stated that although officials at the Justice Department had been, in the department's own words, "diligent and aggressive" in their pursuit of the two fugitives, they still remained at large. The continuing failure to apprehend Rich and Green "contributes to the idea that many people hold that there are in fact two standards of justice in the United States. There is one for accused criminals without money and there's one for accused criminals with money," the report stated. [72]

Citing their earlier report, the subcommittee stated that "a well-financed criminal with good contacts and high-quality legal counsel can determine the best countries in which to seek refuge and avoid U.S. justice for years or indefinitely." The subcommittee expressed hope that the Justice Department would "reinvigorate its efforts to apprehend the fugitives in this case and bring them to justice." The subcommittee concluded their report by agreeing with those witnesses who believed Rich and Green could be brought to justice. The committee acknowledged that Rich and Green "are formidable foes… well financed with good contacts and high-quality legal counsel… multiple citizenship (and thus multiple passports) and the means to purchase whatever else they may need to effectively elude justice." But the subcommittee believed that "with focus, commitment, and high level attention, the United States has the capability to apprehend them." [73]

Growing notoriety

At about the same time, the U.S. Senate Foreign Relations Subcommittee on Terrorism, Narcotics and International Relations was investigating the Bank of Credit and Commerce International (BCCI). Among the 20-some “matters for further investigation” listed in the subcommittee report’s appendices were BCCI’s involvement in Pakistan’s nuclear weapons program; BCCI’s manipulation of commodities and securities in Europe and Canada; BCCI’s relationships with Iraqi-convicted arms dealer Sarkis Soghanalian and Syrian drug trafficker, terrorist and arms trafficker Monzer Al-Kassar; BCCI’s involvement in the sale of arms to Iran during the 1980s; BCCI’s involvement in the savings and loan fraud in the U.S.; and BCCI’s involvement with foreign intelligence agencies, including Syria and the Soviet Union. [74]

Another item needing further investigation, according to the report, was “BCCI’s financing of commodities trading and other business dealings of the international criminal financier Marc Rich.” According to the subcommittee report, “Marc Rich remains the most important figure in the international commodities markets, and remains a fugitive from the United States following his indictment on securities fraud.” The subcommittee stated that Rich borrowed tens of millions of dollars from BCCI, and Rich’s commodities were used by BCCI when the bank dealt with the U.S. Agriculture Department’s guarantee programs. [75] Meanwhile in February 1992, Swiss opposition politician Josef Lang provided testimony about Rich to the West Virginia state senate, which was looking into the lockout at the Ravenswood aluminum plant. Lang pointed out that Rich had bought copper from General Pinochet’s Chilean mines and sold it to Nicolae Ceausescu’s Romanian government. [76]

By August 1992, many business news pundits believed Rich was one of the top three or four richest Americans. “Through his contractual arrangements for their raw commodities, Marc Rich controls the economies of 10 developing nations,” said Joseph Uehlein, the AFL-CIO special-projects director who had spearheaded an investigation into the hidden ownership of the Ravenswood aluminum smelter. A Swiss banker estimated that between 1984 and 1992, Rich’s companies conservatively had earned $4 billion. “Say a quarter of those profits flowed to Rich,” the banker continued. “Add to this the money he earned during 25 years of trading prior to moving to Switzerland. And add to this the profits he’s earned on personal ventures, and you come up with a net worth in excess of $5 billion.” By that time, the U.S. had posted a $750,000 reward for help in capturing him. [77]

Two prominent Washington attorneys continued efforts to negotiate a settlement for Rich with the U.S. government. Leonard Garment was President Nixon’s special counsel and was credited by some with helping Nixon obtain his Watergate-era pardon. William

Reynolds was a counselor for former-Attorney General Edwin Meese from 1987 through 1988. Both men argued that Rich was innocent, that he had not evaded income taxes, that U.S. Attorney Rudolf Giuliani had misinterpreted the complex oil deals, and that the Rich-owned companies which traded with Iran in 1979 were foreign corporations not subject to U.S. law. Herbert Schmertz, a former head of public relations for Mobil Oil Corporation who had represented Rich during the Ravenswood labor dispute, also argued Rich's innocence. "Everybody was doing what he did (during the early 1980s) – moving oil in and out of U.S. jurisdiction," Schmertz said. "Why, alone of all those doing it, were criminal charges brought against Rich? It was Giuliani grandstanding." [78]

In early 1995, a spokesman for the U.S. Attorney's office in New York confirmed to the media that Rich remained a wanted fugitive facing 43 separate counts and that a substantial six-figure reward had been offered for help in apprehending him. The charges against Rich included 23 counts of wire fraud, 15 counts of mail fraud, two counts of racketeering, two counts of tax evasion and one count of trading with the enemy. Despite the enormity of the charges, the European Community continued to do business with his companies, and his companies often benefited from subsidies intended to help European farmers, Francois d'Aubert reported in The European in 1995. [79]

The case heated up a little on April 12, 1995, when U.S. District Attorney Eric Holder filed a civil action complaint against Clarendon Ltd. demanding civil penalties and treble damages pursuant to the federal False Claims Act. The complaint claimed Clarendon failed to disclose the identity of Rich as a substantial owner of Clarendon's parent companies when the Clarendon obtained 22 metal supply contracts with the U.S. Mint between 1988 and 1991, and that had it known these facts, the U.S. would not have paid Clarendon $45 million for the metal Clarendon provided. In a thumbnail history of Marc Rich to date, Holder's complaint claimed that during the late 1970s and early 1980s, a group of partners composed of Rich, Green, Hackel, Posen, John Trafford and Jacque Hacquel founded and operated several commodities trading companies headquartered in Zug, and that the principal company was Marc Rich & Co. AG. The group operated in the U.S. from 1977 through July 6, 1983 through a wholly owned subsidiary called Marc Rich & Co. International, which had a headquarters in New York. The U.S. government began to investigate the two companies in 1981 for tax evasion. The U.S. government subpoenaed both companies in 1982, but Marc Rich & Co. AG failed to produce the documents and consequently paid $22 million in contempt fines between 1983 and 1984. Facing indictment, Rich and Green left the U.S. in June 1983 for Switzerland. The two were indicted in September 1983, but they did not return to the U.S. to stand trial and were considered fugitives of the U.S. [80]

According to Holder's 1995 complaint, Marc Rich & Co. AG sold and transferred 100% of its interest in Marc Rich & Co. International to Hackel on July 7, 1983, who changed the name to Clarendon Ltd. On Feb. 28, 1984, the U.S. Defense Logistics Agency notified Rich, Green, Marc Rich & Co. AG and Clarendon Ltd. that they were being placed on the General Services Administration's Consolidated List of Debarred, Suspended and Ineligible Contractors. Because Rich and Green continued to be fugitives, their GSA suspension continued through 1995. A plea agreement between the U.S. and Marc Rich & Co. AG and Clarendon Ltd. had been reached on Oct. 10, 1984, at which time the two companies pleaded guilty. The plea agreement, however, did nothing to resolve Rich and Green's fugitive status. On Jan. 18, 1985, Marc Rich & Co. AG and Clarendon Ltd. were officially debarred from U.S. government contracting until Jan. 17, 1988. Then on Jan. 1, 1987, Marc Rich & Co. AG changed its name to Marc Rich & Co. Holding, and on Jan. 1, 1988, Clarendon Holding AG, a wholly owned subsidiary of Marc Rich & Co. Holding, acquired 49% of Clarendon Ltd.'s stock. The remaining 51% was acquired by Hackel, and Marc Rich & Co. Holding assumed Hackel's subordinated debt from Clarendon Ltd. "There was no change in the management structure of this company at any level after this sale," Holder's complaint noted. [81]

Clarendon Ltd. bid on metal supply contracts for the U.S. Mint between July 21, 1988 and Oct. 28, 1991, Holder's complaint stated. During that time, Clarendon Ltd. shared office facilities in Zug, Switzerland, with Marc Rich & Co. Holding and Marc Rich & Co. AG, both of which were controlled by Rich, and with a subsidiary of Marc Rich & Co. AG in Stamford, Conn. Effective Jan. 1, 1990, Clarendon Holding AG acquired the economic benefits and financial rights to the remaining 51% of stock in Clarendon Ltd. The non-financial rights, including voting and the right to participate in Clarendon Ltd.'s general meetings, were retained by Hackel but were never formally exercised. Companies that wanted to bid on metal contracts for the U.S. Mint were required to fill out forms that indicated that the bidding company was not presently debarred or ineligible for a contract award. The condition included principals, officers, owners, partners and persons with a primary management or supervisory responsibility. On April 18, 1990, an attorney for Clarendon Ltd. informed the U.S. Mint that "Mr. Rich is a significant shareholder of Marc Rich & Co. AG, which, through Clarendon Holdings Ltd. owns a minority of the stock of Clarendon Ltd." At that time, the president of Clarendon Ltd. was also the head of the metals and minerals division for Marc Rich & Co. AG. On March 19, 1993, the Treasury Department served Clarendon Ltd. with a Notice of Suspension from Government Contracting, Holder's complaint stated. [82]

Holder later played a role in reviewing Rich and Green's pardon petitions, which were granted by President Clinton in January 2001, and he went on to serve as the U.S. Attorney General in the Obama administration from 2009 to 2015. But his complaint never resulted in any changes to Rich and Green's fugitive status. An International Crime Alert posted online in 1999 by the United States Information Agency stated that Rich was wanted by the Federal Bureau of Investigation, Customs Service and Marshal Service. According to the "wanted poster," Rich had citizenship in the U.S., Spain and Israel and was accompanied by two bodyguards as he traveled in recent years to Jamaica, Portugal, Britain, Eastern Europe, the former Soviet Union and Israel. The alert said Rich was fluent in French, German and English. A reward was offered for information leading to his arrest. [83]

The Soviet connection

Rich often found good trade deals in places where raw materials were in the hands of strong men outside the normal realm of political and economic rule and order. The collapse of the Soviet Union created the perfect opportunity for the Machiavellian commodities trader. Up until 1979, the Soviet Union had sold only limited amounts of strategic metals on the international market through its small agency Raznoimport. These metals were often purchased by Marc Rich & Co., which also bought much of the Soviet Union's oil. Eventually the Soviet leaders 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. [84] By May 1989, Mikhail Gorbachev was freeing up some of the Soviet economy to capitalism. Paul Klebnikov's 2000 book "Godfather of the Kremlin: Boris Berezovsky and the Looting of Russia" provides insight into the role played by Rich in those transition years from communism to capitalism, particularly in the Russian aluminum industry. Klebnikov, however, concluded that "there is no evidence that Berezovsky ever did business with Marc Rich or even met him" and in a footnote explained that Berezovsky's new company Logo Vaz "was fronting for Marc Rich." [85]

According to Klebnikov, an expert on Russia and a senior editor at Forbes magazine, Rich dealt in Soviet oil, aluminum, zinc and other raw commodities. "He'd strike a deal with the local party boss, or the director of a state-owned company," Klebnikov said. "He'd say, 'OK, you will sell me (the commodity) at 5 to 10 percent of the world market price. And in return, I will deposit some of the profit I make by reselling it 10 times higher on the world market, and put the kickback in a Swiss bank account." For two years, as the Soviet Union collapsed, Rich was the nation's biggest trader of aluminum and oil on a spot basis. "He made a complete mint off of Russia," Klebnikov said. A former foreign trade minister told Klebnikov that Rich instructed the "robber baron elite" how to get around the law by doing secret deals with shell companies. "Marc Rich ended up being a mentor to all these young kids who came out of the Communist Party establishment, and who made billions off those schemes themselves," Klebnikov said. Rich's successful run in Russia came to an end in 1993 after the Russians he dealt with had become good enough at the game to turn the tables on him. [86]

According to an article by Rod Dreher in the New York Post, as the former Soviet Union began to open trade to the rest of the world in 1990, Marc Rich & Co. became much more active in the region. Dreher claimed Rich made "tens of millions of dollars" helping former communist bosses loot their country. Citing Klebnikov, Dreher said Rich purchased Russian aluminum at very low prices and then dumped the aluminum onto Western industrial markets, causing a 30% collapse in the global metal price. The outflow of aluminum also hurt the former Soviet Union, where aluminum shortages set back the fish-canning industry. Rich was the Soviet Union's largest spot trader of aluminum and oil for at least two years. Rich taught a strict form of capitalism to the former communists, who earned millions or even billions of dollars. "Applying the lessons they learned from Marc Rich, they bankrupted Russia," Klebnikov said in his 2000 book. "As a result, you have a ruined economy, bankrupt government and an impoverished population." [87] As Rich quickly became one of the most powerful commodities traders in the collapsing Soviet Union, he was considered "a coach and sort of a godfather for several of the oligarchs," according to Vladimir L. Kvint, a professor at American University's Kogod School of Business. [88]

Other international traders with a similar mindset were drawn to the former Soviet Union. In August 1990, Saudi financier Adnan Khashoggi announced plans to move into the Russian retailing business. Fortune reported at the time that his plans included using empty Russian government industrial buildings to warehouse imported Western goods, such as home furnishing and consumer electronics. Khashoggi projected $50 million in sales per year and was looking to Rich for help in getting the money out of Russia. Khashoggi, a notorious arms dealer and international man of mystery in media reports, had recently been found not guilty of helping Imelda Marcos hide $200 million she purportedly stole from the Philippine treasury. Khashoggi believed Rich could help him get his profits out of Russia by swapping the cash for Soviet petrochemicals and other commodities that Rich handled. A lawyer representing Rich in Switzerland stated that no such deals had been made but added in typical Rich fashion, "Who can preclude anything in the future?" [89]

By mid-1992, Marc Rich & Co. was successfully established in the former Soviet Union and one of the largest Western businesses in Russia. Its Moscow headquarters had 50 employees with good satellite communications and dozens of employees in other Russian cities. The firm did an estimated $1.2 billion worth of trade with Russia and other former Soviet republics, mostly in aluminum. Marc Rich & Co. typically provided Russians grain, sugar, alumina and machinery and received in return oil and aluminum ingot. According to an expert commodities trader, Marc Rich & Co. was shortchanging the Russians on deals by as much as 30%. “The Russians probably know that Rich is skimming them, but what choice do they have?” the trader asked. Russians were desperate for trade in key goods and for cash, but large Western firms, particularly oil companies, were apprehensive about moving in so soon after the collapse of the communist government, according to Klebnikov. [90]

The early move into the former Soviet Union by Marc Rich & Co. fit the general pattern the company had followed since its start, Mark M. Colodny reported in Fortune. By 1992, the company was doing $15 billion in trading volume worldwide, but wild and risky opportunities in places like Latin America and the Middle East were becoming harder to find as Third World nations grew more sophisticated in their financial dealings. The growing turmoil in the former Soviet Union opened up a new region for Marc Rich & Co. to continue its pattern of risky and wily investments. According to some commodities traders, oil and aluminum trading with Russia provided profit margins at least two or three times average trading margins in more stable markets. The breakdown of central authority in the former Soviet Union also fit into the Marc Rich & Co. pattern, Colodny reported. Marc Rich & Co. preferred to deal with local authorities, and there were abundantly more opportunities for trading when there was no central managing authority. This strategy required more personnel, but hiring competent people in Russia was cheap in 1992. According to Piotr Aven, Russia’s minister of foreign economic relations in 1992, influential politicians and bureaucrats were probably bribed by Marc Rich & Co. “There have been several cases where long-term contracts have led to informal, often corrupt relationships,” he said. “Firms that have long experience here know how much to pay to whom, what kind of presents to give, and then can purchase goods at cheaper prices than it costs to produce them.” [91]

Russia turns on Rich

Rich’s success in Russia started to fade by 1992 when he was accused of bribery on a large scale, illegally exporting raw materials, aiding in capital flight and laundering drug money. Marc Rich & Co. had maintained a staff of 150 employees in the former Soviet Union selling the communist government zinc concentrate, bauxite, sugar and grain in exchange for oil, finished aluminum, copper, nickel and other metals. “We are providing Russian companies with investment, know-how and help in entering the world market at a time when other Western firms are either turning away or are making intolerable commercial demands,” Rich boasted to a Russian newspaper in 1992. But according to Klebnikov, Marc Rich & Co. was gouging the former Soviets, purchasing the goods at cheap domestic prices and then selling them at the higher international prices, in violation of both former Soviet laws and newer Russian laws. According to Klebnikov, Marc Rich & Co. was able to break laws in the transitional economy with collaboration from people on the inside, such as Russia's commodities kingpin Artem Tarasov, and with patronage from Russia's former Prime Minister Ivan Silayev. By the time the 1992 charges against Marc Rich had been announced, Tarasov had taken his fortune and fled to London and Silayev was forced to resign – reportedly fleeing to a villa in Switzerland. [92]

By summer 1992, the Moscow press was attacking Marc Rich & Co.'s financial dealings in the Russian oil industry. The attacks strained relations between the Swiss company and Rosnefteprodukt, a Russian oil company which partnered with Marc Rich & Co. in the Rosrich joint petroleum venture. The media attacks were aimed at Rich personally – a headline in Izvestia read "Rich, influential and dangerous" over a mock wanted poster with Rich's face. Izvestia was once the official news organ of the Soviet government, but it had lost much of its clout since the collapse of communism. "If that article had appeared five years ago, I would have been on the first plane home," one Marc Rich & Co. employee told The Oil Daily. The Izvestia article focused largely on Rich's deals with the Russian trading company Istok prior to 1991, but it also described a Feb. 5, 1992, oil deal involving 4.1 million tons of oil products for export in which Marc Rich & Co. was granted the right to sell the oil rather than Rosnefteprodukt. Signatories to this deal included the Russian First Deputy of Fuels and Energy, the Deputy Economics Minister and the Rosnefteprodukt president. Rosnefteprodukt was responsible for exporting 72% of the state's oil products, with the remaining 28% going to refiners or regional governments. [93]

According to the report in The Oil Daily, sources at Marc Rich & Co. claimed their company was the target of a smear campaign and that the Izvestia article was placed by a competitor in the oil market. Rumors circulating in Moscow, however, suggested that Marc Rich & Co. was under investigation by the Russian government. One rumor linked the investigation to the U.S. government, which was still in pursuit of Rich as a tax fugitive. At the same time, it was believed that Rosnefteprodukt was attempting to distance itself from Marc Rich & Co. and seek closer ties with other Western oil firms. Marc Rich & Co. was involved in four other joint ventures to upgrade oil refineries at Ukhta, Baku, Volgograd and Lisitchansk. The company was also a partner in Noble Oil, a joint venture with Komineft and the Ukhta refinery to operate the Permocarbon oil field in Usinsk. [94]

Nobel Oil International was created as a joint venture in 1993 to extract heavy oil from Russia's Usinsk oil fields. Nobel Oil consisted of Marc Rich & Co., later renamed Glencore International, the Ukhta Oil Refinery of Russia and KomiNeft of Russia The joint venture initially planned to invest about $500 million over 25 years developing the Usinsk oil fields. [95] By 1996, a total of 164 oil and gas joint ventures between foreign oil companies and government agencies operated in the former Soviet Union. Among them was Noble Oil, co-owned by Glencore, which exported oil through the port of Ventspils in Latvia. Most of the joint ventures in Russia were hampered by high and uncertain taxes, a lack of a stable economic, legal and political framework, and the difficulty in transporting oil out of the former Soviet Union. [96] In July 1996, under pressure by the International Monetary Fund, the Russian government agreed to abolish quotas and duties on the export of oil. In practice, however, since the government controlled access to pipelines, a de facto quota system continued to operate. The right to export was a crucial privilege since foreign buyers could pay cash on delivery while domestic producers could only offer barter goods or paper securities. On average, it was estimated that Russia's 18 or so major oil corporations were allowed to export only 27% of the oil they produced. Nobel Oil, by 1996 a joint venture between the Komi oil company and Glencore, was allowed to export 60% of its oil. Nobel Oil's lucrative arrangement was thought to be the result of political influence by Yury Spiridonov, the powerful president of the Komi Republic in northern Russia. [97]

In June 1999, Forbes published an interview with Oleg Davydov, Russia's former trade minister, on how the Yeltsin government allowed private commodities traders to take advantage of Russia's industrial resources and caused the Russian economy to go bankrupt. According to Davydov, Western advisers and the International Monetary Fund told the Yeltsin government that the central government needed to abandon all its business activities. The Russians privatized its largest industries in hopes that strategic investors from the West would invest in these companies and help them to grow and modernize. Instead, the investors who appeared were offshore companies actually owned and run by Russians. The newfound Russian entrepreneurs, Davydov said, learned their trade from "foreign entrepreneurs, mostly crooks like Marc Rich, who began to teach us various ways of taking the money out through offshore companies. That is what bred our whole system of corruption and criminality." Davydov said corruption in the Soviet Union under communism took place when directors of large industries made secret deals with traders to divide up profits. After privatization had broken up the old trade monopolies, the new Russian government neglected to set up an adequate control system to fill the vacuum. In 1992, the Bank of Russia found that 50% to 70% of export revenues were not being transferred back to Russia. "The money just disappeared," he said. Davydov's answer to the problem was to sell Russian metals products like aluminum on the London Metal Exchange and avoid the middlemen. [98]

The old guard leaves

Marc Rich & Co.'s leadership began to undergo major changes starting in 1990. At the time, it was estimated that the company conducted about $15 billion worth of oil, metal and grain trades per year, making Marc Rich & Co. the second largest commodities trader in the world. [99] In August, Robert Thomajan left the Milgrim, Thomajan & Lee PC law firm to join Marc Rich & Co. AG in Zug as a major executive. The law firm had represented Marc Rich since the early 1970s. Roger Milgrim told The American Lawyer in 1991 that Marc Rich & Co. was one of his firm's "top ten of fifteen" clients. According to Milgrim, the rest of the partners in the law firm did not question the propriety of Thomajan taking a job with a firm whose leader was a fugitive wanted by the U.S. government. "Ethics experts, however, are split on whether Thomajan's work for a company whose chairman is a fugitive violates the provision of the code of professional responsibility barring lawyers from assisting a client in conduct that the lawyer knows to be illegal," The American Lawyer reported. Thomajan told the Manhattan Lawyer that he worked for the company, not the individual, and that Marc Rich & Co. had "settled its accounts one hundred percent" with the U.S. government when it paid a $150 million fine in 1984. Rich, however, still faced a 65-count indictment on charges ranging from tax evasion to racketeering. "What Marc Rich does with his life is his decision," Thomajan replied in typical Rich fashion. [100]

Marc Rich and Pincus Green ended their longtime partnership in summer 1990, according to U.S. government sources and reported one year later in Forbes. Green, who was 56 at the time, had undergone a quadruple-bypass operation and Rich, 55 by then, bought Green's interest in Marc Rich & Co.'s vast holdings for $1.5 billion. The terms of the deal were reportedly $750 million down with the rest to be paid over the next 10 years. [101] According to Green's pardon application submitted to President Clinton in 2000, Green retired from commodities trading following the heart bypass operation and continued to live in Zurich, Switzerland. [102] By 1991, Green was listed in the Zug Commercial Register as a Spanish citizen, the same as Rich. [103]

In November 1991, Business Week estimated Marc Rich's net worth at $3 billion. [104] It was a landmark year for Marc Rich & Co. Rich told an interviewer that his company had 1,300 employees worldwide and did $30 billion in sales, but business had changed in recent years. "Although initially oil activity was at the top as far as profits and sales go, for several years now metals and ores have been the most profitable, although oil is still in first place sales-wise," Rich said. "Grain trading has remained stable, and, although sugar is something new for us, it is already yielding very promising results." Rich's company owned or leased 12 to 15 tanker ships with 2 million tons of cargo space. Felix Posen, one of the company's founders, left in fall 1991, leaving Rich as the lone founding member still working for Marc Rich & Co. Alexander Hackel, a German citizen, had never faced criminal charges by the U.S. government and so had been chosen in 1983 to take over the U.S. business holdings of Marc Rich & Co. In 1991, Hackel still owned 51% of the stock in Clarendon Ltd. even though he had left Marc Rich & Co. to devote himself to art collecting at his secluded residence in Megge, on Lake Lucerne in Switzerland. [105]

With Green, Posen and Hackel holding at least 50% of the stock in the company, and with 17 years of capital appreciation adding up to an estimated $1 billion in equity, Marc Rich & Co. faced a difficult financial situation in paying off the three when they left. The solution taken by Marc Rich & Co. was to purchase back the shares held by Green, Posen and Hackel, then destroy those shares and reduce the joint capital in the company from 150 million shares to 90 million. Two of the company's creditors raised eyebrows when the capital reduction plan was announced publicly – Geneva-based Baytur, a company affiliated with businesses in Turkey, and Holdtrade of Glatbrugg, Switzerland, a company endowed with Nigerian capital – but Marc Rich & Co. was able to quiet these creditors with a guaranty from SBG, also known as the Union Bank of Switzerland (UBS). When the corporate situation was settled, Rich owned a controlling interest in Marc Rich Holding, which in turn owned a 51% controlling interest of the Marc Rich & Co. trading company. The remaining 49% of the trading company was held by 150 company employees. Certain company employees were allowed to purchase stock after working there for three to five years under the condition they sold the stock back to the company when they left. [106]

Replacing Green, Posen and Hackel were new bosses who had worked with Rich for at least 15 years, including Claude Dauphin, a Frenchman in charge of oil transactions; Manny Weiss, an American who managed sugar and aluminum trading; Danny Dreyfus, a Swiss responsible for grain trading; and Willy Strothotte, a German in charge of metals and ores trading. Strothotte was also made second-in-command after Rich. Thomajan, a new arrival, looked after investments in Eastern Europe and carriers for bulk shipments of commodities. Looking to the future, Rich had no plans to leave the company, no plans for a successor and no plans for the company to go public. He added that none of his three daughters were interested in joining the company, but "Herr Strothotte's son likes business, wants to study economics and learn Russian," the House Committee on Government Operations reported. [107] Strothotte left Marc Rich & Co. in June 1992. According to Koenig's 1992 account, sources close to Rich said Strothotte had lost a power struggle for control of the Marc Rich group of companies. Sources close to Strothotte said Rich was jealous of Strothotte's freedom to move around the world. After leaving Rich, Strothotte retained control of Rinoman Investments, the money behind the Ravenswood Aluminum Corporation. [108] Then by August 1992, with Dauphin and Weiss following Strothotte out the door, observers were left to speculate about management policies at Marc Rich & Co. and its financial state. Rich told The Financial Times that Strothotte, Dauphin and Weiss left to pursue their own interests and that Marc Rich & Co. was in sound financial shape with $30 billion in trading and a net value of $1 billion. [109]

Marc Rich & Co. was reorganized in 1992 following the departure of its founding members. At the top were two controlling interests. Marc Rich & Co. Holding AG, which was owned personally by Rich with some minority shares owned by Thomajan, held a 51% interest in Marc Rich & Co. AG. The remaining 49% of Marc Rich & Co. AG was held by Strothotte, Weiss, Dauphin, Dreyfuss and 150 other employees. Marc Rich & Co. AG in turn owned 49% of Clarendon AG of Zug and Stamford, 100% of Marc Rich & Co. of London, 100% of Richco of Amsterdam, and 53% of Sudelektra AG of Zug. It was open to question whether Marc Rich & Co. AG actually owned and controlled 100% of Clarendon Ltd. because 51% was owned by Hackel. [110]

In 1993, Rich, Dauphin and Eric de Turckheim founded Trafigura Beheer BV, a Dutch multinational commodities trading company. Trafigura was split off from a group of companies that Rich had managed. By 2009, Dauphin held less than 20% of the stock and the rest was owned by 500 senior staff. With headquarters in Geneva and a registered headquarters in Amsterdam, Trafigura in 2014 posted $127 billion in revenue and $2.2 billion in net income with 5,326 employees working in 65 offices in 36 countries. The company had become the third largest physical trader of commodities in the world behind Vitol and Glencore. Trafigura initially focused on three regional markets – South America for oil and minerals, Eastern Europe for metals and Africa for oil. Trafigura diversified since then and expanded globally, trading mostly in copper, lead and zinc concentrate, alumina, refined copper, lead, zinc and aluminum, iron ore and coal. In 2013, Trafigura traded 32.9 million tons of nonferrous and bulk commodities, with a chartered fleet of 50 to 60 tankers and 30-40 bulk cargo ships. At one time, the company held interests in oil and nickel in Russia; oil and petrol stations in Australia; oil and natural gas in Angola, Africa; crude oil from South Sudan; pipelines and a deep-water terminal in Texas; a railway in Colombia; copper in China; a metals trading company in India; and metals mines in Spain. Trafigura, however, was named as a violator of the UN's oil-for-food program in Iraq and was accused of toxic waste dumping in the Cote d'Ivoire, Africa. [111]

The Rich philosophy

In another rare media interview, Rich explained his business philosophy to Dateline NBC in 1992: "In our business, we're not political. That's just the philosophy of our company." [112] Rich argued his company was a Swiss company, and therefore its transactions were all legal. He described himself as a "business machine" and that politics and loyalties would not interfere with his drive for profits. “You can’t run a business based on sympathies, otherwise our business would be hampered,” he said. He also referred to attempts by the U.S. to capture him and said he was a more careful man now. [113] Former traders in his company echoed his statement about neutrality, saying they were told they could conduct business even in countries where embargoes were imposed by countries other than Switzerland. “Business is business. You shouldn’t use your own ethics to judge someone else as long as they haven’t violated the law,” Andre Wicki, Rich’s Swiss lawyer, said. [114] Eddie Egloff, a former founding partner in one of Rich’s trading companies, told the Wall Street Journal in February 2001 that trades with embargoed countries amounted to about one percent of the firm’s business from 1974 through 1988. “In an embargo, only the small people suffer,” Egloff said. “We did business according to our own laws and not those of others.” A federal prosecutor who worked on the Rich case in the 1980s had a different take. “Mr. Rich and Mr. Green have apparently made vast sums of money over the past 20 years by trading with virtually every enemy of the U.S.,” Morris Weinberg told the Wall Street Journal. [115]

In February 1994, Playboy magazine published a report by Jim Hougan about Rich and his global commodities trading business. The billionaire was guarded by Israeli bodyguards, had a fellowship in his name at Oxford University, donated millions to worthy causes through his foundation, and made more than $3 billion a year by trading in the Soviet Union. He had tons of aluminum ingots warehoused in Rotterdam and Singapore, and took millions of board-feet of timber from forests in Chile. He owned or controlled oil wells in Russia, mines in Peru, electrical supplies in England, refineries in Romania, office buildings in Spain, smelters in Australia, Iran, Sardinia and West Virginia, all headed up by 40 offices and 1,300 employees worldwide. Rich had made from $48 million to $400 million by exporting high-grade fuel oil from Russia. Union workers in Romania claimed Rich “banked the fortune that Nicolae Ceausescu stole,” Hougan said. The U.S. Senate Foreign Relations Subcommittee on Terrorism, Narcotics and International Relations called for an investigation of Rich’s connections to the notorious Bank of Credit and Commerce International, and the Amsterdam-based research group Shipping Research Bureau clamed Rich violated United Nations sanctions by trading with South Africa. Rich was “simultaneously the uncontested emperor of aluminum, a prince of sugar, a shogun of soy, a mover and shaker of the world’s markets in nickel, lead, zinc, tin, chrome, magnesium, copper and coal,” Hougan said. [116]

Michael Dobbs’ March 2001 biography of Rich in the Washington Post noted that the “king of Zug” had “mastered the art of clinching a deal with everyone from Communist bureaucrats to Third World dictators to Iranian ayatollahs.” The list of countries where Rich had traded “read like a compendium of rogue states,” including Iran, South Africa, Yugoslavia, Libya, Iran and the USSR,” Dobbs said. Howard Safir had portrayed Rich as “a citizen of the world, unencumbered by the laws of sovereign nations." Morris Weinberg called Rich "the greatest trader in the 20th century." An executive for a leading oil company described how Rich found opportunities in global trading. "Whenever cracks appear in the market, there are people like Marc Rich who are willing to go where nobody else will, either because of embargoes, legal restrictions or political problems," the oil executive said. "Rich has always been willing to do the kind of things that bigger, more respectable companies refuse to do." The collapse of communism in the Soviet Union offered Rich new opportunities, where "he made his biggest mark," Dobbs said. According to Vladimir Kvint, a leading expert on Soviet and Russian business practices at Fordham University, Rich "was one of the initiators of barter trade with the Soviet Union. He bought oil, aluminum, cobalt at domestic Russian prices, and then sold it at world prices, which were often 10 to 15 times higher." According to Anders Aslund, a Swedish economist who served as an adviser to the reformist Russian government, Rich had set up more than 100 front companies in Russia. [117]

Marc Rich & Co. AG ceased to exist and became Glencore International AG on Sept. 1, 1994. The change was more than in name only. Rich reduced his stake in the company from 51% to 25%. "The top employees have taken over the company, and they want to distance themselves as much as possible from Marc Rich," one well-informed former employee told Klebnikov. "Marc still works there, but he is weaning himself off the business." The trading company also was shrinking. Trade in oil, aluminum and coal slumped from $30 billion in 1990 to $20 billion in 1993, according to a company spokesman. Net profits sank to about $30 million in 1993, down from $500 million in 1978 or the $200 million or so averaged in the late 1980s. Gone were the windfall profits from Iranian oil in the 1970s and from breaking the South African trade embargo in the 1980s. The firm had also lost much of its talent to a mass exodus of traders and executives, Klebnikov reported in Forbes. In the past, Marc Rich & Co. AG stock was divided up with Rich holding about 35%, Green about 25%, Hackel about 15%, Posen about 5% and the 70 or so top traders holding the remaining 20%. When Green, Posen and Hackel cashed out and retired, they took with them about $900 million, enough to badly deplete the company's funds and weaken its ability to wheel and deal. Then Rich himself cashed out and put most of his capital in Marc Rich Holding AG, a company which owned extensive real estate in Spain, Switzerland and Eastern Europe. Rich's pending U.S. criminal charges had continued to hurt Marc Rich & Co., with Interpol putting out a Red Notice on Rich and the U.S. continuing to pursue him. He traveled at great risk of arrest, and this affected how he was able to conduct business in person or on the phone. [118]

A new generation of traders, headed by Strothotte, took the leadership role at Glencore. According to Klebnikov, when Strothotte and Rich had clashed on management issues and equity stakes in summer 1992 and Strothotte was fired, virtually all of the company's top managers left with Strothotte, including Dauphin, head of oil trading; Weiss, head of aluminum and sugar trading; de Turckheim, chief financial officer for trading operations; and Daniel Posen, head of the Moscow office. Dauphin went on to establish Trafigura Beheer BV and brought in dozens of Marc Rich & Co. employees, many from offices in Bulgaria, Romania, China and Argentina. Less than a year after he fired Strothotte, Rich brought him back, and Rich began to play a smaller role in running the company. But the exodus of employees from Marc Rich & Co. continued. Omar Shah, a top ferrous metals trader, departed taking along his team of traders, voicing dissatisfaction over equity distribution. Lucio Genovese became the new head of the Moscow office. As for Rich, insiders told Klebnikov that he appeared to have lost interest in business, at least at the frenetic pace he used to have, and had turned to living the high life of a European playboy. [119]

Officials from the newly created Glencore International AG denied publicly that the decision to change its name from Marc Rich & Co. had anything to do with improving its image in the United States. Strothotte, Glencore's chief executive, made the denial in response to rumors among industry observers on both sides of the Atlantic. Clarendon Ltd., Marc Rich & Co.'s U.S. subsidiary, was renamed Glencore Ltd. Strothotte also responded to rumors concerning Rich's decision to sell $950 million in company stocks. Strothotte denied that Rich's decision was connected to a divorce settlement with his wife. Marc Rich & Co. had gross revenues in 1993 of $25 billion, and Strothotte said the acquisition of Rich's stocks was easily handled by the surpluses the company had earned in past years. By September 1994, the Glencore group of companies employed 5,000 people, of which 1,300 were involved in trading operations and the rest were involved in the company's various holdings in raw materials and energy. Glencore was acquiring aluminum from former-Soviet Union republics through bartering and was the largest supplier of Western grain to Eastern Europe. [120]

Rich returned to the world commodities trading market in February 1996 with a new company, Marc Rich & Co. Investment. Rich, who had sold his 51% stake in his former company in 1994, told The Financial Times he had never completely retired from commodities trading and believed there was room for another large trading company. [121] In August 1997, Rich announced that his new company would purchase Glibro, a Geneva-based grain trader with strong contacts in the former Soviet Union. The purchase marked the first major acquisition by Marc Rich & Co. Investments since it was created in 1994. The company had grown quietly to a network of 200 staff offices in Europe and Latin America. Oil trading accounted for half of the company's business, with the balance in coal and metals, especially aluminum and nickel. The strong agricultural economies of Eastern Europe, notably Russia, Ukraine, Bulgaria and Poland, were dependent on barter-based deals which might exchange grain for imported consumer products. This kind of trading situation fitted into the Marc Rich & Co. Investments strategy. The purchase of Glibro showed that Rich believed money could still be made in emerging capitalist economies. He began his move into Eastern Europe in 1996 after the collapse of AIOC Corporation, a New York metals-trading house. Rich's company absorbed many of the experienced traders who had been left out of work and took over the numerous aluminum and nickel contracts. Soon his company had re-established itself in the region and rivaled Glencore's operations in Moscow. [122]

Marc Rich & Co. Investment operated out of offices in Zug, where his former company now operated as Glencore. By 1997, Rich's new business had sales of $4.5 billion, while Glencore had sales of $40 billion and employed 4,950 people. According to the Swiss Association of International Trading Houses, nine of the 11 largest trading companies operating out of Switzerland were established prior to 1896. The oldest, Basel Trading Co., was established in 1859. Two of the 11 trading companies had more than 10,000 employees. The largest of the 11 was Andre & Cie, which was also the most secretive, although it was believed to be one of the world's largest grain traders. In 2000, Andre & Cie secretly entertained Cuban president Fidel Castro. Glencore, established in 1974, and Marc Rich & Co. Investment, established in 1996, did not belong to the association. [123] The Marc Rich Group ran an ad in the Dec. 14, 1996 issue of The Economist seeking to hire "highly qualified traders, specialized and experienced in crude and petroleum products, aluminum, coal, ferro-alloys, pig iron and grains." Rich reportedly had begun trading more aggressively. [124] In February 1997, Phibro Inc. reportedly opted to leave the Russian oil industry after most of its crude oil trading staff had defected to Marc Rich & Co. Investment. The sudden increase in staffing at the Marc Rich & Co. Investment office in Moscow marked Rich's return to oil trading in Russia. [125]

Rich and Green made the Forbes 400 list of the wealthiest Americans on Oct. 13, 1997. Rich's wealth was estimated at $925 million and Green's was $875 million. Forbes listed their occupations as "commodities, tax-evasion." [126] Both made the next year's list, too. Rich was worth about $975 million, and Green was worth $925 million. Both continued to live in Switzerland. Rich was conducting business through Marc Rich & Co. Investment, Novarco and Glibro. His plans for 1998 included re-entering the Argentine grain export market, and he had recently purchased an 8% stake in Anaconda Nickel Ltd. of Australia (not related to the Anaconda Company of Montana history). [127] Rich and Green also made the 1999 Forbes 400 list of the wealthiest Americans, but the magazine that year established a special "Renegades" category reserved for seven "rebels (who) made their fortunes by disregarding rules and scoffing conventional wisdom." Included in the special category were Rich, with $1 billion, and Green, with $950 million. Forbes suggested that the new democratically-elected Nigerian president, Olusegun Obasanjo, might hurt Rich's oil deals and might already have canceled one of his contracts. The magazine also said Rich's companies were suing three former employees for a "secret conspiracy to defraud" his firm, according to the complaint. [128]

"As a trader, you often walk on the blade," Marc Rich was quoted in The Economist describing his trading career. "Be careful and don't step off." Rich maintained that U.S. embargoes did not apply to companies based in Switzerland, and the $1 million bribe he once provided a Nigerian transportation minister was made "in order to be able to do business at the same price as other people were willing to do the business." [129] Rich may have met Charlie Engelhard, the inspiration for Ian Fleming's Goldfinger, about the time Engelhard's company merged with Philipp Brothers in 1966. In a fictional account published by Andre Teissier-DuCros in 2001, Rich eavesdropped on Engelhard and Teissier-DuCros in Turkey while they discussed important details on aluminum pricing. It was an important learning experience for the young trader, Teissier-DuCros suggested. [130]

According to a Michael Dobbs' biography of Marc Rich published in the Washington Post in 2001, Rich had acquired the nickname "Aluminumfinger" in the 1990s after he was said to control 40% of the global aluminum market. [131] Rich had invested in bauxite mining, alumina refining and aluminum smelting facilities through joint ventures, or simply traded in bauxite, alumina or aluminum ingot, moving the commodities in his fleet of ships. His aluminum trades in the former Soviet Union in the communist government's final years caused havoc in the global aluminum market. At about the same time, his ties to the Ravenswood aluminum smelter in West Virginia added to his growing notoriety, as locked-out Steelworkers mounted a campaign to expose Rich's vast financial connections. Rich's historical role in the global aluminum industry was similar to what it was in oil and other commodities, as a creative destructor who stirred the market and weakened the concept of vertical integration.

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