Marc Rich

Marc Rich (born Marcell David Reich; December 18, 1934 – June 26, 2013) was an international commodities trader, hedge fund manager, financier and businessman. He was best known for founding the commodities company Glencore and for being indicted in the United States on federal charges of tax evasion and illegally making oil deals with Iran during the Iran hostage crisis. He was in Switzerland at the time of the indictment and never returned to the United States. He received a controversial presidential pardon from U.S. President Bill Clinton on January 20, 2001, Clinton’s last day in office.

1 Early life, marriage and career

Rich was born in 1934 to a Jewish family in Antwerp, Belgium. His parents were working-class Jews who emigrated with their son to the United States in 1941 to escape the Nazis. His father opened a jewelry store in Kansas City, Missouri. The family moved to Queens, New York City in 1950, where Rich’s father started a company that imported Bengali jute to make burlap sacks. Rich’s father later started a business trading agricultural products and helped found the American Bolivian Bank.

Rich attended high school at the Rhodes Preparatory School in Manhattan. He later attended New York University, but dropped out after one semester to go work for Philipp Brothers (now known as Phibro LLC) in 1954. He worked as a commodities trader for his father, who sought to build an American manufacturing fortune through burlap-sack production.

Rich married Denise Eisenberg, a songwriter and heir to a New England shoe manufacturing fortune, in 1966. They had three children, one of whom, Gabrielle Rich Aouad, died at age 27 of leukemia in 1996. The couple divorced in 1996; she continued to use the name Denise. Six months later he married Gisela Rossi, although that marriage also ended in divorce, in 2002.

He worked with Philipp Brothers, a dealer in metals, learning about the international raw materials markets and commercial trading with poor, third-world nations. He helped run the company’s operations in Cuba, Bolivia, and Spain. In 1974 he and co-worker Pincus Green set up their own company in Switzerland, Marc Rich & Co. AG, which would later become Glencore Xstrata Ptec. Nicknamed “the King of Oil” by his business partners, Rich has been said to have expanded the spot market for crude oil in the early 1970s, drawing business away from the larger established oil companies that had relied on traditional long-term contracts for future purchases. As Andrew Hill of the Financial Times put it, “Rich’s key insight was that oil – and other raw materials – could be traded with less capital, and fewer assets, than the big oil producers thought, if backed by bank finance. It was this highly leveraged business model that became the template for modern traders, including Trafigura, Vitol, and Glencore....”

His tutelage under Philipp Brothers afforded Rich the opportunity to develop relationships with various dictatorial régimes and embargoed nations. Rich would later tell biographer Daniel Ammann that he had made his “most important and most profitable” business deals by violating international trade embargoes and doing business with the apartheid regime of South Africa. He also counted Fidel Castro’s Cuba, Marxist Angola, the Nicaraguan Sandinistas, Muammar Gaddafi’s Libya, Nicolae Ceausescu’s Romania, and Augusto Pinochet’s Chile among the clients he serviced. According to Ammann, “he had no regrets whatsoever.... He used to say ‘I deliver a service. People want to sell oil to me and other people wanted to buy oil from me. I am a businessman, not a politician.’”

One of his biggest market coups came during the 1973-1974 Arab oil embargo, when he used his Middle Eastern contacts to circumvent the embargo and buy crude oil from Iran and Iraq. After purchasing the crude for roughly US$12 per barrel, Rich doubled the price and sold it to supply-starved U.S. oil companies. Later, following the overthrow of Mohammad Reza Pahlavi, the Shah of Iran, during the Iranian Revolution in 1979, Rich used his special relationship with Ayatollah Khomeini, the leader of the revolution, to buy oil from Iran despite the American embargo. Iran would become Rich’s most important supplier of crude oil for more than 15 years. Due to his good relationship with Iran, Rich helped give Mossad’s agents contacts in Iran.

His company, Marc Rich Real Estate GmbH, is involved in large developer projects (e.g., in Prague, Czech Republic). Rich was accused of being involved with the Bank of Credit and Commerce International. Rich and Marvin Davis bought 20th Century Fox in 1981. With Rich a fugitive, Davis sold Rich’s interest to Rupert Murdoch for $250 million in March 1984.
2 Net worth

Forbes reported Rich had a net worth of US$1.0 billion as of 2010.[1]

3 U.S. indictment and controversial pardon

In 1983 Rich and partner Pincus Green were indicted on 65 criminal counts, including income tax evasion, wire fraud, racketeering, and trading with Iran during the oil embargo (at a time when Iranian revolutionaries were still holding American citizens hostage).[17] The charges would have led to a sentence of more than 300 years in prison had Rich been convicted on all counts.[17] The indictment was filed by then-U.S. Federal Prosecutor (and future mayor of New York City) Rudolph Giuliani. At the time it was the biggest tax evasion case in U.S. history.[18]

Hearing of the plans for the indictment, Rich fled[9] to Switzerland and, always insisting that he was not guilty, never returned to the U.S. to answer the charges.[Notes 1] Rich’s companies eventually pled guilty to 35 counts of tax evasion and paid $90 million in fines,[7] although Rich himself remained on the Federal Bureau of Investigation’s Ten Most-Wanted Fugitives List for many years.[20] narrowly evading capture in Britain, Germany, Finland, and Jamaica.[21] Fearing arrest, he did not even return to the United States to attend his daughter’s funeral in 1996.[22]

On January 20, 2001, hours before leaving office, U.S. President Bill Clinton granted Rich a highly controversial presidential pardon. Several of Clinton’s strongest supporters distanced themselves from the decision.[23] Former President Jimmy Carter, a fellow Democrat, said, “I don’t think there is any doubt that some of the factors in his pardon were attributable to his large gifts. In my opinion, that was disgraceful.”[24] Clinton himself later expressed regret for issuing the pardon, saying that “it wasn’t worth the damage to my reputation.”[9]

Clinton’s critics alleged that Rich’s pardon had been bought, as Denise Rich had given more than $1 million[25] to Clinton’s political party (the Democratic Party), including more than $100,000 to the Senate campaign of the president’s wife, Hillary Rodham Clinton, and $450,000 to the Clinton Library foundation during Clinton’s time in office.[21] Clinton explained his decision by noting that similar cases were settled in civil, not criminal court.

Clinton also cited clemency pleas he had received from Israeli government officials, including then-Prime Minister Ehud Barak. Rich had made substantial donations to Israeli charitable foundations over the years, and many senior Israeli officials, such as Shimon Peres and Ehud Olmert, argued on his behalf behind the scenes.[26] Speculation about another rationale for Rich’s pardon involved his alleged involvement with the Israeli intelligence community.[27][28] Rich reluctantly acknowledged in interviews with his biographer, Daniel Amman, that he had assisted the Mossad, Israel’s intelligence service,[4][13] a claim that Ammann said was confirmed by a former Israeli intelligence officer.[12] According to Ammann, Rich had helped finance the Mossad’s operations and had supplied Israel with strategic amounts of Iranian oil through a secret oil pipeline.[4] The aide to Rich who had persuaded Denise Rich to personally ask President Clinton to review Rich’s pardon request was a former chief of the Mossad, Avner Azulay.[22][29] Another former Mossad chief, Shabtai Shavit, had also urged Clinton to pardon Rich,[30] whom he said had routinely allowed intelligence agents to use his offices around the world.[17]

Federal Prosecutor Mary Jo White was appointed to investigate Clinton’s last-minute pardon of Rich.[31] She stepped down before the investigation was finished and was replaced by James Comey, who was critical of Clinton’s pardons and of then-Deputy Attorney General Eric Holder’s pardon recommendation.[32] Rich’s lawyer, Jack Quinn, had previously been Clinton’s White House Counsel and chief of staff to Clinton’s Vice President, Al Gore, and had had a close relationship with Holder.[22] According to Quinn, Holder had advised that standard procedures be bypassed and the pardon petition be submitted directly to the White House. [33][Notes 2] Congressional investigations were also launched. Clinton’s top advisors, Chief of Staff John Podesta, White House Counsel Beth Nolan, and advisor Bruce Lindsey, testified that nearly all of the White House staff advising the president on the pardon request had urged Clinton to not grant Rich a pardon.[29] Federal investigators ultimately found no evidence of criminal activity.[30]

As a condition of the pardon, it was made clear that Rich would drop all procedural defenses against any civil actions brought against him by the United States upon his return there. That condition was consistent with the position that his alleged wrongdoing warranted only civil penalties, not criminal punishment. Rich never returned to the United States.[9]

In a February 18, 2001 op-ed essay in The New York Times, Clinton (by then out of office) explained why he had pardoned Rich, noting that U.S. tax professors Bernard Wolfman of the Harvard Law School and Martin Ginsburg of Georgetown University Law Center had concluded that no crime had been committed, and that Rich’s companies’ tax-reporting position had been reasonable.[19] In the same essay, Clinton listed Lewis “Scooter” Libby as one of three “distinguished Republican lawyers” who supported a pardon for Rich. (Libby himself later received a presidential commutation for his involvement in the Plame affair.) During Congressional hearings after Rich’s pardon, Libby, who had represented Rich from 1985 until the spring of 2000, denied
that Rich had violated the tax laws but criticized him for trading with Iran at a time when that country was holding U.S. hostages.[35]

4 Legacy

Glencore International AG was a corporate successor to Marc Rich & Co. It merged in 2013 with another firm to become Glencore Xstrata headquartered in Baar, Switzerland. Trafigura Beheer BV, based in Netherlands is another corporate successor, though unrelated. Trafigura AG is the main office, based in Lucerne, Switzerland.

5 Citizenship

Although Rich believed that he had relinquished his United States citizenship when he became a citizen of Spain, an appeals court ruled in 1991 that, for purposes of U.S. law, Rich remained a citizen and therefore was still subject to U.S. income taxes.[36] He also held Belgian, Bolivian, Israeli, and Spanish passports.[38]

6 Private life

After spending several years in Zug, Switzerland, Rich moved to Meggen, a city in the Canton of Lucerne, Switzerland, residing in a house called “La villa rose” (the pink villa) on the shores of Swiss Lake Lucerne, where he zealously guarded his privacy.

Rich owned property in the ski resort of St. Moritz, Switzerland, and in Marbella, Spain. He was an art collector and friends said he lived surrounded by Renoirs, Monets and Picassos.[39]

Rich was a strong supporter of Israel throughout his life, having donated around $150 million to institutions such as the Israel Museum, Tel Aviv Museum, research centers and theaters over the years.[40]

7 Death

Rich died of a stroke on June 26, 2013, at a Lucerne hospital. He was 78 and is survived by two daughters, Ilona Schachter-Rich and Danielle Kilstock Rich. He was buried in Israel.[37]

8 Awards

In May 2007 Rich received an honorary doctorate from Bar Ilan University, Ramat Gan, Israel, in recognition of his contribution to Israel and to the university’s research programs.[41][42] He received the same honor from Ben-Gurion University of the Negev, Beer Sheba, Israel, on 18 November 2007.[43] The Chaim Sheba Medical Center at Tel Hashomer in suburban Tel-Aviv, Israel, honored Rich with the Sheba Humanitarian Award 2008. Former recipients of this award include actor Michael Douglas, actress Elizabeth Taylor, and former U.S. President Gerald R. Ford.

9 See also

- Bank of Credit and Commerce International
- Bill Clinton pardon controversy
- List of people pardoned by Bill Clinton
- Sam Pa

10 Notes

[1] In 1989 the U.S. Justice Department ceased using statutes of the Racketeer Influenced and Corrupt Organizations Act (otherwise known as the RICO Act) in tax cases such as the one in which Rich and Green were indicted, and began relying instead on civil laws.[19]

[2] Holder, however, during his Senate confirmation hearing to become Attorney General in 2009, denied that he had attempted to circumvent the standard procedures for consideration of presidential pardons.[34] Holder did say that he had “made mistakes” and “made assumptions that turned out not to be true” while managing the pardon request.[34]

11 Footnotes


[20] BPS.org
[27] CNN Sunday Morning News, 18 February 2001: reporting by CNN correspondent Eileen O’Connor

12 Further reading

• Justice Undone: Clemency Decision in the Clinton White House, Report of the House Committee on Government Reform

• "Marc Rich: Hero or villain?" - BBC News, Thursday, February 15, 2001

• "The Rich Boys" - Businessweek

• The businesses of Juan Carlos I (IBLNews) (Spanish)

• Website King of Oil

• http://www.guardian.co.uk/business/2011/apr/17/glencore-denies-copper-tax-allegations

• The Economist: 6 July 2013. Obituary Marc Rich, king of commodities, died on June 26, aged 78
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13.1 Text

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