Chapter 50

Aluminumfinger

In a fictional account by Andre Teissier-DuCros, the mergers and acquisition strategist was in Turkey in June 1966 speaking to Charlie Engelhard – the inspiration for James Bond's nemesis Goldfinger – about the aluminum industry when they found themselves being eavesdropped on by Marc Rich. Engelhard's rules for establishing new aluminum plants and prices included "never worry about metal demand" because "it's increasing with economy, technology and demography" and "neither worry about scarcity: it's an illusion." Engelhard's advice included "never get excited about price increases" because when the price goes up, "it's always a consequence of someone's poor planning." He cited the U.S. government's hope that breaking up the Alcoa monopoly after World War II by selling surplus war plants to Reynolds and Kaiser would increase competition and drive down prices. That strategy didn't work because Alcoa always operated on the principle of keeping costs and therefore prices down, Engelhard said. "First worry about production costs," he said. "They go down anyway, which is also why markets are growing." Engelhard then explained another set of rules that explained the cost differentials for metals markets under the acronym "AMPLE: access to money, politics, logistics and energy." [1] Whether Rich followed that fictional advice is hard to tell, but Rich acquired the nickname "Aluminumfinger" after he was said to control 40% of the global aluminum market by the 1990s, according to a story by Michael Dobbs in the Washington Post in 2001.

The price of aluminum, based on a GDP deflator setting the year 2000 at 100, dropped from about $6,000 per ton in 1925 to about $2,000 at the end of World War II before climbing back up to about $2,700 in the late 1950s and then dropping with small bumps to about $1,500 by the early 1970s. The overall price decline from 1945 to 1972 was about 2% per year. Prices began to climb in the 1970s as a result of energy shocks in 1973 and 1979 and the surge of energy demand in China, India and Brazil. This energy demand did not drive up the cost of electricity the same way in all nations, according to a 2013 report for the International Aluminium Institute by Carmine Nappi. Some nations benefited from low-cost hydroelectricity or coal, which kept electricity prices lower. Eventually primary aluminum production shifted from high-cost locations like Japan, the U.S. and Western Europe to lower-cost areas like Australia, Canada, Middle East, Russia and China. Other factors that affected aluminum prices included public policies, taxes, exchange rates, trade tariffs and subsidies. By the 1990s, another new factor affecting aluminum prices was the increasing trade in aluminum as a commodity in index funds,

hedge funds and "proprietary trading desks," where commodity traders had their own warehouses to store inventory, according to Nappi. [2]

The metal exchange

One nexus for global aluminum pricing was the London Metal Exchange, which began trading aluminum contracts on Sept. 19, 1978, despite strong opposition by traditional traders. [3] Until that time, peaks and troughs in the market price for aluminum were managed by the Big 6 aluminum companies by changing capacity rates at their plants or by inventory accumulation. List prices tended to be rigid despite considerable instability in market conditions. Aluminum trading on the London Metal Exchange marked "a clear sign that the major Western producers had started to lose control of price setting in their industry," Nappi said. Most of the production and consumption of aluminum took place outside the U.S., but it was bought and sold on the London Metal Exchange in U.S. dollars, making aluminum dependent on the strength or weakness of the U.S. dollar in global currency markets, which saw significant highs in 1984 and 2002 and significant lows in 1974, 1980, 1990 through 1998, and 2008. Nappi suggested that low aluminum prices in 1995 through 2002 could have resulted from Russia dumping metal on the open market, weak demand during the Dotcom recession or a strong U.S. dollar. [4]

The London Metal Exchange began operating as the Royal Exchange in 1571 during the reign of Queen Elizabeth I. Traders in metals and other commodities met there to settle prices and overall supply and demand. By the early 19th century, there were so many participants in the Royal Exchange that groups of traders left to continue business in small coffee shops. The tradition of the Ring originated at the Jerusalem Coffee House off Cornhill, where a metal merchant would draw a circle in the sawdust on the floor and call out "Change" to signal others to join around the circle and make bids. The advent of the Industrial Revolution saw the United Kingdom importing large quantities of metals from abroad, and metals traders soon faced price uncertainties for ores and concentrates they had paid for in faraway places such as Chile and Malaya. Eventually, telegraph provided more up-to-date communication, and steam ships reduced transportation time and regularized schedules. This also made it possible for the merchants to "sell forward" for delivery on a fixed date to protect themselves against a potential fall in prices during the long voyage. As industrial capacity continued to expand, a need arose for a larger metals exchange. In 1877, the metals merchants formed the London Metal Exchange Co. over a hat shop in Lombard Court. "On an international scale, the London Metal Exchange is one of the City of London's most influential institutions," the Exchange explained on its website. "It is not widely known to the general public but it is appreciated and respected by the global mining, metals

and financial communities because it provides essential services that play a part in maintaining the stability of commodity prices throughout the world." [5]

By 1983, the London Metal Exchange warehoused $20.6 billion worth of metals, and in 1986 the exchange did a daily foreign exchange volume of $4.6 billion. The Exchange's three main functions were to set world prices for copper, lead, zinc, aluminum, nickel and silver; to operate as a physical market where metals were bought and sold with a guaranty of quality; and to arrange futures contracts for producers and buyers, which was about 65% of the exchange's business. The Exchange was seriously hurt by the collapse of the International Tin Agreement in 1986, which inflicted heavy losses on investors, including Marc Rich & Co., and bankrupted several trading firms. Many of the "rough and tumble speculators" who had given the Exchange a bad name left after the tin scandal, and some of the Exchange's procedures became more transparent and easier to follow after that. [6]

By 1999, the London Metal Exchange was trading $10 billion worth of commodities per day. Trading was conducted in the Rings on the trading floor and in offices on a 24-hour basis. The Exchange's membership came from 100 major firms, of which 14 participated directly in Ring trading, the open outcry sessions which took place twice a day. Trading in the Exchange included more than 95% of all copper and virtually all aluminum, lead, nickel, tin and zinc. The Exchange set the official price for physical deliveries of metals through its international network of warehouses, but hedging had become important ever since the market was established in 1877, accounting for about 75% to 85% of the Exchange's turnover. The considerable time lapse involved in processing mined ores to their final form – for example bauxite to alumina to aluminum – exposed companies to the risk of sudden market price changes. Companies found it prudent to hedge physical transactions by entering into offsetting forward contracts. Carefully planned forward contracts would mature at the same time as physical contracts. [7] By 1999, the Exchange maintained 360 approved warehouses and compounds in 39 locations covering the U.S., Europe and the Far East. Since most of the Exchange's trading took place as hedged contracts, only about 2% of the contracts resulted in an actual delivery of metal. [8]

Membership in the London Metal Exchange was divided into five categories which determined the types of trading in which a member was allowed. Category I members participated in the Ring. Category II members enjoyed the same privileges but did not trade in the Ring. Phibro Futures & Metals Ltd. and Salomon Brothers International Ltd. were both Category II members in 1999. Category III members could not issue client contracts nor trade in the Ring but were entitled to clear their own business. Glencore UK Ltd. and Hydro Aluminium AS of Norway were both Category III members. Category IV members could issue client contracts but were not clearing members and did not

participate in the Ring. Billiton Metals Ltd. was a Category IV member. Category V members had no trading rights except as clients and included Alusuisse Trading Ltd., BHP Minerals Europe Ltd. and Pechiney Trading France. [9] Specifications for the primary aluminum trading contract included a minimum lot size of 25 tons and a minimum purity of 99.70%. Delivered primary aluminum, the Exchange's most traded metal, needed to meet conditions in an approved list of aluminum brands. [10] Despite these protections, the Exchange began investigating possible collusion between aluminum traders in August 2003. Officials had conducted a similar investigation into aluminum in 1999 but found no wrong-doing. [11]

Aluminum trading on the London Metal Exchange was used primarily by the European aluminum industry in a cash market with limited restrictions, according to a story by H.J. Maidenberg in the New York Times. An alternative became available on Dec. 8, 1983, when Commodities Exchange Inc. (COMEX) began trading aluminum futures. Since the end of World War II, the price for aluminum had been set by a dozen aluminum producers who often manufactured finished products, such as foil or automobile and aircraft material. According to a spokesman for Shearson/American Express's metals division, aluminum prices would be "established continuously in a free market through the price discovery mechanism of the COMEX aluminum futures." As a result, the COMEX aluminum trading market would be more speculative. Whereas aluminum trading contracts were limited to three months at the London Metal Exchange, aluminum contracts at COMEX would be good for two years. Major aluminum producers were opposed to the London Metal Exchange and COMEX markets when they began, but over time major European producers began to take advantage of the London Metal Exchange aluminum trading market. [12]

Breaking into aluminum

Immediately after Marc Rich and Pincus Green set up offices in Zug, Switzerland, their new trading company continued to raid clients and personnel from their former employer, Philipp Brothers. By 1977, Rich had become the biggest aluminum trader in the world, having stolen most of the Philipp Brothers' bauxite accounts, according to A. Craig Copetas' 1985 book on Marc Rich. Philipp Brothers fought back by holding meetings with suppliers, urging them not to deal with Rich and Green, but many suppliers liked the deals offered by Marc Rich & Co. [13] Manny Weiss was the top aluminum trader at Marc Rich & Co. in the early years – he made the company's first metals deal in 1975, a zinc sale to an East bloc country, while just a teenager. Weiss later used Rich's U.S.-based Clarendon Ltd. to put together a large-scale aluminum strategy. Clarendon's move into aluminum production required very little investment – instead of buying smelters, the firm negotiated tolling contracts. [14] According to a 1992 profile in

Institutional Investor, Rich had decided to become a dominant force in the global aluminum market in the 1980s, from raw materials to finished metal. Rather than owning assets outright, Rich established a complex network of joint ventures with local partners, which allowed him to exert considerable control with minimum outlay of capital, while providing him anonymity. [15]

By the mid-1980s, aluminum producers worldwide were facing serious financial problems because of low aluminum prices. This was particularly true in the U.S. where some aluminum companies wanted to sell their plants. Working in the role of banker, Marc Rich & Co. helped finance the takeover of certain unprofitable aluminum plants and avoided direct ownership. The company then used the plants to process alumina under tolling contracts to avoid the risks associated with direct ownership. [16] By 1984, after it began buying and selling bauxite, Marc Rich & Co. became the largest trader in the international aluminum industry, according to Shawn Tully and Ford S. Worthy's 1984 account in Fortune. [17] In 1986, Clarendon signed a 10-year agreement to buy all 800,000 tons of alumina produced annually by a government-run plant in Jamaica. In the past, this alumina was sold to major U.S. aluminum producers, but Clarendon began moving into ownership of alumina refineries and aluminum smelters in the late 1980s. [18] By the end of the 1980s, most large vertically-integrated aluminum companies, such as Alcoa and Reynolds, were selling their U.S. aluminum smelting capacity to build lower-cost smelters in countries with lower electrical costs. Marc Rich & Co. took advantage of this situation by leasing out-of-date U.S. smelters and making them profitable by processing the low-priced alumina the company could obtain from places like Jamaica, according to Peter Koenig's 1992 account. Clarendon signed up local partners for joint ventures, including acquiring a 27% stake in the Mount Holly, S.C., smelter and taking control of a smelter in Hannibal, Ohio. Both plants processed Rich's Jamaican alumina and sold the finished metal to Clarendon. [19]

Leading metals traders recognized in 1986 that Marc Rich & Co. "exerts a powerful influence over the world production of bauxite, and moves the world prices of alumina (the semi-refined ore) and aluminum ingots, the finished product," Allan Dodds Frank and Ralph King Jr. said in a 1986 Forbes article. Many Third World governments conducted business with the trading company with the hope of stabilizing trade and earning foreign exchange. Marc Rich & Co. made deals for bauxite, alumina or ingot in Brazil, Egypt, Jamaica and Venezuela as well as industrialized nations such as Australia, Japan and the U.S. Most of the aluminum business was conducted through Clarendon Ltd., the U.S.-based subsidiary of Marc Rich & Co. that fugitives Rich and Green claimed they had sold to their unindicted partner R. Alec Hackel, who then renamed it. The U.S. Justice Department continued to claim that Clarendon was controlled by Rich and

Green, but they allowed Clarendon to conduct business in the U.S. after it paid $150 million to settle tax evasion and contempt charges. [20]

Marc Rich & Co.'s success in the aluminum industry resulted from the favorable terms it received when purchasing raw materials in large volumes. Marc Rich & Co. even used commodities such as oil to trade for alumina from Third World countries. With increasing control over the global alumina supply, Marc Rich & Co. was generally in good position to get the best price for aluminum ingot, but the trading company would bid aggressively to control ingot capacity. In 1985, the firm bid high to take ingot production at the Egyptian government-owned smelter at Nag Hammadi away from Alusuisse and then supplied the smelter with low-cost alumina from Australia. "Note that by buying and selling his alumina and ingots forward, Rich can control enormous commodity volumes with relatively little capital at risk," Frank and King said. Marc Rich & Co. typically bought an aluminum smelter's output for a tolling fee, usually set at 75% of the value of the finished ingot. The cost of alumina and shipping amounted to another 20%, leaving a 5% profit for Marc Rich & Co. The ingots typically were pre-sold to third-party aluminum fabricators. The strategy benefited from all the nonintegrated smelters that depended upon tolling contracts to stay in business, while Marc Rich & Co. AG held an abundant supply of bauxite and contracts for final ingot production. [21]

Many Third World government-owned smelters were also hard-pressed for cash and welcomed tolling agreements, Frank and King reported. Vertically-integrated aluminum companies which owned mines, alumina refineries, smelters and even fabricating facilities were not interested in Third World smelting operations. Another benefit for Marc Rich & Co. was that marginal refiners and smelters often would offer concessions to get new business, such as lower labor rates and electric prices, often with the help of politicians hoping to keep plants operating. It also helped the strategy that Marc Rich & Co. was the largest single trader on the spot market for aluminum ingots and exerted a major influence on prices, Frank and King reported. In the 12 million ton world market for finished ingots in 1986, about 9 million tons went to Alcan, Alcoa and Pechiney and the remaining 3 million was open to all takers. The supply and demand for the 3 million tons set the market price for aluminum ingots, and Marc Rich & Co. controlled 1 million tons a year. In the last 10 months of 1986, ingot prices moved 30% up and then 25% down, a trend normally seen over a five-year period, Frank and King noted, leaving open the suggestion that price manipulation was taking place. They estimated that Marc Rich & Co. earned $150 million a year pretax on aluminum-related transactions. [22]

The Jamaican genesis

One of the first big coups in Marc Rich & Co.'s aluminum strategy took place in Jamaica. Alcoa shut down its Jamaican alumina refinery while the aluminum market was

depressed in 1985, leaving the Jamaican government in dire straits to make export revenues, Shawn Tully reported in Fortune in 1988. Alcoa agreed to lease the plant to the Jamaican government, but the government needed a large-scale alumina buyer. Rich, who had already developed close ties to key individuals in Jamaica, signed a 10-year agreement in 1986 to purchase most of the 800,000 tons of alumina produced each year by the refinery. Ordinarily, alumina prices fluctuated with world market prices, but Rich was able to secure very low prices for 20% of the alumina. Nonetheless, the deal was risky for two reasons, Tully said – there was a worldwide glut of alumina in 1986, and alumina needed to be sold quickly before it could absorb moisture from the air. Unlike ingot, alumina could not be hoarded. When ingot prices bottomed out at 45 cents a pound – a 10-year low – U.S. aluminum producers felt the pinch and were willing to sell their smelters. At the same time, unions were willing to bargain to hold onto their jobs, and utility companies were willing to sell electricity at low prices. Marc Rich & Co. stepped in, setting up tolling contracts, and was in a perfect position to make a killing when aluminum prices began to climb significantly in 1987, Tully said. Sharp cutbacks by the world's aluminum producers in the mid-1980s had created a shortage that led to an upswing in the world aluminum price cycle. By 1988, prices had climbed from $1,100 a ton to $2,700. [23]

Rich's deals in Jamaica depended to some degree on cooperation with Michael Manley, who was elected prime minister of Jamaica in 1972, 1976 and 1989 and who spent much of his life combating Rich's influence on Jamaican politics. Manley joined the labor movement in 1952, three years after graduating from the London School of Economics. Over the next 20 years, he served as a United Steelworkers local union president, president of the National Workers Union of Jamaica and the first president of the Caribbean Mine Workers Federation. [24] Alcoa Minerals of Jamaica began mining bauxite in the Mocho Mountains of Jamaica and processing the ore at their Clarendon Alumina Works four miles away in 1960 (not related to Clarendon Ltd., the U.S.-based trading company created out of Marc Rich & Co.). A joint venture company called Jamalco was formed between Alcoa and the Jamaican government in 1981, with the government holding a 6% interest. The government averted a complete shutdown of the mining and refining operation during the slump in the world aluminum market in the mid-1980s by creating a new company called Clarendon Aluminum Products Ltd. The government retained Alcoa to help manage the plant. A crucial element in the rescue of the plant was the 10-year supply contract with Marc Rich & Co. negotiated by the Jamaican Minister of Mining Hugh Hart. When the world aluminum market recovered, Alcoa returned as managing partner of the refinery. [25]

During the 1980s, Jamaica was the fourth largest bauxite miner and alumina refiner in the nonsocialist world, mostly in partnerships between foreign firms and the Jamaican

government. Kaiser Jamaica was the largest producer, with most of the bauxite from its Water Valley mine going to Kaiser's alumina refinery in Gramercy, La. Alpart, owned by Kaiser and Norsk Hydro, owned mines and a refinery at Nain, in southcentral Jamaica. Clarendon Aluminum, owned by Alcoa and the Jamaican government, owned the Breadnut Valley mine and Clarendon refinery. Jamaican, owned by Alcan and the Jamaica government, had a mine and refinery at Ewarton and Kirkvine. Alumina production in Jamaica at the time fluctuated as the government and private industry disagreed on whether to close any facilities and several U.S. smelters on the Gulf Coast closed. [26]

In early 1989, Marc Rich & Co. loaned Jamaica $45 million against future alumina purchases by Clarendon Ltd., the U.S.-based Marc Rich metals trading subsidiary. According to a 1989 story in Forbes by Jason Zweig, Jamaica's socialist prime minister, Michael Manley, agreed to the deal by making it appear the country needed the money to meet foreign reserve targets set by the International Monetary Fund. If the price of alumina was to increase later, Marc Rich & Co. was poised to make a bundle at Jamaica's expense. [27] The Jamaican government had already closed the deal with Marc Rich & Co. on bauxite and alumina production as Manley entered his second term as prime minister. According to Allan Dodds Frank's account in 2009, Manley had denounced the deal before he was elected and "then claimed he held his nose as he was forced by his country's economic circumstances to deal with Rich." [28] During his campaign with the People's National Party against the sitting prime minister, Edward Seaga, Manley had criticized Seaga's long-term alumina deal with Rich. The deal provided Rich with 4 million tons of alumina between 1985 and 1995 at less than half its market value. Just before his election, Manley said publicly he intended to investigate Rich for violating the UN embargo against South Africa. Jamaica had imposed a trade embargo against South Africa on its own since 1964, largely the result of Manley's work as a young legislator, according to Copetas' 1990 account in Regardie's Magazine. [29]

Copetas noted that Manley changed his position once he was prime minister, at one point denying to a leader of an anti-apartheid group that he'd ever heard of Rich's South African connections. The reason for the change was money, Copetas said. Within weeks of his election, Manley's government needed to secure $50 million in Western currency in order to receive more funding from the International Monetary Fund, and it was prohibited from obtaining loans from secondary sources. If Jamaica missed an IMF payment, its currency could be devalued. After selling Jamaica's consulate facility in London for $8 million, and with only 48 hours left, the Jamaican government turned to Rich. He had loaned the country $200 million between 1980 and 1985 and had paid the travel expenses for Jamaica's 1984 Olympic track-and-field team and its 1988 Olympic bobsled team. Rich was prohibited by the IMF from loaning money directly to the

Jamaican government, so his company gave Jamaica $50 million as a cash advance against future alumina production and charged the government 1.5% over London Interbank's interest rate. A month later, Manley told members of his People's National Party that half a dozen companies in Jamaica were conducting business with South Africa, but to order these companies to cease operating would deprive jobs to thousands of Jamaicans and endanger the country's economy, Copetas reported. "The cash flow must be maintained," Manley told his followers. [30]

Tolling in swing markets

By 1988, global demand for aluminum was high, resulting in shortages and daily swings in the world aluminum market, Clemens P. Work and David Lawday reported in the U.S. News & World Report. General economic prosperity had boosted demand for aluminum in products from soda cans and foil wrap to siding for buildings. Reynolds expected to boost its U.S. exports by 38% and its revenues were expected to increase from $4.3 billion to $5 billion. On the futures markets in London and New York City, "backwardation" was common – spot prices for immediate delivery were higher than the forward prices for future delivery, which eliminated the hedge that futures markets should provide. The volatile aluminum market proved a money-maker for Marc Rich & Co. According to Mike Baker, editor of Metals Line newsletter, Rich was "making money on every aspect of aluminum. He's like the Hunts and silver, only smarter." It was believed that Marc Rich & Co. made huge profits as the raw materials in the aluminum industry tripled in price since 1986. Through Clarendon Ltd., Marc Rich & Co. controlled about one third of the aluminum not held by the big producers, roughly 1 million tons. The company controlled 100% of Jamaica's output of alumina, and Clarendon had long-term contracts to produce in "rented smelters" as much as 300,000 tons of aluminum ingots and sows to be sold to the big producers. The take for Rich himself was estimated at hundreds of millions of dollars per year. [31]

With aluminum prices depressed and big vertically-integrated aluminum producers like Alcoa and Kaiser cutting output, Marc Rich & Co. expanded rapidly into the international aluminum market. By 1988, Marc Rich & Co. was second only to Alcoa in alumina production and by far the world's largest independent seller of aluminum ingot. [32] The world's top 10 producers of aluminum ingot accounted for 70% of the free-world's production of 13.5 million tons. Most of these big companies were vertically integrated and also manufactured products such as cans or home siding. They tended to consume all the aluminum ingot they made, leaving only 4 million tons of ingot for other aluminum fabricators. It was this last segment of the industry that Marc Rich came to dominate with a 30% share, Tully reported in Fortune in 1988. In time the demand for

this open-market aluminum ingot was strong, especially among Japanese aluminum fabricators. Japan produced hardly any aluminum ingot at all. [33]

As for Marc Rich's tolling contracts at some U.S. smelters, where rising electrical power costs accounted for only 15% of the total price for aluminum ingot, a profit of $1,000 per ton was possible, and Clarendon split this profit with the smelters, Tully reported. "Rich will tailor a deal any way you want it," Edward Notter, head of aluminum production at Alusuisse, said of Marc Rich's strategy. "You can pay over time, pay with alumina, or he'll finance the purchase. And his flow of information is unbelievable. To keep up with the market, his traders ring up warehouses and stores that sell aluminum siding." Dominique Arnaud, a trader for Pechiney, stressed Rich's freedom to make deals. "It's almost unfair competition," Arnaud said. "In most companies, if you asked to lend money to Jamaica, they'd throw you out the window." There was a momentary setback in October 1987, when the New York Stock Market crashed. Manny Weiss, then head of Clarendon's aluminum operations, sold aluminum short on the London Metal Exchange and lost at least $25 million of Clarendon's money when prices rebounded in early 1988. Insiders think Weiss over-reacted, Tully said. [34]

One of the first U.S. aluminum smelters to toll for Clarendon Ltd. was the former Harvey Aluminum plant at The Dalles, Ore. Martin Marietta Corp. was preparing to permanently close the 81,000 ton-per-year smelter in 1985, and local businessmen looked for ways to keep the facility open. In 1986, Clarendon signed a long-term tolling agreement for the plant's entire capacity and provided several million dollars in working capital to the local group that intended to purchase the plant. The United Steelworkers union at the plant agreed to scale back the work force from 700 to 355 and reduce wages from $12 to $10, and the Bonneville Power Administration helped by providing an initial break on electrical rates. [35]

Clarendon made a direct investment at the Mount Holly smelter in South Carolina. The last new aluminum smelter to be built in the U.S., the Alumax plant opened in 1980. [36] Alumax climbed to the number three spot among primary aluminum producers in the U.S. in the 1980s, with smelters in Washington, South Carolina and Maryland accounting for 11% of U.S. smelting capacity. In 1988, the company sold a 27% interest in the 200,000 ton-per-year Mount Holly smelter to Clarendon for $40 million, which later turned out to be a fabulous bargain. Alumax also held a 10-year tolling contract with Clarendon that included 50% of the Mount Holly production, but it was reported that Clarendon took 75% of the smelter's production. Alumax became Clarendon's largest U.S. tolling contractor. [37] The Mount Holly smelter reportedly made Clarendon – and Marc Rich & Co. – significant profits. Clarendon's 27% share produced 50,000 tons of ingot aluminum per year at $1,300 per ton, and Clarendon sold the metal at twice that

amount for an estimated profit of $65 million a year – a 160% return on Clarendon's investment. [38] The cost of a new plant that could produce that much aluminum would have been $220 million. [39]

There were opportunities outside the U.S. as well. In June 1987, it was reported that Marc Rich & Co. AG would supply alumina for the new $1.35 billion Al Mahdu Aluminium smelter to be built at Bandar Abbas, in southern Iran. [40] Marc Rich & Co. reportedly was still involved in the project in 1992, working with Dubai businessman Mahdi Taji and British construction company George Wimpey to build a $1.5 billion aluminum smelter in Bandar Abbas. [41] Rich's ties to Iran continued long after he left Marc Rich & Co., which was renamed Glencore. In 1999 and 2000, after President Bill Clinton imposed strict sanctions on Iran, Rich's new company Marc Rich Investments shipped alumina to Iran's Iralco smelter at Arak and resold the finished aluminum metal on world markets. Although risky, it was quite profitable since Iran was willing to pay top dollar for alumina. [42]

Rich also invested in a large alumina refinery on the island of Sardinia. Built in the 1970s, the Eurallumina alumina refinery started operation in 1973. Eurallumina was founded in 1968 as joint venture between Italian Alsar, Comalco Aluminium Co. of Australia, the Swiss industrial group Alusuisse and Metalgesellschaft, a German company in Frankfurt. The goal was to refine Australian bauxite into alumina for European smelters. In September 1989, Marc Rich & Co. purchased 18% of Eurallumina and the 915,000 ton-per-year alumina refinery. [43] Glencore took over that stake in the mid-1990s. In December 1997, Glencore International AG and Comalco Ltd. announced on the New York Stock Exchange that they had signed an agreement to jointly acquire the share held by the Italian government in the Eurallumina refinery. The price was not disclosed. [44]

Marc Rich & Co. also increased its alumina refining capacity in the Caribbean with the acquisition of a plant in the U.S. Virgin Islands in 1989. Harvey Aluminum and Hess Oil had teamed up to build an alumina refinery and oil refinery on 1,400 acres of former sugar cane fields on St. Croix in 1962. The Virgin Islands legislature approved the deal. Martin Marietta eventually gained a controlling interest in the refinery as Lockheed Martin in 1972. [45] Harvey's construction crews blasted a channel and created a port, extending one mile out into the ocean, one of the most hurricane-proof ports in the Caribbean. [46] In February 1989, the U.S. Interior Department approved a request from the Virgin Islands government to allow Marc Rich & Co. to purchase the $45 million St. Croix alumina refinery. The trading company entered into a 15 to 30 year lease which allowed the company to operate the plant and have exclusive use of the nearby port facilities. The deal solidified Rich's position as the largest independent aluminum producer in the world. [47] By 1992, Marc Rich & Co. owned the 600,000 ton-per-year

alumina refinery in the Virgin Islands and held a profitable 10-year alumina contract with the Jamaican government signed in 1986. [48] Glencore shut down the refinery in the Virgin Islands in 1994. Alcoa purchased the plant in July 1995 at an undisclosed price, boosting Alcoa's global alumina capacity by 6%. [49]

By 1990, Marc Rich & Co. was believed to have a hand in about 60% of the world's aluminum output through its stakes in aluminum smelters, alumina refineries and tolling contracts. Despite a slump in aluminum prices over the past few years, Rich had been actively involved in joint ventures, especially in the Persian Gulf states where inexpensive energy supplies were made available by partners in aluminum projects. Under these deals, Rich would supply alumina and then receive aluminum metal in a tolling arrangement. Rich also had arranged a tolling contract with the Medial smelter in Algeria, which would receive energy from the government-owned Sonartrach oil and gas company for a generating plant. [50] In 1992, Marc Rich & Co. AG financed the renovation of the Czech Republic's only aluminum plant to expand production capacity from 70,000 tons to 105,000. Negotiations were underway to determine whether the company would become the owner of the state-owned plant or whether the company would remain a backer and customer. [51]

A slump in aluminum prices in 1992 did not deter Marc Rich & Co. AG from its optimistic investment in the aluminum industry. Price fluctuations in aluminum hurt manufacturers and consumers, but traders could still make a profit during times of low prices. "It would not be quite right to assume that we make our profits, or make more of them, when prices rise, or, indeed that we lose money if they fall," Clarendon President Willy Strothotte said, according to the U.S. House Committee on Government Operations in 1993. The key to success for traders was to track markets carefully in order to make accurate predictions and then act according to those predictions, he noted. By 1992, about 60% of the Western world's 15 million ton-per-year production of primary aluminum was from vertically-integrated corporations that controlled the process and materials from bauxite mining and alumina refining through aluminum smelting and fabrication into aluminum products. Of the remaining 6 million tons, Marc Rich & Co. sold 2.5 million tons per year, a considerable market share. [52]

The Ravenswood acquisition

A major U.S. aluminum plant investment came in 1986 when an investment group including Strothotte bought the Ormet Corp. aluminum smelting operation jointly owned by Revere Copper Products Inc. and Alusuisse for $98 million. The investment group was a front for Clarendon Ltd., which owned 6% of Ormet. [53] The Ormet Corp. was organized in 1956 by Olin Corp. and Revere Copper and Brass to produce alumina and aluminum. Construction of an alumina refinery in Burnside, La., and an aluminum

smelter in Hannibal, Ohio, began in 1957. The Burnside Bulk Marine Terminal Division and the Hannibal Reduction Plant began operating in 1958. [54]

The 270,000 ton-per-year smelter was acquired by the management group in a leveraged buyout. In order to keep the plant operating, workers agreed to cut wages below those of union-operated smelters, and the local utility company offered lower electrical rates. Clarendon signed a tolling agreement for a portion of the smelter's output for three years. Hannibal produced aluminum at 25% lower costs than unionized smelters operated by integrated companies. [55] By 1999, Ormet was the fourth largest aluminum producer in the U.S. The company operated the Hannibal smelter as well as sheet aluminum rolling mills and extrusion mills. R. Emmett Boyle was chairman, president and CEO of the company, and Debbie Boger was director of human resources. With nearly a billion dollars in sales and 3,300 employees, Ormet was ranked number 234 in the Forbes 500 list of private companies in the U.S. in 1998. [56]

The acquisition of the nearby Ravenswood aluminum plant in West Virginia by Rich's companies several years later proved to be a major setback for the fugitive billionaire commodities trader as it undermined one of Rich's key goals – anonymity. Kaiser Aluminum & Chemical Co. built the Ravenswood plant and started operating it in 1957. Located near river transport, coal mines and East Coast markets, the integrated facility included a smelter and rolling mill that could produce sheet for beverage cans. Organized under the United Steelworkers in 1958, the Ravenswood facility was considered a world-class facility and was well maintained, but the can market that had been growing at 12% per year in the 1960s and 1970s fell to a flat 3% per year in the 1980s. Kaiser also became a target of hostile takeovers in the 1980s, following the death of Henry Kaiser in 1967. Kaiser's steel business was acquired by Joseph Frates III and other investors and then flipped. Frates next looked to acquire Kaiser's aluminum business, but Kaiser fended off Frates. [57]

In 1986, British takeover artist Alan E. Clore took over Kaiser, but following a stock market collapse in October 1987, Clore defaulted on bank loans and was unable to hang onto the company. Kaiser's next owner was Charles E. Hurwitz, who headed up the Houston-based Maxxam Corp. To pay down debt from the $925 million leveraged buyout, Hurwitz sold off pieces of Kaiser, including the Ravenswood smelter and rolling mill. Business experts questioned the Ravenswood sale because the West Virginia plant produced half of Kaiser's aluminum and was in good condition. In February 1989, the Ravenswood facility was sold to Stanwich Partners and operated under a new entity called Ravenswood Aluminum Co. (RAC). A major stake in RAC was acquired by Willy Strothotte through Rinoman Investments and another company called Ridgeway, but

both Rinoman and Ridgeway were affiliates of Clarendon, which in turn was controlled by Marc Rich. [58]

Hurwitz had flown to Paris to cut the stock option deal with Clore in 1988, which gave gave Hurwitz effective control over the board of KaiserTech, the parent company of Kaiser Aluminum & Chemical Corp., the fourth largest producer of aluminum in the U.S. At the same time, Marc Rich & Co. had expanded rapidly into the international aluminum market and was second only to Alcoa in alumina production and by far the world's largest independent seller of aluminum ingot. A deal between the two seemed inevitable, according to Ralph King's 1999 report in Forbes – Hurwitz had additional alumina to boost Rich's control of the international aluminum market, and Rich had the $925 million in cash Hurwitz needed to pay off a key loan. Rich began by paying Hurwitz $435 million for three-year contracts on 800,000 tons of alumina per year in addition to ownership of the Ravenswood plant. Hurwitz put the cash to good use, and by December 1989 Maxxam was in much better financial shape and profiting handsomely. [59]

For King, the deal between Hurwitz and Rich led to more questions – what type of collusion took place between Rich and Hurwitz at a time when KaiserTech was vulnerable, and why didn't Marc Rich & Co. buy KaiserTech outright? King suggested the answer had to do with still-pending criminal charges against Rich and Green for tax evasion and fraud, and the use of Clarendon Ltd. as a front company for Marc Rich & Co.'s business in the U.S. The $171 million legal settlement paid by Marc Rich & Co. and Clarendon in 1984 gave Clarendon the freedom to operate in the U.S., and by mid-1990 Clarendon owned extensive assets in the U.S. Clarendon's president, Willy Strothotte, was the co-owner of Oralco Management Services, with aluminum operations in Ohio, Louisiana and the Virgin Islands and 4,500 employees. Apparently the U.S. government could not lay its hands on any of this, King noted. [60]

According to a 1991 report in Business Week by Michael Schroeder and Maria Mallory, the same Ormet investment group that bought the Hannibal smelter and was a front for Clarendon Ltd. had bought the Ravenswood plant. The Ormet group included R. Emmett Boyle, former president of Ormet, who became chairman of RAC; Charles Bradley of Stanwich Partners from Stamford, Conn.; and Rinoman Investment B.V. of Amsterdam, which owned 48% of RAC and was in turn 100% owned by Strothotte. The Ravenswood acquisition involved $170 million in cash and $180 million in assumed liabilities and was partially financed by a $260 million loan from Ridgeway Commercial of Hergeswil, Switzerland, an affiliate of Clarendon. The Ormet investors also obtained a $140 million line of revolving credit from European banks, including NMB Postbank of Amsterdam, a bank that did business regularly with Marc Rich. [61]

Suspicion fell on Marc Rich & Co., but the connection between Rinoman and the Ridgeway loan was carefully hidden. Copies of the financing agreement filed with the state of West Virginia listed Ridgeway as “c/o Clarendon Ltd.” The law firm which processed the loan was Milgrim, Thomajan & Lee, which was connected to Marc Rich & Co. in the 1984 “Steamer Trunk Affair.” Strothotte, Clarendon’s president, was the man behind Rinoman Investment. When union officials tried to publicly connect Rich to RAC, Strothotte hotly denied the connection. “The Marc Rich group does not and never has held an interest in the Ravenswood Aluminum Company,” he said. But Rich himself implicated his connection to the Ravenswood plant in a 1992 interview with the Financial Times when he was quoted saying, “We did not like the strike we ended earlier this year. The last thing in the world which our company wants is to be involved in labor disputes.” [62]

Tom Juravich and Kate Bronfenbrenner reported on the West Virginia plant’s acquisition in their 1999 book “Ravenswood: The Steelworkers’ Victory and the Revival of American Labor.” During the 1980s, Rich decided to become a dominant force in the global aluminum market, from raw materials to finished metal, without actually owning any assets, they said, adding, “Everyone in the industry understood that Marc Rich controlled Clarendon.” Large international companies like Marc Rich & Co. had the resources to hide assets, however. “It was an arrangement that made proving the connections between a company such as Ravenswood Aluminum and Marc Rich extremely difficult,” Juravich and Bronfenbrenner said. [63]

The Ravenswood lockout

The Steelworkers’ labor contract at the Ravenswood aluminum plant expired on Oct. 31, 1990. Talks had stalemated when RAC Chairman R. Emmett Boyle demanded pay cuts. The company locked out the union members when the contract expired and hired 1,100 replacement workers. Over the next year, hundreds of acts of vandalism and clashes between RAC security forces and Steelworker members took place. RAC spent more than $1.5 million fortifying the plant, ringing it with tractor-trailers, rail cars and a 10-foot-high barbed wire fence. In response, the union spent $11 million on its strike campaign, mostly providing strike benefits. Insiders said the Steelworkers wanted to send a message to other companies in the aluminum and steel industry not to try the same tactics as used at Ravenswood. One aluminum industry analyst called the conflict between RAC and the union “a death grip,” which proved the union’s point. By November 1991, Steelworker President Lynn Williams had persuaded RAC’s largest customer, American National Can, to cancel future orders, amounting to 23% of RAC’s sales. [64] Soon after RAC locked out the 1,700 Steelworkers, union members and their supporters began to fight back. According to Juravich and Bronfenbrenner, women in

Ravenswood got up in the middle of the night, dressed in black and wearing ski masks, and spray-painted graffiti on the sides of barns that read “Sugar Booger” and “Rat Face.” [65]

As the Oct. 31, 1990, deadline had approached for the Steelworkers Local 5668 contract at Ravenswood, the new owners refused to bargain seriously and presented their first full contract proposal only seven days before the contract expired, according to Robert Weissman’s 1991 report in the Multinational Monitor. The Steelworkers voted down the company proposal and two subsequent proposals but offered to continue working past the expiration date under the existing contract. RAC, however, refused the offer and told workers who showed up at the plant for the 11 p.m. and midnight shifts on Oct. 31 to go home. Local 5668 President Dan Stidham said he believed the company “intended a lockout from the beginning.” He said the company never bargained in good faith and quickly brought “busloads of scabs into the plant.” The company had begun to install security measures in spring 1990 by clearing shrubbery around the plant perimeter and mounting security cameras. As the contract vote approached, RAC installed a 10-foot high barbed wire fence around the plant and tripled its security forces. [66] Oralco Vice President Debra J. Boger responded to Weissman’s report in June 1991. Permanent replacement workers at the Ravenswood plant were employed under the same labor contract terms offered to Steelworkers Local 5668 prior to the lockout, terms which were voted down by the union, she said. Boger also suggested that tactics used by organized labor against corporations were worthy of investigation by Multinational Monitor. [67]

By April 1991, RAC was operating the plant with salaried employees and 900 replacement workers. The Steelworkers were awaiting a ruling by the National Labor Relations Board on whether the company had locked out workers and engaged in unfair labor practices. Evidence in the union’s favor was strong, but the board’s hostility to workers was considered even stronger. Attempts to negotiate a new labor agreement under federal mediation since the lockout had met with no success. The company announced that the replacement workers were considered permanent and that striking workers could only be rehired if a job position opened. RAC also insisted on the unlimited right to contract work outside the union and to restructure the plant’s organization to eliminate jobs, changes which the Steelworkers estimated would cost union members hundreds of jobs. Stidham stated that even if the company could reduce labor costs by these measures, RAC would not be able to efficiently manufacture a high-quality aluminum product. He also worried about safety hazards at the plant. Four union workers had already died in the single year since the new owners took over the plant from Kaiser, whereas only two had died in the previous 18 years. [68]

In 1989, George Becker was re-elected for his second term as international vice president for administration for the United Steelworkers of America. During his second term, Becker led a 20-month global campaign against the Ravenswood Aluminum Co. In the end, the Steelworkers set an historic precedent by forcing RAC to remove 1,300 "permanent scab replacements" and return to work 1,600 locked-out Steelworker members. [69] The union had suspected for a long time that Marc Rich was behind RAC, based on anonymous quotes in the commodities press, but didn't have definite proof. In March 1991, in the face of Rich's repeated denials, the union set out to prove the point. [70] A copy of an internal audit by Price Waterhouse that was slipped to the Steelworkers informed the union of the connection between Clarendon and Marc Rich, who was known to be a fugitive from the U.S. The union chose to target Rich as their true adversary. With help from sympathetic unions in Europe, pickets targeted Rich's offices in Switzerland. Unions exerted political influence to start a Congressional investigation of Ravenswood, beer manufacturers were shamed into agreeing to stop using aluminum from Ravenswood, and the Czechoslovakian government was persuaded to stop the sale of the Slovakian National Aluminum Co. to Rich's companies. Rich denied any ownership in Ravenswood, but eventually RAC's CEO and chairman R. Emmett Boyle was forced out so a new labor contract could be negotiated. [71]

Skullduggery and secret sympathies helped the union. In December 1990, two months after the Steelworkers were locked out of their jobs, William Doyle, the safety and health officer for Local 5668, found himself looking at an internal audit of the Ravenswood Aluminum Corporation conducted by Price Waterhouse. "The document just appeared on my desk one morning," Doyle recalled. "I got to reading it, and I thought, 'Holy Mackerel!'" According to Peter Koenig's 1992 report in Institutional Investor, Doyle passed the document on to Steelworker leadership in Pittsburgh. From there the document was passed on to the AFL-CIO headquarters in Washington, D.C. Contained within the document were clues about RAC's ownership. In April 1991, the AFL-CIO assigned Richard Yeselson to track down public information on RAC. Yeselson traveled to Ripley, the county seat of Jackson County, W.Va., where many Ravenswood workers lived. There at the county clerk's office, Yeselson claims he "struck gold." Filed away inside the county office was a copy of a loan agreement showing that the purchase of the RAC smelter had been financed by a $260 million loan from a Swiss company called Ridgeway Commercial. Ridgeway's address, however, was in care of Clarendon Ltd. at its headquarters in Stamford, Conn. Clarendon was 49% owned by a Swiss partnership dominated by Marc Rich. RAC later won court injunctions preventing the Steelworkers from using the Price Waterhouse audit on the grounds that it contained commercial secrets. [72]

After the Steelworkers requested assistance in 1991, the AFL-CIO sent investigators from its Industrial Union Department to find out who RAC really was. The AFL-CIO designated the Ravenswood labor dispute a "special project" and gave it special attention, David Corn reported in The Nation in 1992. Connections were soon discovered between RAC, Clarendon Ltd., Strothotte and Clarendon owner Alexander Hackel but no direct link to Rich. One company document the investigators discovered stated that RAC agreed to sell aluminum to Clarendon and then buy it back at a profit to Clarendon, and the loan agreement between RAC and Ridgeway Commercial described Ridgeway as an affiliate of Clarendon. Despite their best efforts, the investigators never found a smoking gun document linking Rich to RAC, but enough evidence existed to believe that RAC was part of Rich's global aluminum empire, Corn reported. [73]

During the next year and a half, according to Koenig, the Steelworkers and the AFL-CIO made a concerted effort to interfere with Rich's business interests in Eastern Europe and Latin America, to embarrass him in his hometown of Zug, Switzerland, and to shine a spotlight on his efforts to negotiate a settlement of his criminal charges with the U.S. government. R. Emmett Boyle later criticized Rich's reaction to the union's campaign, saying Rich's interest in settling the strike was motivated more by his personal interests "than by the concern for the long-term best interest of (Ravenswood Aluminum Company) and its employees. I believe that, as part of his effort to regain entry into this country, Rich… wishes to 'buy off' the United Steelworkers so that it will withdraw its strenuous opposition to such reentry and (also withdraw) pressure on his business ventures in Central Europe, Jamaica, South Africa and Eastern Europe." The Steelworkers sent private detective James Hougan to Hergiswil, Switzerland, to check out Ridgeway Commercial. There at Ridgeway's offices a nervous clerk blurted out, "Give us the name of your hotel and Marc Rich will contact you." The investigators never were contacted by Rich. [74]

Stalking Rich

Unable to convincingly prove that Strothotte had not invested in RAC completely on his own but instead represented Rich, the unions mounted a publicity and political campaign against Rich. The Steelworkers persuaded West Virginia Rep. Robert Wise not only to investigate Rich's criminal case but also Clarendon's connections with the U.S. Mint. Wise's investigations uncovered an earlier Treasury Department investigation into Rich's connections to Clarendon and the sale of metals to the Mint that had been "badly botched." By the time Wise conducted his last Congressional hearing on Rich, Clarendon announced that it was withdrawing from business with the U.S. Mint. [75] Meanwhile the union handed out wanted posters with Rich's face in Canada and eight Eastern European countries. They persuaded Czechoslovakian President Vaclav Havel to halt

Rich's plans to purchase the Slovak State Aluminum Co. They reminded government leaders in Romania about Rich's dealings with the deceased dictator Nicolae Ceausescu and helped delay Rich's purchase of a 51% stake in the Bucharest Athenee Palace Hotel. And with cooperation from Jamaican Prime Minister Michael Manley, a former Steelworker activist, the union persuaded the Venezuelan government to halt a bid by Rich and Reynolds Aluminum to purchase a state-owned 190,000 ton-per-year aluminum smelter. [76]

The union also sent representatives to the Nederlandsche Middenstandsbank in Amsterdam to look into the bank's loan to RAC. When the bank's officials learned that the National Labor Relations Board had ruled that RAC had illegally locked out the Steelworkers and that RAC might be obligated to pay back wages to the workers, which were accruing at the rate of $50 million per year, the bank officials appeared worried about the heavy liability RAC was acquiring. [77] Six years after the Steelworkers announced plans in March 1992 to send a delegation to Caracas, Venezuela, "to expose South America to the Marc Rich story," the Ravenswood notoriety lingered. [78] In June 1998, the Spanish-language newspaper El Universal published a column by Jose Muci-Abraham critical of Century Aluminum's participation in a joint venture seeking to acquire the Venezuelan state-owned aluminum company CVG. Century Aluminum, according to the author, was associated with the "inescrupuloso comercializador" Marc Rich, who they noted was wanted by Interpol and accused of fraud, tax evasion and racketeering by the United States. [79]

Other labor tactics sometimes bordered on performance art. The Steelworkers sawed an 8-foot tall puppet of Mother Jones in half to fit it on a plane to Switzerland for a demonstration there. Union members dressed as fishermen watched the Ohio River docks near the Ravenswood smelter to track shipments. The Steelworkers also alerted the government to the dumping of cyanide in the river by the company, and it mobilized thousands of people to come to "Fort RAC," where supporters were entertained by the Bear Paws, a bluegrass band composed of union members. [80] On Oct. 8, 1991, four Steelworker officials crashed a large annual party for traders at the London Metal Exchange. The officials wanted to draw media and public attention to Rich. As they handed out wanted posters to the black-tie guests at London's fashionable Grosvenor House Hotel, with Rich's face and a $750,000 reward featured prominently, four men emerged from a black BMW and threatened harm if they didn't withdraw. The next day, the union officials' hotel rooms were entered and searched, according to Schroeder and Mallory. [81]

By November 1991, European metal-working unions were mounting an effort to block the purchase of the Slovak State Aluminum Co. by Marc Rich & Co. Pro-union politicians

in the European Parliament had questioned the Rich's ethics. [82] The International Metalworkers Federation played a key role in the European effort. Founded in 1893, the federation included unions from 91 countries and represented 19 million workers by 1997. The federation had found that corporations with stable union relations in their home countries sometimes acted against unions in other countries. The federation was able to help these unions by using short strikes or sending high-level delegations to speak with corporate executives. [83] The AFL-CIO recognized the role of the International Metalworkers Federation and the International Federation of Chemical, Energy and General Workers Unions in the Ravenswood labor dispute in a July 1992 account. The two groups claimed 20 million members and possessed an extensive database on multinational corporations, which aided the Steelworkers in tracing ownership of the Ravenswood plant to Rich. The two international unions also mobilized trade unionists in 15 different countries for protests against Rich. The negative publicity from the demonstrations hurt Rich's efforts to develop new business in Central and Eastern Europe. [84]

On March 3, 1992, Steelworker members joined with Britain's Trades Union Congress at a press conference in London. A handful of demonstrators earlier in the day had picketed in front of Marc Rich & Co.'s London offices, where an effigy of Marc Rich was displayed and wanted posters were handed out. Steelworker officials announced plans to discourage Eastern European countries from doing business with Marc Rich & Co. and to discredit the company as "the worst of Western capitalism." Joseph Uehlein, director of special projects for the AFL-CIO, told the media that discussions had taken place with labor officials in Czechoslovakia over Marc Rich & Co.'s plans with the ZSNP Ziar nad Hronom aluminum smelter in central Slovakia. Union representatives were planning on spreading the word in Romania, Bulgaria and possibly Russia, Uehlein added. Dewey Taylor, a Local 5668 member from Ravenswood, explained that the Steelworkers hoped to pressure Rich into persuading Strothotte to negotiate an end to the Ravenswood lockout. Taylor pointed out that RAC was feeling the negative effects caused by a high turnover in non-union workers and Steelworker efforts to get end-users to boycott RAC aluminum can stock material. Uehlein said the Steelworkers had convinced Miller Brewing Co. and Stroh Brewing Co. to stop buying RAC aluminum and was close to getting Coca-Cola to join the boycott. In a statement released the same day, Strothotte repeated the company line that neither Rich personally nor his company maintained a controlling interest in the Ravenswood plant. [85]

Thomas J. McGinty, who sold his 29% interest in Ormet to Strothotte in 1989, spoke out about Rich's involvement at Ravenswood in 1991. "It's understood that Rich is behind the ownership (of Ravenswood and Ormet), although I've never known him to get involved in the management," McGinty said. Boyle adamantly denied that Rich was

connected to Ravenswood, arguing that Rinoman Investment was strictly an investment by Strothotte. "I resent anybody saying I'm a puppet of (Marc Rich)," Boyle said. "I'm nobody's puppet. I run this company." Marc Rich & Co. attorney Robert Thomajan said Rich's company "has not and does not comment publicly on its business activities." Strothotte, speaking from Switzerland in 1991, denied the connection between Marc Rich and RAC, saying "efforts by the (Steelworkers) to involve Clarendon and its shareholders in a resolution (of the Ravenswood dispute), their conduct at the LME dinner (in London), and the rather absurd reference to threats are all misdirected and serve no useful purpose." Other links existed between Ravenswood and Clarendon – Clarendon supplied the smelter with most of its alumina and then bought some of the finished aluminum produced there. By late 1991, Steelworkers conceded that Boyle was the man behind RAC's labor policies, but the union continued to pursue Rich, including complaining to Rep. Wise, who used his subcommittee to investigate whether Marc Rich & Co. traded in Iraqi Oil during the Persian Gulf war, a violation of both United Nations sanctions and Swiss law. [86]

Ravenswood resolution

In February 1992, Marc Rich invited Lane Kirkland, national chief of the AFL-CIO, to meet with him in Zurich after an International Labor Organization meeting in Geneva. According to a source cited by Koenig, Rich wanted to know if a deal could be worked out once Boyle was no longer in charge at Ravenswood. [87] Then on April 11, 1992, Strothotte acquired a 20% stake in the Ravenswood Aluminum Corporation held by Charles Bradley of Stanwich Partners, which boosted Strothotte's combined stake in RAC to 68%. Nine days later, with voting control in his hands, Strothotte replaced both Boyle and Bradley with two fellow associates from Marc Rich & Co. Strothotte's action came in response to the Steelworkers' efforts to interfere with Marc Rich & Co.'s European operations. The final straw came when foreign unions joined the Steelworkers and disrupted the trading company's plans to expand into Czechoslovakia, Romania and Russia. [88] The Steelworkers had called Strothotte "a close colleague of Marc Rich," while sources in the aluminum industry regarded Strothotte as "an heir-apparent to Rich following the departure of Pincus Green," according to a report by Bob Regan in American Metal Market. [89] Craig Davis was picked to replace Boyle as chief executive officer at Ravenswood. A former executive vice-president at Alumax, Davis was credited with playing a major role in the negotiations leading to Clarendon's acquisition of a sizeable stake in the Mount Holly smelter. Davis worked with Marc Rich & Co. in Switzerland for two years before being sent to Ravenswood. [90]

Boyle's reaction to his ouster was anger, and he accused Strothotte of "permitting the notorious fugitive from justice, Marc Rich, and his associates to seize control of

(Ravenswood) by packing its board of directors with Rich cronies." The new board was expected to have difficulty solving the labor dispute at the plant because of Boyle's refusal for so long to negotiate with the Steelworkers. The union's efforts to create a boycott of RAC products had been relatively successful – RAC's revenues fell from $701 million in 1989 to $491 million in 1991, and RAC had defaulted on $71 million in debt in 1991, causing banks to cut off RAC's revolving credit line. [91] Boyle turned his attentions to the Ormet Corporation and its smelter in Hannibal. Ormet, Ravenswood and the Vialco alumina refinery in the Virgin Islands remained under the umbrella management of Oralco Management Services Ltd. Boyle was back in the news in 1994 as Oralco announced its intention to acquire the Consolidated Aluminum Corporation rolling mill next door to the Hannibal smelter, along with Conalco's recycling facility at Ben's Run, W.Va., and a foil mill in Jackson, Tenn. [92]

In May 1992, Strothotte led a delegation representing Marc Rich to Florida where they met with Kirkland, Becker and Steelworkers President Lynn Williams to see if the Ravenswood labor dispute could be settled. With Boyle out of the way and Rich wanting to get the past behind him, the Steelworkers and the newly-formed RAC board finally buried the hatchet. Strothotte left Marc Rich & Co. a month later. 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 the company, Strothotte retained control of Rinoman Investments, the money behind Ravenswood Aluminum Corporation. [93] With the labor dispute winding down to a conclusion, the company found itself in "bad financial condition" as a result of the work stoppage and end-user boycotts, according to Steelworker spokesperson Charles Robb. Only 17 union workers had crossed the picket lines during the 18-month lockout. [94]

On June 12, 1992, the Steelworkers announced that union workers at Ravenswood had ratified a new three-year contract. Shortly after the ratification vote, the temporary workforce made an orderly departure from the plant where some had worked since the lockout began. Three days after the contract was ratified, Marc Rich & Co. sent a congratulatory statement to the union and the company which also criticized the Steelworkers for publicizing "highly distorted and false claims about Marc Rich personally and his relationship with Ravenswood Aluminum." [95] In a statement attributed to Rich in Switzerland, Rich said he and his company were "pleased that the employees of Ravenswood Aluminum Co. of Virginia have voted overwhelmingly" to ratify a new wage agreement. The message conveyed Rich's "personal pleasure" with the labor settlement, and a spokesman for Marc Rich & Co. included Rich himself among those "who helped in a constructive way to reach a settlement." The statement contended that while neither he nor his company was a party to the negotiations or the

labor dispute, Rich himself encouraged a settlement "on terms which were fair and equitable to both parties." At the same time, a RAC spokesman denied rumors that the company was seeking protection under federal bankruptcy laws – RAC had incurred sizeable debts to trade creditors, a bank syndicate and one other creditor. [96]

Many employees at the Columbia Falls Aluminum Co. plant in Montana followed the turn of events at Ravenswood, just as they paid attention to the Steelworkers' actions at Kaiser's Mead smelter in Spokane, Wash., and elsewhere. So there was keen interest when representatives from Oralco Management Services Inc. toured CFAC in October 1992. According to Platts Metals Weekly, Boyle was interested in buying the CFAC plant, but no offer was made during the tour. CFAC's owners, Brack Duker and Jerome Broussard, were facing pressure from salaried and union workers over a growing profit-sharing lawsuit and were promoting the aluminum plant for sale. [97] Members of the Aluminum Workers Trades Council began gathering information on Boyle in November 1992. The union leadership was particularly interested in how Boyle acquired the smelter in Hannibal, the plant's condition since then, wages and benefits at the plant, details about the plant's security force, and Boyle's involvement with the labor dispute at Ravenswood. A source told the Aluminum Workers Trades Council executive board that the Ormet plant was in better condition since Boyle had invested money in the plant, and the workers felt their jobs were secure. Boyle had offered to modernize the smelter when he took over in 1986, but he wanted the workers to take a substantial wage and benefit cut. The union at Hannibal went on strike for 120 days and then ratified a new labor contract with a $5 to $6 cut in wages and benefits. When asked if Boyle was involved in the Ravenswood labor dispute, the answer CFAC union leaders received was, "Yes – we feel he masterminded it." [98]

In 1994, Marc Rich & Co. acquired all of Ravenswood. Later in 1994, it was announced that Marc Rich & Co. had changed its name to Glencore International AG. According to Juravich and Bronfenbrenner, Rich "changed his company's name to Glencore International (in part) to insulate the company from the negative press generated by Rich's fugitive status and fomented by the Steelworkers' campaign." But there was other evidence that Rich had been ousted by the trading company's leading partners, and they made the name change. [99] In August 1995, information filed with the U.S. Securities and Exchange Commission by Century Aluminum Co. shed light on a five-year old debate about ownership of the Ravenswood Aluminum Corporation. The filing of a registration statement by Century with the SEC was related to a stock offering by RAC. According to the SEC filing, the stock in RAC "will be sold by subsidiaries of Glencore International" and that Glencore owned 100% of Century Aluminum. The filing also disclosed that Century Aluminum owned a 27% stake in the Mount Holly aluminum smelter as well as all of the Ravenswood smelter and rolling mill. [100]

The labor dispute at Ravenswood became a symbol of victory for organized labor. In an August 1996 press release aimed at rallying workers at a McDonnell Douglas plant in St. Louis, Mo., George Kourpias, president of the International Association of Machinists and Aerospace Workers, listed Ravenswood right along with the Pittson Coal strike in 1989 to 1990 as examples of where unions stood up and fought for economic justice. [101] In 1999, the Labor Relations and Research Center at the University of Massachusetts in Amherst was using a grant from the Steelworkers to document the union's victory at Ravenswood based on oral histories from staff, rank-and-file members and community activists. A book manuscript had been completed. [102] But writers were soon debating what had actually occurred there. "It is unlikely that Rich initially knew what RAC was up to when the lockout began – RAC was just a piece in his global corporate puzzle," Russell Mokhiber and Robert Weissman wrote in February 2001. "But four months into the conflict, the union had made the Rich connection and was calling on him to end the lockout." [103]

Juravich and Bronfenbrenner's 1999 book on the labor dispute followed up on that thought. "From that point on, Rich was culpable for what went on and the suffering the Ravenswood workers went through," Brofenbrenner said. According to the two authors, the Steelworkers approached Jamaican Prime Minister Michael Manley hoping he would follow through on his campaign promises to sever ties with Rich in the sale of Jamaican alumina, which Rich was getting at less than half the market rate. But Manley faced immediate pressure from the International Monetary Fund to raise foreign capital, and when Rich gave Jamaica a $50 million cash advance, Manley backed down from his efforts to end the Rich connection. The Steelworkers were more successful in blocking Rich's attempts to purchase the Slovakian National Aluminum Co. and a luxury hotel in Romania, as well as convincing Budweiser and Stroh's not to buy aluminum from Ravenswood. [104]

Russian aluminum

The collapse of the Soviet Union opened up enormous trading opportunities for Rich's companies, including oil, grain and aluminum. According to Western metals-trading experts, Marc Rich & Co. bought 500,000 tons of aluminum ingot from Russia in 1991, which amounted to about half of the former Soviet Union's total aluminum exports. With Marc Rich & Co. acting as the middleman, Russian aluminum producers quadrupled their exports to an estimated 1.1 million tons in 1991, with the result that aluminum prices at the London Metal Exchange fell from a 1990 high of $1 a pound to 48 cents a pound in December 1991. The negative impact on the international market was put to good use by Rich in December 1991, when a large supply of aluminum from Russia was held up by bottlenecks in production and transportation. Rich went long on

aluminum futures at the London Metal Exchange, driving the price from 48 cents a pound to 60 cents a pound, providing an easy return of at least 25% on the futures contracts in a matter of several months. [105]

While the Western world's aluminum market was hit hard by an oversupply of aluminum from the former Soviet Union in 1992, Marc Rich & Co. stood a good chance to profit if the company bought and sold the aluminum, according to the U.S. House Committee on Government Operations. The trading company had subsidiaries in Azerbaijan, Kazakhstan, Ukraine and Russia and was prepared to offer financial and technical assistance as well as trades in commodities, which the former-Soviet republics needed. A top trader told the Frankfurt Metallgesellschaft, "You'll never get Rich out of Russia." Strothotte was optimistic about trading in Eastern Europe and the former-Soviet Union. "The old structures in the East are crumbling, which is giving us an enormous opportunity to bring our various commercial strengths to bear," he said. [106]

Rich's play for the Krasnoyarsk smelter in Russia – the largest aluminum smelter in the world at the time – reads like a gangster epic. According to the Rusal website, Rich began the gradual process to take over the smelter in 1991, as the Soviet Union began to move to market reforms and its aluminum industry was hit hard by economic downturns and political uncertainty. At about the same time, a new British company headed up by the Reubens brothers called Trans World Group began to take control of another huge Russian aluminum smelter, the Bratsk plant. Trans World Group introduced the concept of tolling to Russia and benefited from a tax-free regime provided by the Russian government, and the company was able to make a profit of up to $200 per ton when the normal profit was $5 per ton in the West. Soon Trans World Group was one of the top three players on the London Metals Exchange. The tolling scheme initially helped the Russian aluminum companies stay afloat, but they were unable to accumulate needed capital to make improvements to its plants. With Russian domestic aluminum demand falling from 37 pounds per capita in 1990 to 4 ½ pounds in 1994, the Russian aluminum companies needed to turn to international help. [107]

Large-scale privatization of the Russian aluminum industry began in 1993, and within a few years all the facilities were in the hands of private companies. By 1996, under the leadership of Lev and Michael Cherney, Trans World Group obtained control over 40% of the Russian aluminum industry. AIOC Corporation, a New York metals-trading house, took over Rich's shares in the Krasnoyarsk smelter. "Lucrative profits in the aluminum sector also made it an attractive target for criminal gangs," the Rusal history stated. "Russian organized crime exploded exponentially after the dissolution of the Soviet Union, and it enjoyed new freedoms in a market-based economy." Law enforcement agencies were hampered by low budgets in a hyperinflationary economy and were

susceptible to bribes. By the late 1990s, criminal gangs controlled nearly 45% of the Russian economy. In the Russian aluminum industry, criminal gangs began by taking control over transport, trucking and ports. They also stole aluminum from plants by bribing aluminum workers. Gradually, criminal gangs grew interested in profit sharing and direct ownership of aluminum plants, rather than extortion and theft. The violence and lack of law enforcement during that time period left many legitimate businessmen no choice but to accept "protection." [108]

Through all of this upheaval, some Russian companies were able to make improvements in 1995-1996 – including a new foil plant built at the Sayanogorsk facility. In 1997, Oleg Deripaska started to organize several Russian smelters as Siberian Aluminium, which was later named Basic Element. By mid-1998, Siberian Aluminium was the largest vertically-integrated aluminum organization in Russia, leading to a conflict with Trans World Group. At the same time, other Russian aluminum companies made attempts to break away from Trans World Group, which began to sell its Russian aluminum assets in 1999 and 2000. Trans World Group also lost some of its assets in former Soviet republics like Kazakhstan, where Trans World Group's shares were simply annulled. In 2000, Deripaska agreed to merge his assets with the vast holdings of Roman Abramovich, which became Rusal. After that, Rusal began to expand operations around the world, including acquiring a 20% share in the largest alumina refinery in the world in Queensland, Australia, in 2005. The expansion continued in 2007 when Rusal merged with its rival Sual – the Siberian-Urals Aluminium Co. – along with the alumina arm of Glencore to create the united company Rusal, the worlds' largest aluminum producer in 2012. [109]

On Dec. 19, 2000, three international companies filed a lawsuit in the U.S. Court for the Southern District of New York accusing Russian "mobsters" of taking control of the Russian aluminum industry through extortion, fraud, money laundering and even murder. "In the aluminum industry, the level of ruthlessness was unmatched," former U.S. Deputy Assistant Secretary of State for International Narcotics Matters Jonathan Winer said. "You cannot find another sector in Russia where more people per transaction wound up dead." Sources outside the case reported that Marc Rich bought aluminum from the Russians and sold it in the U.S. during this time period. In one transaction, $1.4 million was allegedly wired to a Rich account in a South Pacific bank known for money laundering. [110]

Zinc, divorce and ouster

For some analysts, the major trade that led to the end of Marc Rich & Co. began in 1992 when Rich unsuccessfully tried to corner the global zinc market and ended up with $172 million in losses. The losses nearly bankrupted the trading company, and Rich was

forced out in a management buyout, according to Ken Silverstein's 2012 account in Foreign Policy. [111] In March 1993, Rich announced that he would reduce his stake in Marc Rich & Co. from more than 50% to 15% over a period of five years. He also stated that he would give more responsibility to company managers and yield his day-to-day control of the company. [112] Rich's withdrawal from Marc Rich & Co.'s successor, Glencore, an employee-owned company, was planned to take place over five years, but the cash buyout reportedly was accelerated for business reasons. On Nov. 9, 1994, it was reported that Glencore had bought the remaining 25% stake Rich held in Glencore, ending a 21-year-long connection. [113] But Rich had other major financial problems at the time. According to inside sources at Marc Rich & Co., Rich was facing a $500 million divorce suit and planned on cutting his stake in the company by 40% sometime in 1993. According to the sources cited by Bob Regan in American Metal Market, company traders were acting to protect the firm against rumors that Marc Rich & Co. was short of cash. The trading company was worth nearly $1 billion, and disposing of a 40% stake could cost the company $350 million. [114]

Rich had set up housekeeping in July 1993 with a German girlfriend named Gisela Rossi in Meggen, a small town near Lucerne, Switzerland. Rich's estranged wife Denise soon began legal moves to claim half of Rich's wealth in a divorce settlement, and the semi-retired Rich left management of his trading company to Strothotte. Denise Rich's attorneys convinced local authorities in Zug to investigate Rich for criminal fraud, and they charged in the New York State Supreme Court that Rich and his associates fraudulently used trusts set up for the Rich's three daughters. Rich and his wife had opened trust accounts for each of their daughters in 1979. The trustee for each account until 1992 was Alexander Hackel, the number three man at Marc Rich & Co. from its earliest days. Denise Rich's attorneys accused Hackel, Rich and other associates with "self-dealing" and "fraudulent transactions" and using the trusts to further their own business interests. According to Forbes magazine, Rich was worth about $800 million by October 1993, and it had been reported that he offered his wife a $3.6 million settlement. [115]

By October 1993, Marc Rich & Co. was undergoing major internal changes at the same time oil and aluminum prices were depressed worldwide. An estimated $900 million or more in capital had been taken out of the Marc Rich group of companies in previous years as several key players sold their shares, including Marc Rich, Denise Rich and retiring partners Alexander Hackel, Pincus Green and Felix Posen. Marc Rich & Co. had been hurt by the exodus of top traders in 1992, including Strothotte who reportedly left angrily for nine months before being lured back by Rich. Many Swiss banks with interests in Marc Rich & Co. were apprehensive of an investigation by Denise Rich's attorneys, according to Richard C. Morais' 1993 account in Forbes. It was believed that

her attorneys planned to stop moves such as Rich's announcement that he would transfer day-to-day operations of Marc Rich & Co. to Strothotte, or that he planned to reduce his majority share of Marc Rich & Co. to 15% over the next few years. [116]

Overall, the Marc Rich group of companies was estimated to be worth $30 billion in October 1993 and consisted of about 200 privately-held companies, intricately intertwined so investigators had a difficult time proving Rich himself was doing business. Clarendon's revenues were at least $5 billion, but ownership of the company was unclear. Alexander Hackel was retired on paper but continued to be registered as the 51% owner of Clarendon, which conflicted with the 1983 deal that made him the 100% owner. [117] Rich announced in December 1993 that he had resigned as chairman of Marc Rich & Co. and was reducing his stake in the company from 51% to 27%. His new plan would leave 72.5% of the company to be owned by the management and a few key employees, with the remainder going to Marc Rich Holding AG. [118]

Rich formed a new company in 1996, Marc Rich Investment, after selling his assets in Glencore two years earlier. He put up $50 million of his own capital to get it started, but by 1998 banks were threatening to cut his credit lines after losses were cutting into the company's capital base. He was forced to put another $50 million of his own money into the company, former executives reported in 2001. By the time Rich was pardoned by President Clinton, the company had 350 employees headquartered in Zug, Switzerland. But shortly after he was pardoned, the company confirmed that it would be acquired by Crown Resources, a Swiss subsidiary of Alfa Group, a Russian company, for about $150 million. Rich's age and his health were cited as reasons for his leaving the trading business, but the negative impact of the free flow of information through the Internet on inefficient or controversial markets was another possible reason, a former company executive said. "The excess profits don't exist anymore," the executive said, according to the Wall Street Journal. [119]

In March 2001, it was announced that Rich would receive $100 million from Crown Resources for his share of Marc Rich Investments. The deal was announced by Alfa Group president Mikhail Fridman, who said he was shocked by President Clinton's pardoning of Rich. Fridman said Rich owned 100% of Marc Rich Investment's shares. "Rich has financed the company with his own resources and now he wants to take them out," Fridman said. He added that Rich would not hold a post with Alfa Group. "This is a profitable deal from the business point of view," he said. "From the PR point of view, however, it is not so good. But I don't think we need to cancel the deal." It was noted that Fridman was close to Victor Vexelberg, president of Sual-Holding, the second largest aluminum company in Russia after Rusal, and that Marc Rich Investments "was a well-known commodity trading company also dealing with large quantities of aluminum

from Russia." [120] Then in September 2001, Rich announced he had decided to cancel plans to sell his company to Crown Resources. After several months of negotiations, his company decided to continue trading oil and metals as a separate entity. The two companies reportedly could not resolve certain "key issues." [121] Rich eventually sold Marc Rich Investments in 2003, but he continued to own and operate Marc Rich & Co. Holding, which had a trading operation and a real estate division. [122]

The ex-wife

Denise Rich was not completely out of Marc Rich's life after the divorce. Many credit her with getting her ex-husband and his partner Pincus Green pardons from President Clinton. She was born Denise Eisenberg, a New Englander whose parents were Jewish World War II refugees who were successful in the U.S. after the war. She was 22 when she married Marc Rich in 1966, whom she had met six months earlier. Her father, Emil Eisenberg, had founded Desco Inc., one of the largest shoe manufacturers in the U.S. Denise and Marc Rich were married 25 years and had three children. When Marc was indicted and fled the U.S. in 1984, Denise accompanied him and remained with him for eight more years. In an interview with the ABC television show 20/20 on April 27, 2001, Denise said she was unaware of her husband's trade deals with Iran. "I really didn't know much about that at all because I was so involved in my life," she said. "It's not like he would come home and he would say, 'Hey, I'm trading with the enemy.' We didn't talk about it." When pressed by the interviewer about whether she knew he was a fugitive, Denise replied, "He was my husband, but as far as I knew, it was a tax situation. So I really never understood anything else. And I really didn't – that's all I knew." [123]

While living in exile, Denise Rich started a career in music and became a successful songwriter. She was interested in the pop music scene, and in 1985 the rock group Sister Sledge played her song "Frankie," topping the charts in England for six weeks and selling more than 750,000 copies. She had written numerous songs under a pseudonym for five years without success. She then released her own album, "Sweet Pain of Love," which some people suspected was inspired by her husband's pursuit of beautiful aristocrats. [124] Denise Rich was nominated for a Grammy Award as a songwriter in 1998 and 1999. The nomination in 1998 was for the R&B tune "Don't Waste Your Time," sung by Aretha Franklin and Mary J. Blige. Denise Rich was working with Patti LaBelle in 1999. [125] On Aug. 17, 1999, a new album called "Mary" sung by Mary J. Blige was released, and Denise Rich was among the songwriters in the album's credits. [126] On Dec. 6, 2000, a total of $250,000 from the sales of the hit single "Love Sets You Free," written by Denise Rich and sung by Kelly Price, was donated to the G&P Charitable Foundation, a foundation she helped found to help fight cancer. The song peaked at number 24 on the charts. [127]

Denise Rich discovered that her husband had started a relationship with a younger woman, model Gisela Rossi, in 1990. They were divorced in 1991. The amount of money Denise Rich received in the divorce was never publicly disclosed but was believed to be around $500 million. As a result, Denise and Marc were reportedly on very poor terms and rarely spoke to each other. [128] Then on Sept. 8, 1996, their daughter Gabrielle Rich died of leukemia at the age of 27. Gabrielle was initially diagnosed with Hodgkin's disease in 1992 but had pursued an acting career for the next three years despite her illness, appearing in seven movies. Shortly after Gabrielle died, Denise Rich and Gabrielle's fiancé Philip Aouad founded the G&P Charitable Foundation. Denise Rich turned her strength in party-throwing to the cause. Her first star-studded event in October 1998 raised $3 million, with appearances by Goldie Hawn, Robin Leach, Diahann Carroll, Stevie Wonder and Donald Trump. [129]

Denise Rich later said their daughter's death was an important factor in changing how she felt about her ex-husband and even led to her forgiving him for his unfaithful behavior. After their divorce, Denise Rich moved to New York City where she purchased what was reportedly the largest penthouse on Fifth Avenue, a 28-room triplex filled with works of art by Picasso, Miro, Dali, Calder, Warhol and Chagall, with a staff of 20 that included two cooks, a stylist and a "personal healer." She also set out to establish herself as a leading figure in New York social scenes. Geraldo Rivera, a close friend, commented that Denise Rich aimed to be a present-day Pamela Harriman. "She wanted a salon, she wanted a Gertrude Stein, Paris kind of scene," Rivera said. "She wanted to watch the parade of contemporary popular cultural life march through her living room." An important part of that lifestyle was political fundraising. Denise Rich began to make large donations and hold lavish fundraisers. She and her daughters contributed more than $1.1 million to Democratic political causes from 1993 to 2000. Denise Rich also developed a close relationship with President Clinton, and she donated $450,000 to his presidential library fund from 1998 to 2000. In return, Clinton attended fundraising galas for Denise Rich's own cause, the G&P Charitable Foundation. [130]

On Sept. 14, 1998, three days after Independent Counsel Kenneth Starr's investigative report on President Clinton was released publicly, the president made his first public appearance at a gathering in Denise Rich's Fifth Avenue penthouse apartment. Clinton was accompanied by his wife Hillary, along with Vice President Al Gore and his wife Tipper. According to Democratic National Committee Chairman Steve Gorssman, "It was the first time that I ever saw the four principals in one place for such an event." The result of that meeting was "a quick $2.5 million" for the DNC, Lisa DePaulo reported in New York Magazine. [131] Hillary Clinton spoke at a G&P Charitable Foundation luncheon on Sept. 12, 1999, where she announced that $1.4 million in research grants had been awarded. [132] On Oct. 19, 1999, the Washington Post reported that Denise Rich was listed

on the board of advisors of the William J. Clinton Presidential Foundation, whose members "give or raise $1 million" to the nonprofit group for a new presidential library. Denise Rich's exact donation was not provided. [133]

Denise Rich donated $201,000 to the Democratic Party during the 2000 presidential election, according to Federal Election Commission records. [134] On Nov. 30, 2000, she hosted her second Angel Ball for the G&P Charitable Fund. Present at the ball were President Clinton and his wife, Senator-elect Hillary Clinton, as well as numerous top artists in the music and film industry – Celine Dion, Natalie Cole, Michael Jackson, Robert DeNiro, Goldie Hawn, Kurt Russell, Cindy Crawford, Jane Seymour, Donald Trump, Dr. Ruth Westheimer, Larry King and Patti LaBelle. "Why was Clinton there?" a FoxNews report asked. "Indeed, why was he the speaker at Rich's 1998 fund-raiser? Simple. According to Federal Election filings, Rich has donated $528,000 in soft money to the Democratic Party since 1997 and another $38,000 to political action committees." The FoxNews report pointed out that Denise Rich had also contributed $1,000 to Rudolph Giuliani's exploratory committee in 1999 and another $4,000 to Nita Lowey, both potential but not ultimate competition for Hillary Clinton in her New York senate race. [135]

The first documented connection between Denise Rich and her husband's presidential pardon was an email in November 2000, the House Committee on Governmental Reform reported. On Dec. 6, 2000, she sent a letter to President Clinton with an emotional plea in support of the pardon petition. "My husband and I could not return to the United States because, while the charges were untrue, no one would listen – all the prosecutors appeared to think about was the prospect of imprisoning Marc for the rest of his life," Denise Rich wrote. "With a life sentence at stake, and press and media fueled by the U.S. Attorney, we felt he had no choice but to remain out of the country." She also described the burdens of exile. "Let no one think exile for life is a light burden," she wrote. "The world we cared about was cut off from us. When our daughter was dying from leukemia, Marc was cruelly denied the opportunity to see her by the prosecutors." She also referred to the charges themselves. "What was this exile for? The charges all relate to old energy regulations, where all of the other people and companies involved in the same kinds of transactions were never charged with a crime," she wrote. "Only my husband was treated differently." [136]

Denise Rich sent more letters to Clinton in support of the pardon, and she met with him in person at a White House Christmas party on Dec. 20, 2000, where, according to a House committee report, she "wrested the President away from Barbara Streisand to press her case about the pardon." The House committee also looked into possible motives for Denise Rich providing aid to her ex-husband. The committee did not believe

her explanation that after their daughter died, she had a change of heart and forgave her ex-husband's transgressions. The committee suggested one reason was that Marc Rich promised to donate $1 million per year to the G&P Charitable Foundation. The foundation had raised $2.4 million in 1998 but only $978,000 the following year. The committee also suggested that Denise Rich and her two daughters were concerned about whether Marc Rich would continue to provide them with financial support in the future. Denise Rich took the Fifth Amendment when the House committee began its investigation, and the committee opted not to grant her immunity in order to compel her testimony because they felt there was no evidence she would cooperate, based on actions by her attorneys and because her statements on the ABC show 20/20 were considered unbelievable by the committee members. [137]

The New York Times reported on Jan. 23, 2001 that Denise Rich had written the Dec. 7 letter to President Clinton at the request of Marc Rich's lawyers. "Exile for 17 years is enough," the letter said. According to Robert Fink, an attorney for Marc Rich, Denise Rich also had called the White House on the telephone and "made it clear she wanted it to happen." Federal records showed that Denise Rich contributed at least $7,000 to Hillary Clinton's successful U.S. Senate campaign and gave more than $200,000 to the Democratic National Committee in support of Vice-President Al Gore's presidential campaign. [138] By January 2001, Marc Rich was one of the wealthiest people in the world, the House committee reported. His network of business enterprises was estimated to generate as much as $30 billion a year, and his personal net worth was estimated at between $1.5 billion and $8 billion. [139] This continuing accumulation of wealth attracted the attention of other governments – the state of New York sued Marc Rich for tax evasion in 2001, claiming he owed the state $137 million. [140]

The pardon

President Clinton pardoned Marc Rich, Pincus Green and 138 other people on Jan. 20, 2001. According to Ken Silverstein's May 2012 article in Foreign Policy magazine, Clinton's decision was connected to generous contributions that Rich's ex-wife made to Democratic causes, including Hillary Clinton's successful U.S. Senate campaign and the Clinton Presidential library, and to lobbying by prominent American Jews and Israelis, including then-Prime Minister Ehud Barak and former Mossad director general Shabtai Shavit. [141] Marc Rich had faced a life sentence in a U.S. prison until Clinton pardoned him in his last days in office. Israeli political leader Shimon Peres had also lobbied on behalf of Rich for the pardon. Clinton later said he regretted the pardon, calling it "terrible politics." Clinton told Newsweek in 2002, "It wasn't worth the damage to my reputation." Rudolph Giuliani, who prosecuted Rich before becoming New York City's mayor, criticized the pardon. "Marc Rich committed serious crimes against the United

States and then fled the country when he was called to account for his conduct," Giuliani said. "He should never have been pardoned." [142] King Juan Carlos I of Spain was among the prominent world leaders supporting the pardon. U.S. Deputy Attorney General Eric Holder had advised the Clinton administration that he was "neutral leaning favorable" on the pardon. Several weeks later, Holder said he regretted the recommendation. [143]

Two days after the pardon was granted, a New York attorney who had represented Marc Rich since the early 1980s defended the pardon. Robert Fink told media that the charges against Rich had been sensationalized over the years, particularly charges made under the Racketeer Influenced and Corrupt Organization statutes. "The part of the case involving RICO wouldn't be brought today because the Justice Department in its own manual concluded that you shouldn't proceed using RICO in a tax case," Fink said. "The use of RICO in this case was unprecedented and was very overblown." Fink also argued that the charges that Rich and Green evaded more than $48 million in income taxes through sham transactions and a foreign corporation were trumped up. Rich and Green had settled the tax evasion dispute with a $150 million payment through their U.S.-based companies, but other charges against the two had remained. Fink further argued that the charges relating to domestic oil pricing were "regulatory" and based on old rules that were dismissed when President Reagan took office. "Those regulations were confusing and difficult to enforce and no one other than Rich and Green were prosecuted criminally under them," he said. As for charges that Rich had illegally traded with Iran in the late 1970s during the hostage crisis, Fink explained that the company doing the trading was Marc Rich & Co. Holding AG, a Swiss company that was exempt from such regulations. "He personally didn't have anything to do with Iran, as best I know it," Fink said. "In fact, the indictment doesn't say he had anything to do with Iran, just that he had something to do with the oil after MRAG bought it." [144]

Negative reactions to the pardon soon flooded media. Dan Stridham, president of the Steelworkers local at the Ravenswood aluminum plant, said he was "pretty upset that Clinton would pardon that guy after all we went through for 20 months." [145] As one of several prosecutors who had worked on the federal case against Rich, Giuliani said he was shocked that the president of the United States would pardon him. "After all, he never paid a price," Giuliani said. "He got on an airplane, took all his records and ran off to Zug, Switzerland, where he's remained a fugitive since then." Giuliani called for a Congressional investigation even if it had no power to overturn a presidential pardon. "I don't see a pardon for somebody who ran away as a fugitive," Giuliani said, adding that he believed the pardon resulted because Rich's "family members raised enormous amounts of money for the president." A spokesman for Denise Rich denied Giuliani's assertion and accused Giuliani of "just trying to pull a political thing. It has no basis in

reality." Former White House adviser George Stephanopoulos, who was critical of Clinton's decision, stated publicly that Rich's ex-wife was reported to be a major Democratic Party fundraiser and a close friend of President Clinton. [146] On Feb. 20, 2001, former President Jimmy Carter called the Rich pardon "disgraceful" and one of Clinton's "most serious mistakes." [147]

President Clinton explained his decision to reporters soon after he left the White House. "You're not saying these people didn't commit the offense," he said about the pardon process. "You're saying they paid, they paid in full, and they've been out long enough after their sentence to show they're good citizens, so they ought to have a chance to get full citizenship," he said. "So a pardon after the fact is more a restoration of full citizenship, and I think that therefore we ought to be more open-minded about that." Clinton said that he had spent "a lot of personal time" on his decision "because it's an unusual case," and he credited Rich's attorney Jack Quinn with making "a strong case" that convinced him of its merits. "That's all I can say," Clinton concluded. "Others might disagree, but I think Quinn made a very compelling case in the end." [148]

Clinton provided more details about why he pardoned Rich and Green in a Feb. 18, 2001, column in the New York Times. Clinton said he needed to make the longer statement because "legitimate concerns have been raised." He began by describing the general principles of a presidential pardon and its history, including citing notorious presidential pardons such as Jimmy Hoffa's sentence commutation by President Richard Nixon, Nixon's pardon by President Gerald Ford, and the pardon of Vietnam War draft dodgers by President Jimmy Carter. Clinton said he issued 140 pardons and commuted 36 sentences on Jan. 20. During his two terms of office, he had issued 450 pardons, compared to 406 by President Ronald Reagan, 566 by President Carter and 77 by President George H.W. Bush. As for Rich and Green, Clinton noted that "ordinarily" he would have denied pardons for people who did not return to the U.S. to face their charges. [149]

Clinton cited several reasons in his New York Times column for doing things differently. First, the oil men connected to the case did not face criminal charges but instead were sued civilly by the government, and the Energy Department in a similar case to the one brought against Rich and Green had found the transactions proper. Clinton said two highly regarded tax experts, Bernard Wolfman of Harvard Law School and Martin Ginsberg of Georgetown University Law Center, had reviewed the case and found that Rich and Green's companies had correctly calculated their taxes and that "there was no unreported federal income or additional tax liability." Rich and Green's companies had paid about $200 million in fines, penalties and taxes, beyond what Wolfman and Ginsberg would have said was warranted, Clinton noted. By 1989, the Justice

Department had rejected the use of racketeering statutes in tax cases like the one brought against Rich and Green, Clinton said. He also said Holder's position on the pardons was "neutral, leaning for," and respectable attorneys had advocated in favor of the pardons, including Jack Quinn, Clinton's former White House counsel; Leonard Garment, a former Nixon official; William Reynolds, a former high-ranking Justice Department official during the Reagan administration; and Lewis Libby, who was currently on Vice President Dick Cheney's staff. Clinton added that many present and former high-ranking Israeli officials and leaders of Jewish communities in the U.S. and Europe supported Rich's pardon because of his charitable contributions, his assistance to Mossad in rescuing and evacuating Jews from hostile countries, and his efforts to promote peace in the Mideast through education and health programs. [150]

The investigation

The pardon touched off a bipartisan controversy, with inquiries in the House and Senate and a criminal investigation by federal prosecutors. One issue under investigation was whether Quinn, who was acting as Rich's attorney, had improperly influenced Clinton, and another was whether the $1.5 million in donations by Rich's ex-wife to Democratic candidates and the Clinton presidential library had improperly influenced Clinton. [151] Robert Krawetz raised several speculative questions in a Feb. 2, 2001 online report – was the pardon a favor to Quinn, who was acting as Rich's lawyer, or was it payback to Denise Rich? Krawetz noted that Rich's ex-wife had helped steer $1 million to the Democratic Party, donated an undisclosed sum to the new Clinton Library, provided $7,000 toward furnishings for the Clinton's new home in Chappaqua, N.Y., and helped Hillary Clinton's U.S. Senate campaign. Both Quinn and Denise Rich had been called before the Senate Judiciary Committee to testify about the pardon. It was expected that Quinn would make the argument that Rich's tax prosecution was a malicious act by Giuliani, in which case the pardon redressed a wrong, but there was good evidence that Clinton had not consulted with Justice Department officials before making the pardon, Krawetz reported. [152]

Denise Rich invoked her Fifth Amendment privilege to not testify before the House Government Reform Committee on Feb. 8, 2001, including not providing answers to 14 questions submitted by Rep. Dan Burton of Indiana. The next day, Burton suggested he might seek immunity for Rich's ex-wife to force her to testify. Three days after that, Sen. Arlen Specter of Pennsylvania raised the possibility that Clinton could be impeached for a second time, with the aim of denying the former president's pension and other benefits. The House committee issued subpoenas for Denise Rich's financial records and for the Clinton Library's contribution records on Feb. 13. While President George W. Bush expressed a desire to put the whole matter to rest, it was reported that Mary Jo

White, the U.S. Attorney for New York, had opened an investigation on Feb. 14 to find out if money had been transferred from Marc Rich to Denise Rich to "buy" the pardon. [153]

Marc Rich received significant support from numerous Israeli officials and leading citizens and from Jewish organizations around the world. The White House received numerous testimonials backing Rich's pardon petition, including from the director-general of the Rich Foundation in Israel, the speaker of the Knesset, the president of the World Jewish Congress, the daughter of the Israeli prime minister, the chief rabbi of France, the chairman of the U.S. Holocaust Memorial Council, heads of various Talmudical academies in Israel and the U.S., the mayor of Jerusalem, the former mayor of Jerusalem, the mayor of Tel Aviv and a former Israeli Minister of Education. Among the groups Rich's philanthropic giving had helped were the Israel Cancer Association, the Ein Hod Dada Museum, the Alliance Israelite Universelle, and the Oxford Center for Hebrew and Jewish Studies. He also received support from a Palestinian minister of health. [154] Two months before the pardons for Rich and Green were issued, it was reported that Marc Rich was one of Birthright Israel's "prominent philanthropic partners." The program was for young Diaspora Jews studying at a Jewish seminary on the West Bank. [155] On Dec. 19, 2000, Hebrew University of Jerusalem had conducted the Marc Rich Annual Seminar at Beth Hatefutsoth. [156]

Rich's supporters included Israeli Prime Minister Ehud Barak and Rabbi Irving Greenberg, chairman of the United States Holocaust Memorial Museum. Shabtai Shavit, a former head of Mossad, the Israeli intelligence service, expressed gratitude to Rich for routinely allowing agents to use his offices around the world and for arranging airlifts of Jews from Ethiopia, Yemen and other countries. [157] Rich had cultivated Israeli political support at many levels. The Associated Press reported on Feb. 2 that Rich donated $25,000 to the 1993 campaign of Jerusalem Mayor Ehud Olmert. One of Olmert's aides said the mayor backed Rich's pardon because Rich gave $21 million to Jerusalem's cultural and welfare agencies, educational projects, hospitals and to Hebrew University. Former Finance Minister Yaakov Neeman also supported Rich's pardon. [158] According to a Dec. 7, 2000 report on Yitzhak Herzog, a member of Barak's cabinet, Herzog's wife Michal ran the Marc Rich Foundation in Israel. Rich reportedly had contributed to a variety of Labor Party politicians over the years, notably Shimon Peres and Ehud Barak. "For that reason, he has been welcomed to Israel with open arms dozens of times over the past two decades," Barry Chamish reported online more than a month before Clinton issued the pardons. [159]

The House committee investigating Clinton's pardons looked into Rich's many Israeli connections. Rich's key representative in Israel, Avner Azulay, a former Mossad

operative, told media he had helped collect testimonials from prominent Israelis in favor of Rich's pardon, including Barak. Azulay claimed in emails subpoenaed by Congress that both Barak and Peres had spoken to Clinton about Rich. Azulay also exchanged emails with Rich's attorneys in the U.S. suggesting they press Hillary Clinton into lobbying for the pardon because she had received campaign contributions from Rich's ex-wife. According to the emails, Marc Rich last visited Jerusalem in early January, just before he received the pardon, where he met with Barak and other leading Israeli politicians. As head of the multimillion dollar Marc Rich Foundation in Tel Aviv, Azulay initially collected the testimonials to celebrate the foundation's 20th anniversary but then used the testimonials to help Rich's pardon effort. Over the past 20 years, Marc Rich had contributed $70 million to $80 million to Israeli hospitals, museums and symphonies and to groups who helped bring immigrants to Israel. While Rich never lived in Israel, he had donated heavily to various charities there, including $5 million to Birthright Israel and to a health program for Palestinian children in the Gaza Strip. In northern Israel, Rich built a home for autistic children and donated millions of dollars to Israeli medical centers researching treatments for leukemia. Rich was also considered one of Israel's largest donors to the arts. [160]

Rep. Dan Burton, chairman of the House Committee on Government Reform, first raised questions about the Rich pardon six days after Clinton issued it. By Feb. 3, it was reported that the Clintons had agreed to pay $86,000 for gifts from high profile supporters, including two coffee tables and chairs worth more than $7,000 given to the Clintons by Denise Rich. On Feb. 10, 2001, the Washington Post reported that Denise Rich had donated a total of $450,000 to the Clinton Presidential Library between July 1998 and May 2000. Four days later, federal prosecutors began investigating Rich's pardon, and on Feb. 27, Clinton said he would not invoke executive privilege to prevent former aides from testifying before a House committee investigating the pardon. [161]

Burton's committee held hearings on the Rich and Green pardons in February and March 2001. The committee looked into the history of their illegal and improper business dealings in Iran, South Africa, the Soviet Union and Russia, Cuba, Libya, Iraq, Angola, Romania and Serbia; and criminal charges made against the two men, their indictment, their fleeing the country and their corporation's guilty pleas. The committee also inquired about attempts to bring the two men to justice by extradition, Rich and Green's attempts to renounce their citizenship, past Congressional hearings, the cancelation of their company's business with the U.S. Mint, suspension of grain deals and forfeiture of Cuban assets. The committee also heard testimony about Rich and Green's attempts to settle the cases, including professional lobbying on their behalf in Washington, D.C. The committee also collected information about the pardon petition and lobbying for the petition by Denise Rich, Beth Dozoretz, a leading fundraiser for the

Clinton Library, Israeli Prime Minister Ehud Barak, Holocaust survivor Elie Wiesel, Spanish King Juan Carlos, Avner Azulay, Michael Steinhardt, Gershon Kekst, Robert Fink, Kathleen Behan and Peter Kadzik. The committee also looked into the failure of key parties to cooperate in the Rich and Green investigation. [162]

Among the House committee's many findings: 1) Rich and Green had conducted extensive trade with terrorist states and other enemies of the U.S., including Iraq, Iran and Cuba; 2) the CIA had provided President Clinton with declassified information about these activities; 3) Rich and Green were fined a record $21 million for contempt for obstructing a criminal investigation of them and smuggling subpoenaed documents out of the U.S.; 4) the two were indicted by the U.S. Attorney for the Southern District of New York on 51 counts of illegal activity, including tax evasion, mail fraud, wire fraud and racketeering; 5) from the time Rich fled the U.S. to the time he was pardoned 17 years later, he was one of America's 10 most wanted international fugitives; 6) Rich and Green's attempts to renounce their U.S. citizenship were rejected by the U.S.; 7) the U.S. government devoted considerable resources to apprehend Rich and Green during their 17-year fugitive status, with assistance from the British and Russian governments; 8) Democrats and Republicans together had criticized the first Bush administration for not trying hard enough to apprehend Rich and Green; 9) the U.S. government had seized Rich's assets and shut down his trade in metals and grain with the U.S. government; 10) the U.S. government on numerous occasions tried to reach a plea agreement with Rich and Green but were rebuffed; 11) documents showed that Rich agreed to pay Clinton's former White House deputy chief of staff and counsel Jack Quinn as much as $50,000 a month to assist in the effort to obtain a pardon, which was in violation of Executive Order 12834, enacted by Clinton to shut down the "revolving door" of former federal officials becoming lobbyists; 12) the pardon petition drafted by Quinn and Rich's other attorneys was highly misleading; 13) letters of support in the pardon petition were also misleading, with many obtained under false pretenses; 14) Quinn and Deputy Attorney General Eric Holder worked together to cut the Justice Department out of the decision-making process for granting the pardon; 15) Clinton made his decision to issue the pardon for Rich and Green without knowing much about the cases, making a number of mistaken assumptions and reaching false conclusions; 16) Quinn misled Clinton during negotiations for the pardon; 17) when a U.S. Justice Department background check for the pardon turned up troubling information late in the process, it was disregarded by Clinton; and 18) Clinton failed to provide a full accounting for his decision to issue the pardons for Rich and Green. [163]

"The pardons of Marc Rich and Pincus Green were the most controversial and most outrageous pardons issued by President Clinton, and likely by any President," the House committee said in its report. "It is beyond any dispute that Marc Rich and Pincus Green

did not deserve pardons. Therefore, the inevitable question is why the President granted them." The committee noted that the most common explanation was that Clinton "short-circuited the normal clemency review process and granted pardons without conducting the due diligence that was required." But the committee noted several factors suggesting the pardons were not just the result of sloppy work – Quinn was trying to make money from Rich for his work, Holder had admitted that he hoped Quinn's support would help him be nominated as Attorney General if Al Gore won the presidential election, and Denise Rich and Beth Dozoretz had contributed significant amounts of money to the Democratic Party and the Clinton Library, and both supported the pardons. [164] Some of the 140 pardons issued by Clinton on Jan. 20 "were probably meritorious. Others we think were not," Rep. Burton said at the start of the hearing. "The Marc Rich pardon has been particularly controversial." [165]

Committee hearings

Burton noted that the committee had received a letter from Denise Rich's attorney the night before the hearing was scheduled to begin that said she intended to take the Fifth Amendment and not answer any questions. Her attorney also said Denise had given "an enormous amount of money to the Clinton Presidential Library." Burton said the committee wanted to know how much was "enormous." Burton began the hearing by recapping the numerous criminal charges against Rich going back to 1983. "On the surface, this doesn't look like a very good case for a pardon," he said, adding that finding out why it happened was the purpose of the hearing. Typically, a pardon attorney working at the Justice Department reviewed submitted pardon applications, made a recommendation and then passed them on to the president. "In this case, none of that happened," Burton said. Quinn had submitted Rich's pardon application directly to the White House on Dec. 11, 2000. "Why did the President make such an important decision without getting input from the pardon attorney or the prosecutors or the Justice Department?" Burton asked. Quinn had contacted Holder, and the White House had the pardon application for more than a month before making its decision. "What kind of process did they follow?" Burton asked. [166]

Burton noted that Rich had reportedly "traded with just about every enemy of the United States they have had over the last 20 years," and the committee learned that the White House had never consulted with U.S. intelligence agencies about Rich. "One case that stands out glaringly is Iran," Burton said. "We had hostages over there at the time that Mr. Rich was trading with them. He violated the embargo." Burton noted that after he was briefed by U.S. intelligence agencies about Rich, "I believe that this pardon has been raised to a higher level because of the things that are in those intelligence reports." Burton said he asked to have some of that information declassified so it could

be released to the media. Burton also noted that Quinn had defended the pardon in the media, appearing on CNN television just the night before and saying “the indictment that was brought was really, truly worthless.” Burton noted that Quinn was present at the hearing and would present his case, as would Morris Weinberg and Martin Auerbach, the former U.S. prosecutors who had handled the Rich case. [167]

Rep. Edolphus Towns of New York began by saying the hearing should not be about re-litigating the Marc Rich case. “If people do not approve of this pardon, history will judge Bill Clinton, and we should not waste a lot of time on this matter,” he said. “This committee has spent a great deal of time investigating and investigating and investigating the Clintons and the Clintons’ past, when we should have been working on a prescription drug bill for our seniors.” Towns noted that from his review of witness testimony and press reports, “the process worked properly in this case.” Quinn had done his job as Rich’s attorney, Holder had done his job representing the Justice Department, the White House Counsel’s Office had done its job reviewing the pardon applications, and President Clinton had done his job thoughtfully reviewing the pardon applications, Towns said. [168]

Rep. Henry Waxman of California supported Towns’ point by noting that the Clinton administration had been the target of a large number of false accusations for eight years, and the House Committee on Government Reform had played a role in investigating some of those accusations. Waxman asked that another committee report on “unsubstantiated allegations of wrongdoing involving the Clinton administration” be made a part of the record in the Rich pardon hearing. “As this report documents, the President and his aides did not deserve many of the criticisms they received over the last eight years,” Waxman said. “But a President does deserve criticism when he makes a mistake. And in this case, I think that is what former President Clinton did when he pardoned Marc Rich and Pincus Green.” In general, Waxman said, pardons are best used to correct injustices against those with little power or money, or for those who have accepted punishment, demonstrated repentance and subsequently done good works for society. “The Marc Rich pardon meets none of these criteria,” he said. Documents provided by Quinn indicated that Rich had a “credible legal argument against prosecution, but that argument should have been made in our courts,” Waxman said. “The Rich pardon is a bad precedent. It appears to set a double standard for the wealthy and the powerful, and it is an end run around the judicial process.” Waxman said it made no sense for Rich to be on the FBI’s Ten Most Wanted list one week and then receiving a Presidential pardon the next week. But was this a question of bad judgment by President Clinton or a scandal, he asked. “To date, I see plenty of bad judgment, but no evidence of criminal wrongdoing has been presented to us to this point,” Waxman said. [169]

Jack Quinn, Clinton's former White House counsel and Marc Rich's attorney, defended the pardon before the committee. "I am well aware that I have a near impossible challenge today in trying to convince you of the merits of the pardon," he began. Quinn said he took on the case about two years earlier in the simple belief that a wrongfully accused person deserved legal representation. He said he emphasized transparency throughout the process, including urging the White House counsel on several occasions to seek the views of the Justice Department. Quinn said he had spoken with Holder about the Rich case both orally and in written form since October 1999 and believed he could work with Holder on the matter. Quinn said he felt Rich and his attorneys had reached an impasse with prosecutors at the U.S. District Attorney's Office for the Southern District of New York that "could not be resolved short of a process such as a pardon." Quinn said he notified Holder on Nov. 21, 2000, that Rich would submit a pardon application, and a two-inch thick application was submitted to the White House on Dec. 11. "For over five weeks, the White House had time to consider the views of White House attorneys, the Justice Department, and anyone else with whom it might choose to discuss the matter in order to make a judgment on the merits," Quinn said. [170]

As to the pardon's merits, Quinn said, "I remain to this day absolutely and unshakably convinced that the prosecutors constructed a legal house of cards in this indictment." The tax charge was meritless, he said, and the tax charge formed the basis for the fraud charges, which in turn formed the basis for the racketeering charge, "one of the first uses in a case of this kind of the federal racketeering statute, a use, by the way, which you should know the Department of Justice does not condone any further." Quinn noted that on Nov. 8, 1999, he spoke over the phone with "some senior Department of Justice officials" who said they considered the refusal of the Southern District prosecutors to meet with Rich's attorneys "was ill considered and in fact ridiculous." Quinn noted that he had spoken directly with President Clinton about Rich's pardon application, and that Clinton had "demanded" that Rich waive all procedural defenses related to the transactions in question so he could potentially be subject to civil penalties such as those faced by others involved in similar transactions handled by the Department of Energy several years earlier. [171]

Morris Weinberg, a deputy attorney with the U.S. Attorney's Office for the Southern District of New York from 1979 to 1985, was the senior prosecutor investigating Rich from December 1981 through October 1984, at which time Rich's companies pleaded guilty to more than 70 counts of various federal felonies and tax evasion and paid the U.S. several hundred million dollars. He and former deputy attorney Martin Auerbach, also present at the hearing, "are the two most knowledgeable people from the prosecution side about the Marc Rich investigation," he told the House committee, and they were outraged at Clinton's pardon of Rich and Green. Weinberg noted that since

Rich and Green had renounced their U.S. citizenship and were fugitives, they should not have been candidates for a pardon. He noted that when considering the pardon, the White House did not consult anyone from the Southern District office, the IRS or the FBI. “Not surprisingly, this application for pardon is a one-sided account,” Weinberg said. “You know, it’s an advocate piece.” Furthermore, language in the pardon application and statements by Rich’s attorney Jack Quinn before the committee and in the media demonstrated “an utter lack of contrition and remorse on the part of Mr. Green and Mr. Rich for their criminal conduct, for their renunciation of their U.S. citizenship, for the fact that they fled justice 17 years ago,” Weinberg said. [172]

Weinberg said Quinn’s argument that Rich and Green were singled out and prosecuted for mere civil offenses, and then suffered terrible hardships for 20 years, ignored a whole set of facts. First, Rich’s companies pleaded guilty and paid $200 million in fines while being represented by some of the best attorneys in the U.S. Secondly, the case against Rich was supported by numerous witnesses from Rich’s companies, current and former employees up to the level of chief financial officer, and by witnesses from third-party companies affected by the case. “It was the overwhelming nature of the evidence, in my opinion, that caused Mr. Rich and Mr. Green to flee 17 years ago,” Weinberg said. “It was not, as Mr. Quinn says, a legal house of cards or a meritless prosecution of a civil case.” Weinberg noted that many of the legal arguments being raised in defense of Rich’s pardon were not raised in 1983 and 1984. “If this case was so meritless, why didn’t they come back?” Weinberg asked. “Why didn’t they face the charges?” He noted that when Rich’s companies pleaded guilty to 38 counts on behalf of Marc Rich & Co. and 40 counts on behalf of the U.S.-based subsidiary Marc Rich & Co. International, the companies’ attorneys told the judge the pleas were voluntary, and they allocuted to the judge what the companies had done wrong, including hiding millions of dollars from the IRS and the Energy Department and filing numerous false documents. “And it is just, I believe, incredible that 20 years later I’m sitting here and hearing that the case was without merit and it was a legal house of cards,” Weinberg said. [173]

The case brought against Rich was the “biggest tax fraud in the history of the United States,” and the $50,000 a day fine ordered when Rich’s companies refused to hand over documents to the court “was, I think, the biggest fine ever,” Weinberg said. When Rich’s attorneys said they were not going to pay the fine or turn over the documents, it became a front-page newspaper story. When it was discovered that Rich had attempted to sell his only U.S. asset, a U.S. subsidiary of his, this also became front-page news. When the Southern District office negotiated a deal with Rich’s companies to turn over the requested documents and pay the fines up to that date, Weinberg thought the case was coming to an end, but four days later his office received a tip that two steamer trunks full of documents were being smuggled out of the U.S. on a Swiss Air flight. The

trunks were filled with subpoenaed documents, and that became front-page news on an international level, Weinberg said. “But it was their conduct, not our conduct, that was being reported at the time,” he told the House committee. As to whether Rich’s actions should be prosecuted criminally or civilly, Weinberg described how the evidence against Rich was “rife with false documents, inflated invoices, sham transactions, off the record, off the book deals.” He said Rich and his people kept track of illegal profits, about $100 million, in handwritten journals called “the pot” by the bookkeepers. “Now, 17 years later, the pardon application asserts the acts alleged were civil, not criminal, and that the conduct in which the companies pled guilty and for which Mr. Rich and Mr. Green were indicted was perfectly innocent intercompany transactions protected by U.S.-Swiss tax treaty,” Weinberg said. Then why was it necessary to create “the pots” and funnel money outside the U.S., he asked. [174]

Martin Auerbach was a deputy attorney with the U.S. Attorney’s Office for the Southern District of New York when he worked with Weinberg in investigating Rich and Green in the early 1980s. In response to Quinn’s claim that the prosecutors had a legal house of cards, “Well, if we did, it was all aces,” Auerbach told the investigating committee. One of the linchpins for Rich and Green’s defense was a tax analysis by two distinguished university tax professors that was submitted to the Justice Department in December 1990. But in their own report, the two professors stated that they had made no independent verification of the data – they had depended on statements provided by Rich and Green’s attorneys. “And that is the problem,” Auerbach said. “The President relied on the facts as described to him by Mr. Rich and Mr. Green’s lawyers, making no independent investigation.” The reason Rich and Green’s attorneys ran into an impasse with the Southern District office was “because of the facts.” As for Quinn’s statement that President Clinton had demanded that Rich waive all procedural obstacles to a civil case being brought against him, that was a “hollow promise” because all the civil liabilities were “fully extinguished” in 1984 when Marc Rich & Co. AG and Marc Rich & Co. International paid $150 million to the U.S. government. “The civil liabilities were corporate liabilities,” Auerbach said. He noted that Green was “a deeply observant religious man” whose beliefs prevented him from making money between sundown on Friday and sundown on Saturday, so any profits he made during that period went to charity. “I applaud that,” Auerbach said. “But I call on them both to increase their charity.” [175]

The House committee also had access to emails between key people in their investigation, and on Feb. 22, 2001, three of Clinton’s closest White House aides were subpoenaed to appear before the committee on March 1 – former chief of staff John Podesta, former White House lawyer Beth Nolan and adviser Bruce Lindsey. An email sent by Quinn in November 2000 indicated Clinton, Nolan and Lindsey were in line to

read the pardon request papers. Emails between Quinn and Rich's attorney Robert Fink on Jan. 16 indicated that Podesta was actively involved in lobbying directly with Clinton for Rich's pardon. The House committee also planned to call witnesses from the new Bush administration after Clinton had told Geraldo Rivera in a CNBC interview, "I mean, (Rich) had three big-time Republican lawyers, including Dick Cheney's chief of staff." Meanwhile, Denise Rich had requested congressional immunity from prosecution in exchange for her testimony, but the House committee would not grant her immunity until federal prosecutors in New York had finished deciding where their criminal investigation of the matter was going. [176]

The role of Eric Holder, at the time a deputy attorney general and later the U.S. attorney general under President Barack Obama, was not officially investigated. Holder had advised the Clinton administration that he was "neutral leaning favorable" on the pardon. Several weeks later, Holder said he regretted the recommendation. [177] In a Jan. 16, 2009, opinion column in Salon, Joe Conason commented on a Senate Judiciary Committee hearing on Holder's nomination for attorney general. Conason claimed the committee had agreed to ban discussion of Holder's role in vetting Clinton's pardon of Rich and Green in 2001. He noted that the Washington Post had run an editorial urging the committee to question Holder about the matter. Sen. Specter told the committee about Rich's dealings with Iraq and Iran, and he asked Holder why he could have considered recommending Rich for a pardon. Conason, however, claimed the committee didn't know the real reason – Clinton had been influenced by continuous lobbying by top Israeli leaders and their American friends, the lobbying had coincided with Clinton's efforts to broker peace between Israel and Palestine, and Rich's dealings with Iran and Iraq were not just business dealings but part of his job as a secret agent for Mossad. [178]

The pardon aftermath

Five days after Rich was pardoned, the 66-year old former fugitive told Reuters he had no plans to return to the U.S. He said he conducted business there through a trading company called Novarco. His U.S. operations had stopped momentarily in 1996 when he sold his interests in Glencore and started a new company based in Zug called Marc Rich & Co. Holding. By 2001, the new company conducted business in real estate, financial investments and trading. Rich continued to trade in oil inside the U.S., where he held an IRS number and fuel oil licenses. According to Rich's spokesman, after his company paid a court settlement in 1984, his companies were allowed to continue conducting business in the U.S. [179] On Feb. 24, Rich broke his usual silence by calling his original indictment "wrong and intended to hurt me personally." The pardon was a "humanitarian act," he said. [180] In early 2001, charges filed against Rich in the U.S. were

still not punishable by Swiss law, but new Swiss legislation for money laundering meant his new company could come under scrutiny. [181] It was estimated that Rich's new company had revenues of about $7 billion in 2000. He reportedly owned a Swiss mansion filled with fine art – Picasso was his favorite. He also owned a plush villa on the slopes of St. Moritz and a $10 million home in Marbella on the Spanish coast. Following his pardon, the normally reclusive Rich reportedly agreed to media interviews where the questions were carefully vetted in advance, and he became a well-known philanthropist in Switzerland. He also said he wanted to return to the U.S., but he never did. [182]

The New York Daily News ran an article about Pincus Green in March 2001. "Green's no gofer," former prosecutor Morris Weinberg told the newspaper. "He and Rich are joined at the hip, and one never did anything without the other. They are both very, very intelligent men." But there were differences, Weinberg noted. "One thing I know, Rich couldn't have cared less about living outside the United States," he said. "Pinky Green, we heard, always wanted to come home. He misses Brooklyn, he misses his friends." Former New York police commissioner Howard Safir had hunted for Rich and Green for several years during the 1980s as chief of operations for the U.S. Marshals Service. "We were in Israel and had a plan to trap Green there," he recalled. "And the Israeli officials told us, 'Officially, we'll help you all we can. Unofficially, you're wasting your time.' So we got no help, and we didn't get him." [183]

According to insiders who knew Green, he was the man who held much of Rich and Green's enterprises together, the Daily News reported. "Pinky has a reputation as a trader, whether it's $100 or $100 million," said Rabbi Ronnie Greenwald, a friend of Green's since their school days. "His word is gold. He shook your hand, and the deal was done." Before they fled the U.S. to Switzerland, Rich lived in a huge East Side apartment in New York filled with Picassos and other expensive art, while Green lived in Flatbush. "If you looked at 500 homes in Flatbush, 250 of them were nicer than Pinky's," Greenwald said. "A quiet guy – always was. Likes to joke around a bit. Very clearheaded, calm – always very calm and plain." After they fled, Rich continued a life of luxury and hanging around celebrities. Meanwhile, Green was devoted to his wife Libby, his four children, and his Orthodox Judaism and its causes. "Pinky's very religious, a lively young boy," his older brother Moshe Green said. "You know, I haven't seen him in 18 years, but I don't suppose he's changed. He likes a good joke. Other than that, just a very hardworking man, a devoted family man." [184]

The legacies of Marc Rich range from the financial – his disruption of oil and aluminum trading – to the political and ethical realms. Often the explanation for his notorious business deals rested on his Machiavellian sense of independence from the rest of the international community's norms. This made perfect sense in some academic

discussions. In 1997, the investment banking consulting firm Chapman, Spira & Carson LLC published a report describing the benefits of a company becoming a multinational. The report cited U.S. Labor Secretary Robert Reich as saying that the nationality of a company was irrelevant from a public policy standpoint. Coca-Cola, for example, was a global company that just happened to have a North American Division, Reich noted. Boeing also thought of itself as a global company, he said. The consulting firm then pointed to the example of Marc Rich as a person who became successful by leaving the U.S. to avoid tax prosecution. [185]

Rich was also a favorite subject for elaborate international myth-making and conspiracy theories. Rich was linked to many of the usual suspects – especially wealthy Jewish businessmen and families – and he was often accused of being part of a secret business and political network that controlled the world. In April 1997, the Lyndon LaRouche organization published a book called "The True Story of Soros the Golem, A Profile of Megaspeculator George Soros." Chapter four of the book described the "secret financial network behind Soros" and included a section on "Marc Rich, Reichmann, and the Israeli links of Soros." [186] In 1998, Stefan Lemieszewski collected rumors and conspiracy theories into a narrative called "The Secret Financial Network Behind 'Wizard' George Soros" that contained references to Marc Rich. Several paragraphs linked Rich with Soros, Israeli weapons dealers connected with Mossad, the Rothschilds and an oil-trading company doing business in Russia named the Nordex Group. Soros and Rich were accused of looting the resources of Eastern Europe at dirt-cheap prices. [187] In 2001, a book by Jan Von Helsing titled "Secret Societies and their Power in the 20th Century" connected the Bank of Credit and Commerce International, George Soros, the Rothschilds, Israeli weapons dealers, the Israeli secret service Mossad and Marc Rich. In a review of the book in David Icke's "Telling the Truth Archives" website, it was explained that Von Helsing "is not racist or prejudiced." [188]

Conspiracy or reality, Rich's life story fired the public's imagination, and they wanted more. On May 26, 2011, it was reported that Imagine Entertainment's Brian Glazer and Ron Howard had secured the movie rights to Daniel Ammann's biography "The King of Oil: The secret lives of Marc Rich." [189] On Oct. 1, 2015, it was reported that BB Film Productions was working on the film. The story reportedly would begin with Rich as a survivor of the Holocaust in Europe and follow his climb to the top of the commodities trading market, with references to his deals with Iran and Cuba, his exile from the U.S. and his backroom deals with Israel and the U.S. [190]

Marc Rich was reputedly worth about $8 billion in 2005. He owned a palatial Moorish villa on Spain's ritzy Costa del Sol, a ski chalet in Saint Moritz, Switzerland, and a compound on Switzerland's Lake Lucerne called Villa Rosa, where he spent much of his

time with paintings by van Gogh, Picasso and Miros. He still maintained offices in Zug. According to a July 2005 Business Week investigative article, Rich had helped create a powerful informal network of traders worldwide since 1973, when he left Philipp Brothers and formed his own company. The network was created by funding spin-off companies and start-up companies around the globe and by training scores of traders to set up their own businesses. One commentator called it "the University of Marc Rich." Many of the more successful traders, nicknamed "The Rich Boys," had offices in Zug. [191] In his personal life, Rich enjoyed loud ties and Cuban cigars, and one of his swimming pools was said to cost $9.5 million. Rich had married Gisela Rossi in 1998, and they divorced in 2005. [192] His private fortune was hit hard by the collapsing Spanish housing crisis after the 2008 Wall Street meltdown. "I invested a lot of money there, and because of the crisis also lost a lot, at least on paper," Rich told the Swiss business magazine Bilanz. [193]

The Marc Rich Group guarded Rich's $2.5 billion in wealth, including his super yacht Lady Joy, a renowned art collection and properties in St. Moritz, Lucerne, Marbella, Lisbon and Moscow. [194] By 2013, Rich continued to maintain a lavish home on Spain's Costa Brava and was friends with Henry Kissinger and Placido Domingo. He donated generously to charities and museums in Switzerland and Israel and helped bankroll the Zurich Opera. Rich was ranked No. 937 on the Forbes list of the world's billionaires in 2010. He had been awarded honorary doctorate degrees from Bar-Ilan University, Ben Gurion University and Tel Aviv University for his philanthropic work. [195] Rich played tennis, skied, mountain climbed and was a patron of the arts. Privately, he was known as calm and with a sense of humor. Rich once told Fortune that he was a normal person with a bad image problem. "I've been portrayed in a horrible way, as a workaholic, a loner, a money machine," he said. "It's not a true picture." [196] Marc Rich died in a hospital in Switzerland after a stroke on June 26, 2013 at 78 years old. Plans called for his body to be transported to Israel for burial the next day at the Kibbutz Einat cemetery near Tel Aviv. He was survived by two daughters, Ilona Rich Schachter and Daniella Rich Kilstock, and six grandchildren. [197]

Denise Rich gave up her U.S. citizenship in November 2011 and became an Austrian citizen. Her official explanation was that she wanted to be "closer to her longtime life partner, as well as her family and loved ones." Media learned about the change when her name appeared on an April 30, 2012, list of people who had given up their U.S. citizenship. She was listed under her maiden name, Denise Eisenberg. A 2008 U.S. law stated that people who gave up their U.S. citizenship were required to pay an "exit" tax on the unrealized gain in the value of assets exceeding $600,000. A 1996 U.S. law barred re-entry for people who gave up their U.S. citizenship for U.S. tax purposes, but the law had never been enforced because it was too difficult to prove, according to a 2012

report by Siobhan Hughes in the Wall Street Journal. [198] Denise Rich claimed Austrian citizenship through her father and her "partner," Peter Cervinka.[199]

One of Marc Rich's legacies was Glencore – the giant global commodities company that was guided by many of Rich's shrewd trading principles. Glencore was tainted by the Rich connection, but it went public with a 2011 IPO that raised $57 billion in market capitalization, merged with mining giant Xstrata in 2012 to create a $90 billion company, and then saw much of that value diminish just a few years later as a global recession continued to wreak havoc in the commodities market. Caught in Glencore's web was the Columbia Falls Aluminum Co. – an older aluminum smelter that had just emerged from a hard-fought profit-sharing lawsuit in 1998 and was the perfect project for Glencore aluminum traders looking for a tolling plant. What the smartest commodities trading company in the world couldn't predict was how de-regulation was going to shake up the West Coast energy market in 2000.

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