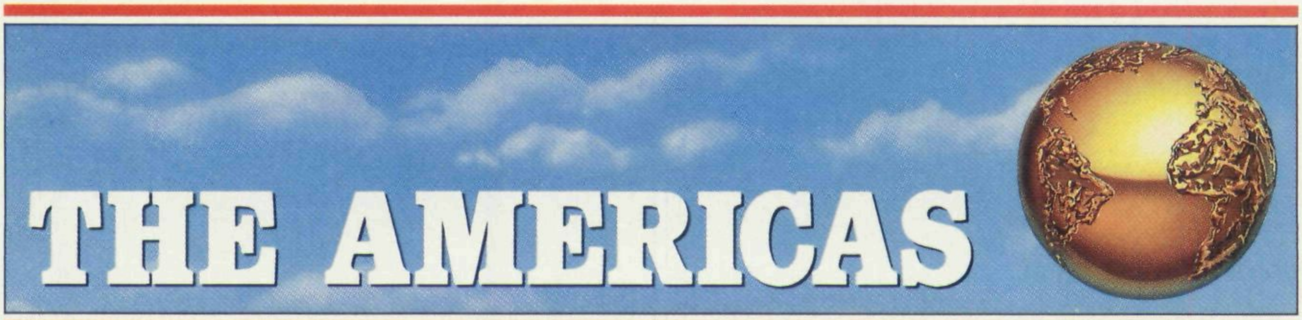


Finally, some bad news for drug lords

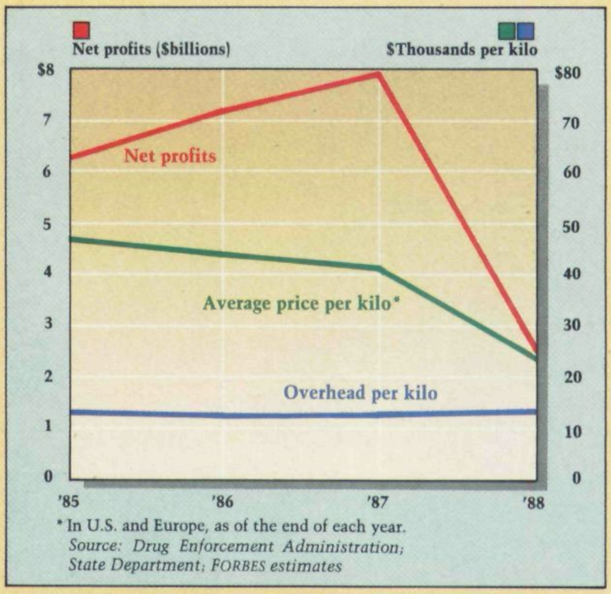
Eventually it happens to any growth business: Profit margins get squeezed. Judging from key U.S. government data on the cocaine trade, it's happening now to the billionaire drug merchants on these pages. FORBES calculates profits have plunged by almost 70% since 1985. Today's profits are still enormous: The cocaine cartels' net margins are probably 40%. But margins used to be on the order of 70%.

What's causing the squeeze? Since 1985 the average price per kilo in the U.S. has been cut nearly in half, to $22,500 (wholesale) last year. While rising sales volume has made up for some of the squeeze, worldwide production of coca in the key supplier countries—Peru, Colombia, Bolivia, and Ecuador—has increased by only one-third, meaning there simply isn't enough cocaine alkaloid available to expand supplies that much. Meanwhile, delivery costs are rising, delivery costs including such items as hiring gunmen and paying off crooked officials.

Cocaine prices in Europe, once $55,000 a kilo, are still ahead of U.S. prices, but are now dropping even faster than they have in the U.S., where they have stayed firm so far this year. Meanwhile, seizures in the U.S. and Europe have more than doubled since 1985, to almost 60 metric tons last year, costing traffickers some $600 million—which also increases overhead. And this year seizures are up again.

The best drug news of all is this: There are signs that demand for cocaine in much of the U.S. is actually shrinking, mainly because more people are realizing that drugs are a dangerous plaything. Coke has gone out of fashion on Wall Street, in Hollywood and around Biscayne Bay. According to an annual University of Michigan survey, this year 8% of high school seniors nationwide said they use cocaine. That is a sickeningly high figure. But it's down from an even worse 13% just two years ago. Crack use also fell, to 3.1% from 4%.

Maybe that's why Colombia's vicious lords are investing in farmland. It's not that they are going straight, just diversifying against market risk.—**Claire Poole**



* In U.S. and Europe, as of the end of each year.
Source: Drug Enforcement Administration; State Department; FORBES estimates

COLOMBIA

GONZALO RODRIGUEZ GACHA
Gacha For Warlord

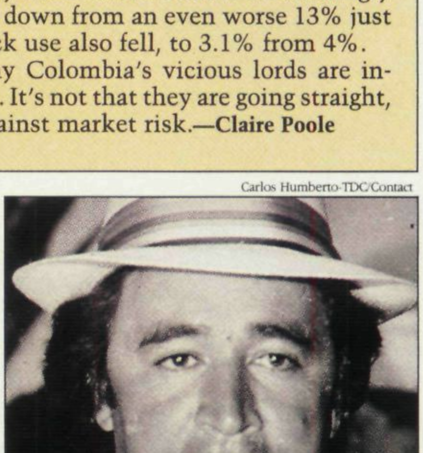
On May 1 Rodriguez Gacha's 19-year-old son, Freddy Gonzalo Rodriguez Salades, was arrested at the Medellín airport. No cocaine was found on the small aircraft he was piloting. But an arsenal of firearms was. He was released last month on a technicality—is anyone surprised?

The Gachas kill people for a living—mostly with cocaine, but also with guns. Their huge drug profits have started flowing into legitimate businesses: Over the past decade Gacha and other "narco ranchers" have invested billions in Colombian real estate—by one estimate, about one-twelfth of its productive farmland.

Gacha's henchmen are also taking over local politics. In mayoral elections last year in the Magdalena region, Gacha associates gained control of five city governments. Heavily armed, Gacha now has a base for what could become a new drug quasi-state.

Their influence reaches even into New York City. Undercover Drug Enforcement Administration agents last July arrested three members of Gacha's New York distribution network, seizing 1,350 pounds of pure cocaine. This upset "the Mexican," as Gacha

Carlos Humberto-TDC/Contact



Gonzalo Rodriguez Gacha

is called. Three months later New York Mayor Ed Koch and Robert Stutman, who heads the DEA's New York office, became the objects of three Gacha-hired hitmen, who were arrested in midtown Manhattan.—**Claire Poole**

OCHOA FAMILY
Still At Large

The Colombian authorities let cocaine capo Jorge Luis Ochoa Vasquez get away twice—in 1986, when he was extradited from Spain and later set free, and in 1987, when he bought his way out of jail with the help of a bumbling Bogotá prison official.

Sygma

Jorge Luis Ochoa Vasquez

Last year Ochoa apparently had good luck with U.S. authorities, too. Richard Gregorie, former chief assistant U.S. Attorney in Miami, says the State Department scrapped a plan to lure Jorge and his brother, Fabito, into a neighboring country, which was to arrest them and then hand them over to the U.S. But, says Gregorie, the U.S. ambassador to the participating country, claiming concern for the safety of Americans doing business there, "had a fit" when he learned of the plan, and quashed it. "It was the last straw," says Gregorie, who quit to go into private law practice.

FORBES has learned the country was Venezuela; the ambassador, Otto J. Reich. Reich won't confirm or deny that he was involved, but asks rhetorically: "If we had an opportunity to capture a major drug trafficker in a well thought out operation with full cooperation of the host country, do you think we would give it up?"

Jorge Ochoa, like his cartel cohort Gacha, is expanding in the New York area to further increase his family's estimated $2 billion in accumulated drug profits. On Long Island last summer the DEA seized 6,000 pounds of cocaine, worth around $500 million on the street, hidden in cartons labeled "unsweetened Ecuadorean coca chocolate." Ochoa's markings apparently were on them.—**Claire Poole**

PABLO ESCOBAR GAVIRIA
Presidente Don Pablo?

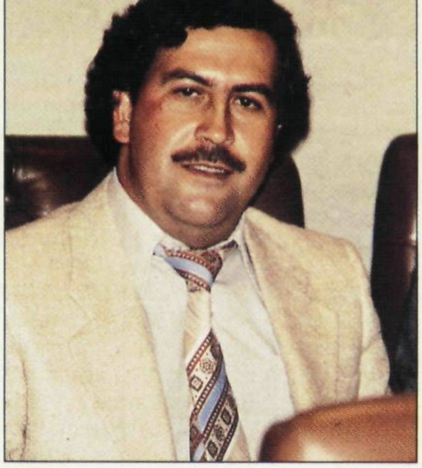
Escobar Gaviria's former partner, Carlos Lehder, is in a U.S. jail, but Escobar, the notorious head of the Medellín cocaine cartel, proves elusive as ever. Last February Colombian authorities, in Operation Primavera, busted 26 cocaine manufacturing sites and confiscated 1.3 tons of cocaine in both base and finished form as well as enough chemicals to make 104 tons more. But at Escobar's Hacienda Napoles, near Medellín, the cops found little more than the drugster's three caged elephants. Escobar, as he had done a dozen times before, escaped again.

Not so lucky was Felix Gallardo. He was Mexico's biggest drug lord, and trafficked for Escobar. Gallardo, caught at his Guadalajara home in April by Mexican authorities, shipped more than 4 tons of cocaine across the U.S.-Mexico border each month.

The best way to stop Escobar from further adding to his wealth—now estimated at more than $3 billion—is to find and arrest him, and extradite him to a U.S. court he can neither buy nor intimidate. But even the State Department admits that extradition isn't likely. Colombia hasn't even properly ratified its extradition treaty, which was suspended in 1987.

When will the extradition treaty be ratified? Probably not soon. As Escobar late last year told a young woman reporter who managed to find him when government forces couldn't: "The people accused of drug trafficking are the only ones investing in our country. It'll be shown that the people are for legalization [of drugs] and amnesty [for traffickers]." It sounded as if Don Pablo were running for *presidente.*—**Claire Poole**

Sygma



Pablo Escobar Gaviria

VENEZUELA

THE CISNEROS FAMILY
Venezuelan Cosmopolites

★ One of Venezuela's richest families, the Cisneros brothers have been expanding their interests overseas for most of this decade. Last year they acquired 7% of the U.K.'s Mountleigh Group and 4.3 acres of London real estate, including Paternoster Square, an office and retail complex next to St. Paul's Cathedral. Now the Cisneros boys are looking for local partners to help with the development. Gustavo Cisneros, 44, the current family patriarch, explains: "With the Common Market opening up, we believe London will be the most exciting real

Gustavo and Ricardo Cisneros

estate market in the world. So we are trying to locate partners from whom we can learn."

In the U.S. the Cisneros brothers have bought Questor Corp., which includes Spalding, the sporting goods company, and Evenflo baby products. They are licensing the Spalding name worldwide, especially in Japan and the Far East.

But the brothers have not turned their back on their own country, and recently invested $280 million for 40% of a local aluminum processor. Says Cisneros, "Venezuela is really like Korea was 10 or 15 years ago."

Like most capitalists in the developing world, the Cisneros family came from humble beginnings. In 1929 Diego Cisneros was a teenager working for a car dealer in Caracas. He borrowed money to buy a chassis for an old dump truck, which he converted into a bus that was the beginning of Organización Diego Cisneros. The big break came in 1940 when Diego and his brother Antonio won the Pepsi franchise for Venezuela, sweetened it to local tastes and undercut Coca-Cola on price. Pretty soon Pepsi was number one in Venezuela, and the Cisneros' company was the largest independent Pepsi franchise in the world. With the cash flow, Diego branched out in all directions. The founder died in 1980, but Organización Diego Cisneros now touches almost every part of Venezuela—media, supermarkets, beverages, baby food, health and beauty aids, records, packaging, and the former Sears' stores (now called Maxy's). Later came exclusive rights to Apple Computer and Digital Equipment, and Burger King and Pizza Hut franchises.

Gustavo runs the business with his brother Ricardo, 40. A cosmopolite who travels the world with a personal fitness trainer and owns Richard Nixon's old Fifth Avenue apartment, Gustavo and his family are new to our list this year. Estimated family fortune: $1.2 billion.—**Claire Poole**

BRAZIL

ANTÔNIO ERMÍRIO DE MORAES AND FAMILY
Businessman Of The Decade

Brazil should prepare "for the worst," Antônio Ermírio de Moraes warned in a press conference in Brasília late last year. "As in 1964, the specter of a military coup prowls around the presidential palace because of the civilian government's inability to overcome the economic crisis."

Belying his pessimistic outburst, Ermírio continues to show great confidence in Brazil's future. Ermírio's family's Votorantim is the largest industrial group in Brazil. The $2 billion (revenues) company last year acquired a paper company, announced construction of a brand-new hydroelectric plant (the group already has at least 18 in operation), and entered the orange juice business, where it expects to produce 100,000 tons a year.

Augusto-F4/Picture Group

Antônio Ermírio de Moraes

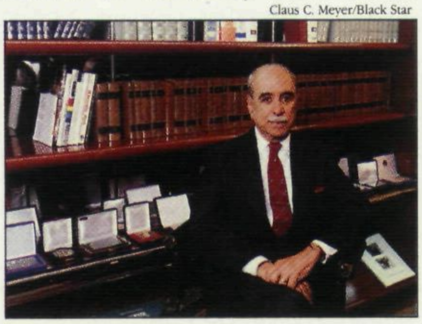
Last year *Gazeta Mercantil,* Brazil's leading business publication, elected Ermírio "Businessman of the Year." It was the tenth year in a row he won the award.

Votorantim was founded in 1918 by Antônio Pereira Ignácio, a Portuguese shoemaker. Today the group is equally owned by four members of the third generation. They are Antônio, 61, and his three siblings: José Ermírio Jr., Ermírio Pereira and Marie Helena (represented by her husband, Clóvis Scripilliti). Behind them are 23 cousins eligible for running the $1.5 billion family fortune.—**Patrice Duggan**

ROBERTO MARINHO
Press Lord

Nothing better illustrates the growing sophistication of Third World economies than this: Roberto Marinho, one of Brazil's biggest capitalists, is invading Europe. His company, Globo, has been exporting its *novelas* (soap operas) to some 90 countries (they're dubbed or subtitled). Now Globo wants partners in Europe. The aim is to grab more of the EEC's TV programming market by 1992. Globo is trying to sell the *novelas* to Japanese TV networks (nearly a million people of Japanese descent live in Brazil).

Claus C. Meyer/Black Star



Roberto Marinho

In the 1920s Marinho was writing editorials in Brazil's most important newspaper, *O Globo,* founded by his father. Today he has a more powerful outlet: his Rede Globo TV network, a near-monopoly in Brazil and the fourth-largest network in the world (after ABC, CBS and NBC in the U.S.). Beyond media, Marinho's Globo Organization, based in Rio de Janeiro, owns cattle ranches, shopping centers, a major art collection and much more. Early this year Marinho joined Bahrain-based Arab Banking Corp. (one of Brazil's creditors) to form an investment bank in Brazil.

Privately owned Globo Organization's revenues are estimated at close to $1 billion. After Roberto? Of his three sons, Roberto Irineu Marinho is believed the most likely to succeed his father.—**Patrice Duggan**

SEBASTIÃO CAMARGO
Confident In Brazil

Camargo's $1.3 billion (1987 net assets) construction and engineering conglomerate, Camargo Corrêa, has taken part in Brazil's hugest projects: Brasilia in the 1950s; Itaipu, one of the world's largest hydroelectric plants, in the 1970s; and the Amazon hydroelectric plant, Tucuruí, in the 1980s.

Luiz Dantas/Editoria Abril

Sebastião Camargo

In 1987 Camargo Corrêa, long close to Brazil's political powers, had revenues of $2.4 billion.

Now 80, Camargo, who lives in a heavily guarded house in São Paulo, is planning for the 1990s. This year the state of São Paulo announced he had offered to purchase Viação Aérea de São Paulo, a state-owned airline. He is also building a $30 million shopping mall in a wealthy São Paulo neighborhood, where civil disorder and economic disarray seem distant.

Camargo, one of ten children born to a farmer, built the company from scratch out of a small subcontractor he and partner Sylvio Corrêa (who died in 1965) founded in 1938. Today Camargo Corrêa has 33 companies and some 40,000 employees. Camargo hasn't announced retirement plans, but the line of succession is set: Married 43 years, Camargo has three daughters. All of their husbands are in the company.—**Patrice Duggan**

MEXICO

GARZA SADA FAMILY
The Way In Monterrey

The Garza Sada/Garza Lagüera clan is recuperating from Mexico's economic crisis of the early 1980s. They have renegotiated their foreign debts and are again investing in their country.

IMAGES THAT MEAN BUSINESS FROM KODAK

With the complex restructuring, the family has had to give up some equity. But the value of their holdings in the Monterrey Group, as the overall empire is known, still comes to about $1.9 billion. Alfa is the family's steel and petrochemical combine

SIPA

Bernardo Garza Sada

(sales, $1.6 billion). Visa is its beer (Dos Equis, Tecate) and packaging business ($1.1 billion).

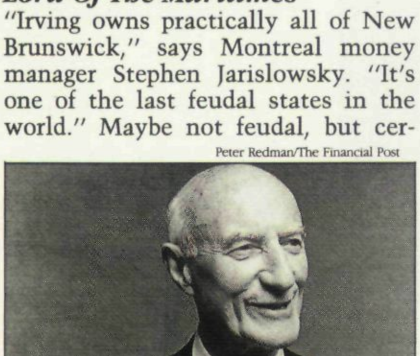
With their balance sheets tidied through these equity-for-debt swaps, the Garza Sada enterprises are on the move again. Cydsa, their fibers and plastics concern, bought the remaining 40% in Mexican resins maker Policyd from BF Goodrich, and Alfa acquired Temex, a petrochemical company, from the Mexican government for $200 million. Like Mexico itself, the Garza Sadas seem to have come through the economic crisis bloody but not beaten.—**Claire Poole**

CANADA

KENNETH COLIN IRVING
Lord Of The Maritimes

"Irving owns practically all of New Brunswick," says Montreal money manager Stephen Jarislowsky. "It's one of the last feudal states in the world." Maybe not feudal, but certainly powerful and integrated.

Peter Redman/The Financial Post



Kenneth Colin Irving

Based in St. John, N.B., Irving—vigorous at 90—his three sons and now grandsons preside over a vertically integrated timber and oil empire estimated to be worth $6 billion, and certainly over $4.5 billion. The Irvings get wood from their 3-million-plus acres of timberland; cut it at their sawmills or run it through their pulp mills; ship it in their trucks or ships fueled with gasoline or diesel fuel from their refinery; and reveal what they want to (very little) in their newspapers. As one source close to the family puts it: "They are always their best customers." Their St. John Shipbuilding continues work on a $5 billion frigate contract awarded for the Canadian navy in 1983. All this from K.C.'s original gas station in the 1920s.

The Irvings also make wood products, from tissue to deck furniture. The new U.S.-Canada Free Trade Agreement will soon let them export finished goods tariff-free to the U.S.

Last December Irving Oil bought out Chevron's 49% stake in the New Brunswick refinery. There is no shortage of customers for the refinery's output: Irving Oil owns some 3,000 gas stations in Canada and over 100 in Maine. Last fall the Irvings bought a station in New Hampshire; industry observers speculate that the Irvings will build a gas station chain that will one day stretch down I-95, all the way to Key West, Fla.—**Katherine Weisman**

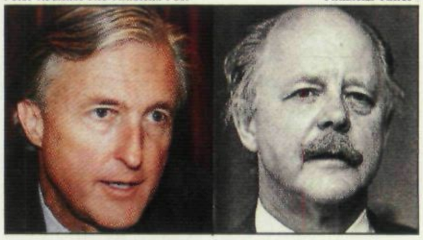
GALEN AND GARRY WESTON
Rich Brother, Richer Brother

Brothers Galen and Garry Weston are the third generation of their family to preside over an empire now worth some $2.5 billion.

Galen Weston, 48, runs Toronto-based George Weston Ltd., a consumer products, natural resources, food-processing and distribution firm. In Canada's western and prairie provinces, he's had luck opening European-style hypermarkets—sprawling emporia that sell everything from food to furniture to lawn mowers. But when his Loblaw Cos. opened 13 hypermarkets in Ontario and other eastern locations, they bombed.

In the sparsely populated western areas families drive long distances to stock up every two weeks; they're grateful to shop at one store. Easterners enjoy more choices and are unlikely to buy everything in one place. The eastern fiasco caused Loblaw's operating income to fall last year and Weston has broken up some stores, retain-

Peter Redman/The Financial Post Financial Times



Galen and Garry Weston

ing some space for supermarkets and leasing out the rest to Zellers, a department store chain owned by Hudson's Bay, which is also struggling *(see Thomson, below).* Quite possibly, Weston has hit a limit on hyperstores in North America.

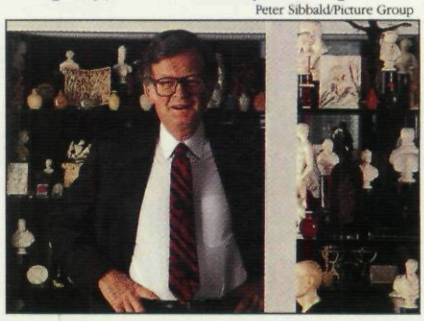
Garry Weston, 61, lives in London, where Galen often visits to play polo with Prince Charles. Garry's assets include $2 billion in cash he received from selling some pieces of the family's Associated British Foods, like the recent sale of his 15% stake in Gateway Plc. for $485 million. Weston will probably be a serious but prudent bidder at sales of RJR Nabisco—and other—properties.—**Katherine Weisman**

KENNETH ROY THOMSON
Back To Basics?

A billionaire six times over, Lord Thomson of Fleet Street has yet to wring profits from his family's investment in Hudson's Bay Co., the Canadian department store chain. The Thomsons paid about $500 million for a 73% stake a decade ago—about what the investment is worth today.

Elsewhere, all is well in the family's enormous media and leisure-time conglomerate. The Toronto-based company, founded by the present

Peter Sibbald/Picture Group



Kenneth Thomson

Lord Thomson's father, owns nearly 200 U.S. and Canadian papers, including Toronto's *Globe and Mail* and the *American Banker.* Its travel agencies in Britain have a 30% share of the U.K. package tour market.

The first Lord Thomson died in 1976 and was succeeded both as chief executive and to the title by his son

Kenneth, now 65. The old man built up North Sea oil assets in the early 1970s, which were sold this year. Profits from these operations helped Kenneth expand the profitable media and travel businesses. The present Lord Thomson has just merged his public Canadian and British companies, making the Thomson Corp., a single entity easily big enough to bid against the likes of Robert Maxwell or Rupert Murdoch. Thomson and family own 68% of the new media combine.—**Katherine Weisman**

ALBERT, PAUL AND RALPH REICHMANN
Aggression Rewarded

"Aggressive" best describes how the Reichmann brothers, still in their 50s, play real estate. Their Olympia & York owns over 30 million square feet of office space in North America, a stock portfolio nearing $5 billion, and a project under way in London that

Steve Benbow/Picture Group

Paul Reichmann

will cost some $6 billion. In just three decades the Reichmanns have built from scratch a fortune now worth an estimated $8 billion.

The London project is Canary Wharf—12 million square feet of new prime office space under construction. It will include London's tallest building, plus areas of shops and restaurants. It's risky. The Wharf is outside the City, London's financial district, and existing and planned transit lines may not be able to handle the projected crush of office workers. Olympia & York is waiting for the Thatcher government to approve new road and underground plans to Canary Wharf. As Paul Reichmann puts it: "We believe that London will be the best office market in the world over the next 10 to 20 years."

Meanwhile, back in North America, more risks. O&Y now has a 25% stake in troubled Campeau Corp. If the stock stays low, or if Campeau gets into trouble, the Reichmanns may buy more and end up controlling all of the Federated and Allied department stores. —**Katherine Weisman**

CHARLES BRONFMAN
Eclectic Investor

In April 1987 the Bronfman family's CEMP trust was dissolved, effectively breaking the Bronfman whiskey fortune in two parts. Chairman Edgar Bronfman is based in New York and still calls most of the shots at Seagram, the family company. His younger brother, Charles, Seagram cochairman, is based in Montreal and has

Canapress

Charles Bronfman

been busy investing the more than $250 million in cash he received from the trust.

Headquartered in Montreal, his Claridge Inc. owns 30% of Cineplex Odeon and a big stake in Crowntek Business Centres, Canada's second-largest distributor of microcomputers. National Claridge, a C$100 million joint venture with Montreal's National Bank of Canada, invests in new or young companies.

"Our interest is in businesses with existing good management that need money for expansion or growth," says Claridge President James Raymond. "We are not venture capitalists, we are merchant bankers. It has to be an existing business with a proven record and good management."

Claridge is only the tip of Bronfman's wealth. He is altogether worth $1.5 billion, most of it Seagram stock. He also takes an active interest in baseball's Montreal Expos, which he owns.—**Katherine Weisman**

EATON FAMILY
No Haggling

★ Timothy Eaton was an Irish farmboy who immigrated to Canada in 1854, and set up shop trading with his brother James in the frontier towns of Kirkton and, later, St. Marys, Ont. In 1869 Timothy and his wife, Margaret, moved to Toronto and opened a dry goods store. Unlike other merchants of the time, Eaton refused to haggle and insisted on selling his goods for cash at one price. He offered an unheard-of guarantee: "Goods satisfactory or money refunded." But he indulged eccentricities. He refused to stock liquor and cigarettes. He challenged traditional shop hours with a 6 p.m. Saturday closing when most stores stayed open until 10 p.m. His wife helped choose the fashions offered to women customers—who flocked to the store.

Eaton's competitors swore he would fail quickly. He didn't fail, but Eaton's nationwide success has been a case of slow, steady, long-term growth, with the first expansion not coming until 1905. Today there are 104 Eaton's stores across Canada, doing an estimated annual volume of $2 billion. And the company, worth at least $1 billion, is still family-owned.

The T. Eaton Co. is now run by four great-grandsons: Board Chairman Frederik Eaton, 51; John Craig Eaton, 52; Thor Eaton, 47; and George Eaton, 44, president.

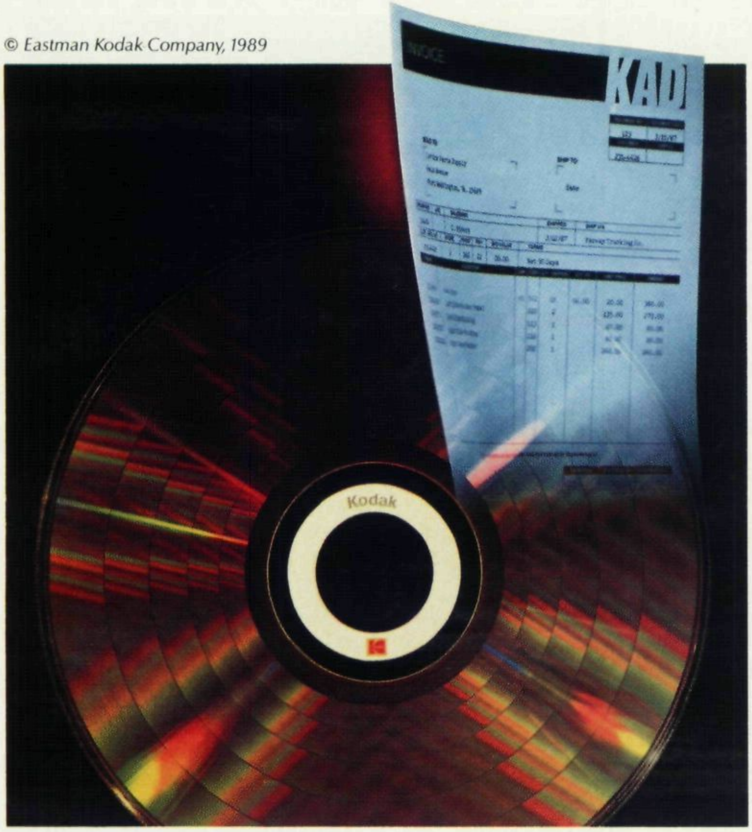
The heirs are astute businessmen. For a decade they have been closing older freestanding stores and opening new stores in regional shopping centers or multi-use city malls. Wisely, they often build the malls, mostly in joint ventures in which they retain equity of 20% to 33%; they keep debt low. The city centers, typically in the middle of downtown, have been extremely successful. The million-

John Craig and Frederik Eaton

square-foot flagship store is the Toronto Eaton Centre, a joint venture with Cadillac Fairview and Toronto Dominion Bank. With two office towers in it, a third under way and some 40 shops, the center generates sales of C$650 per square foot, twice the mall average in Canada.

The Eatons also own just over 51% of publicly traded Baton Broadcasting, a national TV and radio broadcaster; that stake is worth $155 million.

Four generations of family ownership—quite a record. And it shows no signs of ending: A great-great-grandson has worked for Dillard Department Stores in the U.S. to get outside training.—**Katherine Weisman**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