

THE LIFESTYLE OF RICH, THE INFAMOUS Marc Rich, biggest tax fugitive in U.S. history, is in Switzerland happily running a commodities trading firm worth nearly \$1 billion.

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December 22, 1986

(FORTUNE Magazine) — BY STRIKING A DEAL with the SEC and federal

prosecutors, Ivan Boesky avoided the hoary tactic of financiers in legal trouble — the quick flight to a country that will not extradite U.S. fugitives. Commodities trader Marc Rich, 52, fled first and tried to deal later. Facing a 65-count criminal indictment that could result in a 325-year prison term — the biggest tax evasion case in U.S. history — he may be abroad for a long time. His life on the lam is luxurious — and lucrative. Unlike fugitive Robert Vesco, who is holed up less than splendidly in Cuba after years of spending his booty bribing various officials around the Caribbean, Rich is living grandly in Switzerland. Though he has long avoided the U.S. press, Rich spent a day talking to FORTUNE in November, his first interview with a non-European publication since he skipped out of New York. Today his slim face is framed by slicked-back hair and bushy sideburns, and he has an air of dour refinement. In his office he chain-smokes imported cigars and downs Diet Coke. Rich's Swiss-based international commodities trading company, Marc Rich & Co. AG, has become one of the biggest in the world. He says that the company earned more than \$100 million before taxes on trading volume of \$12 billion in 1985 and that its capital stands at \$950 million. Rich has a five-bedroom house filled with valuable art in the picturesque village of Zug, 15 miles south of Zurich, and a ski chalet in St. Moritz. He is a regular at concerts in Zurich and Lucerne. His American wife has become a rather famous European pop-record star. Thanks to an expensive P.R. campaign and expansive charitable giving, Rich has achieved something resembling respect in Swiss society. Living abroad is not a new experience for him. Born in Antwerp, Rich came to the U.S. with his parents at age 8. As a rising young commodities trader for New York-based Philipp Brothers, now a subsidiary of Salomon Inc., he resided in Spain for 14 years. Still, returning to America has become an obsession. "I want very badly to be able to go back," he says, speaking in a faintly European accent. "I think about the U.S. every day. My mother is there and my in-laws. It's a generous country that accepted my parents and me." (When his father died in New York last September, Rich was pained not to attend the funeral. Federal agents would have arrested him.) To find some way out Rich has assembled an influential legal team headed by Washington superlawyer Edward Bennett Williams and including Leonard Garment, former special counsel on the Nixon White House staff. Robert Gray, the Washington public relations consultant who was secretary to the Cabinet in the Eisenhower Administration and co-chairman of Ronald Reagan's first inaugural, is on retainer. "I've made mistakes," Rich says, in what starts out sounding like contrition. "I guess my reputation will never fully recover." Then it becomes clear he is talking about legal strategy. He argues that what he really has is an image problem. "I've been portrayed in a horrible way," he says, "as a workaholic, a loner, a money machine. It's not a true picture. I'm a modest, quiet person who has never done anything illegal." Sometimes he portrays himself as victim: "What happened to me was an unfortunate chain of events that hasn't shaken my faith in the U.S." The Justice Department isn't buying any of that. In the prosecutors' view, Rich and partner Pincus "Pinky" Green, 52, are simply fugitives. Assistant U.S. Attorney Martin Auerbach says his office is ready to go to trial if it can get its hands on the defendants. For U.S. authorities, Rich and Green are Vesco-size targets. Marshals have designed tantalizing schemes to nab them, especially Rich, who is the more active of the two. Rich has neared the bait several times, only to slip away at the last moment. The case is hideously complicated, and some of it hinges on violations in 1980 and 1981 of oil price laws long since repealed and never particularly popular. If Rich and Green were fudging price controls, they had a lot of company. A number of major oil producers have long since settled similar cases. The fugitives are also accused of trading with the enemy, for buying oil from Iran during the hostage crisis in 1980. If those issues were all the case involved, Rich and Green might have come home long ago, or might never have left. The big one is tax evasion. The government charges that the pair smuggled \$105 million of profits from those illegal oil transactions to Switzerland to avoid paying \$48 million in U.S. taxes. Shortly after fleeing to Switzerland, they reportedly offered to pay \$100 million if the government would settle the charges — and were turned down flat. Says Auerbach: "They have broached this issue for a long time through a variety of channels in the Justice Department and anywhere else in Washington they can get a hearing. They are no closer to coming back to the U.S. now than when they left. They can't buy their way out of jail." Faced with such an uncompromising position, Rich apparently has quietly switched legal strategies. His lawyers plan to attack the evidence in the tax case in hopes of persuading the government to drop the indictment. Says one: "We're going back and reviewing everything. What we're learning gives us some encouragement, but we're not Pollyannas." Until his lawyers cooled on the idea, Rich was thinking of launching a major P.R. campaign in the U.S. In 1984 Robert Gray traveled to Zug with his associate Frank Mankiewicz, former head of National Public Radio, and Meryl Comer, a consultant to Gray who also co-anchors a business news show on ESPN, the cable-TV network. Gray advised Rich to go public in the U.S. by granting interviews to U.S. newspaper and TV reporters. Comer even taped a practice interview with Rich to see how he came across. Rich did buff up his image in Switzerland with a successful campaign led by Peter Hargitay, a Zurich P.R. man. Hargitay says he was paid a monthly retainer that added up to "the middle six figures" annually. In 1985 and 1986 Hargitay arranged about 30 interviews with Swiss newspapers, magazines, and TV stations. Sometimes he looked over the interviewers' questions in advance, then helped edit the interview. Most of the coverage was favorable, in part because the Swiss business press is notoriously flattering. Interviewers asked Rich about the future of OPEC, the commodities business, and how he liked Switzerland, but rarely broached the legal case. He told one that he missed New York "not at all" and wished he had "come to live in Switzerland many years ago." Though a few Swiss grumble that Rich is trying to buy a good name, most seem happy to let him try, as long as he is willing to spend so much cash on the project. This year, among a host of charitable activities, Marc Rich AG set up a \$3-million foundation to make grants to artists, scientists, and worthy organizations in Switzerland. In November the foundation sprinkled \$150,000 among a Zurich chamber orchestra, a group that teaches the disabled to work, and the Catastrophe Dogs, an organization that uses dogs to find people in the rubble of earthquakes. The foundation's board is headed by a retired three-star general who runs Switzerland's Red Cross. Lavish parties have helped Rich make friends. The splashiest was his 50th birthday bash two years ago in Lucerne's National Hotel. His wife sang two of her compositions: "Don't Look Back" and "The Years Go By So Quickly." Marc's partners gave him a ten-foot-long sailboat made of chocolate, plus the title to a motorboat to be delivered later. The highlight of the evening was a mock boxing match pitting a clown wearing the Marc Rich logo against one dressed as a New York cop. Another clown in judge's robes acted as referee. THOUGH HE walked away from a ten-room Park Avenue apartment in New York, Rich has hardly taken a step down. His hilltop house has a breathtaking view of the misty lake of Zug. Cream-colored carpeting and sleek modern furniture designed by a California decorator set off superb works of art. His collection includes two Picassos, as well as paintings by Georges Braque, Fernand Leger, and Joan Miro, and a sculpture by Alberto Giacometti. A giant satellite dish captures programs from France, England, and Germany, as well as Cable News Network from the U.S. A Spanish couple serve as butler and maid. Rich and his wife have three daughters: Gabriella, 17, and Daniella, 11, go to school in Switzerland and Ilona, 19, is an art student in France. Fluent in German, French, and Spanish, Rich speaks Spanish to his terrier, Macho, and to his daughters. The

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two oldest girls learned the language as very young children in Spain, and he doesn't want them to forget it. On ski weekends in St. Moritz, Rich often helicopters with other expert skiers to remote spots high above the lifts. Each weekday morning, he takes a dip in his indoor swimming pool, then is chauffeured in a gray Mercedes to the office ten minutes away. His headquarters, a six-story cube of blue reflecting glass, is plushly appointed. Soft jazz and popular music fill the halls and elevators. The lobby floor is burgundy marble, and the carpeting is salmon pink. On the walls are a collage by Swiss artist and architect Le Corbusier and a painting by 20th-century Spanish painter Antonio Quiros. Rich's office is equipped with an electrically operated door so that he can buzz visitors in without leaving his desk or getting off the phone. At lunchtime he strolls across a parking lot to his private dining room at the Glashof, a restaurant owned by his company that offers both Swiss and kosher food. HE CAN wolf down a three-course lunch in 30 minutes to rush back to the office. Windy discussions irk him. Occasionally he simply excuses himself, even from his own office, sending an underling back to finish the conversation. "He's always stressed and in a hurry," says one former associate. "And he never says thank you." But friends assert he is flawlessly considerate to them. He sends long, handwritten letters to friends and employees on the death of a parent or the birth of a child, and fetches coffee for business visitors. He is extremely soft-spoken. "Sometimes when I fire someone," he says, "they don't notice right away." For Rich, once an inveterate globetrotter, the world has shrunk drastically. Tax evasion as defined by U.S. law is not included in Switzerland's extradition treaty with the U.S. Rich also can safely visit Spain. Several years ago he became a Spanish citizen, though neither he nor his lawyers will say how or why he arranged it. But many countries in Western Europe will extradite U.S. fugitives indicted for tax fraud. In contrast to her cosmopolitan husband, Denise Rich is overwhelmingly American, a self-described "junk-food addict, pizza lover, and fan of deli corned-beef sandwiches." Daughter of a wealthy New England shoe manufacturer, she is a sunny optimist who gushes, "I'm surrounded by positive energy." Raven-black hair and almond eyes give her an exotic look. She and Marc met on a blind date in New York around Christmas 1965. After years of trying, Denise hit the big time last year with her song "Frankie," sung by the American female rock group Sister Sledge and released on Atlantic Records. "Frankie" was the No. 1 hit in Britain for six weeks and sold more than 750,000 copies, winning a gold record. Meanwhile, Denise has sung on TV in Switzerland and Germany, and recently made a music video in London. Her new album for MCA Records, Sweet Pain of Love, is now on sale in Switzerland and will be distributed in the rest of Europe in February. She says that some of the songs are about Marc. If Marc and Denise are an odd couple, Rich and Pinky Green are an equally unlikely twosome. Green is as playful as Rich is intense. "Pinky reminds me of Groucho Marx," says a former Rich associate. Tall and crew-cut, Green is a confirmed quipster. Asked about the oil business, he shoots back, "Oil? Isn't that the stuff you pack sardines in?" Devoutly religious, Green has a home in Zug and another in the Enge Jewish quarter of Zurich, within walking distance of a synagogue. He rushes out of the office on Friday afternoon so he can start celebrating the Sabbath by sundown, in accordance with Orthodox Jewish tradition. He eats kosher food and keeps it simple -- lox and tomatoes are a favorite lunch. Rich and Green were able to flee the U.S. without skipping a business beat. Though they operated out of New York, their company had always been headquartered in Switzerland. In the early 1970s both had become star Philipp Brothers traders, Rich in Spain and Green in the company's office in Zug. Angered because they considered their bonuses for 1973 inadequate, the two bolted and started Marc Rich AG. Zug, a center of European commodities trading, seemed as good place as any to set up shop. Shortly after the two fled New York in 1983, Marc Rich AG sold its U.S. affiliate to Alec Hackel, 58, a wiry, loquacious German who is a partner in the Zug operation. Authorities in the U.S. said it wasn't a real sale and froze the assets of the company, which had been renamed Clarendon Ltd. Unable to do business in the U.S., Marc Rich AG's trading volume dropped. In 1984 Clarendon paid the U.S. government \$150 million to settle tax charges against the company -- a separate issue from the criminal tax case against Rich. After that, Rich's business surged. MARC RICH AG is run by a triumvirate of Rich, Green, and Hackel, who hold the majority of the company's stock. About 100 employees also own shares. Rich looks after oil, Hackel runs the metals and minerals division, and Green, nicknamed "the Admiral," handles shipping, along with finance and administration. Rich says he and the other top partners each earn \$1 million or more a year. Whatever U.S. prosecutors think about Rich, competitors and clients have respect for his abilities as a trader. They say he combines excellent judgment with a vast network of contacts around the world. "He has survived because he has the most talent," says Slimane Bouguerra, a competitor in Geneva. Adds Richard Perkins, head oil trader at Chevron International: "We do deals with him. Marc Rich has always performed on his contracts and has good standing with the majors." Rich estimates that Marc Rich AG trades 900,000 barrels a day in crude oil, and another 400,000 barrels of naphtha and other oil products. According to Rich, the company has weathered the commodities recession better than other traders by carefully minimizing risks. It seldom buys a cargo, he says, without first lining up a customer -- at a price that includes a slim trading margin. "We see the trading as a service business," he says. "We put producers and buyers together in exchange for a service charge. We hope not to be too dependent on price cycles. We're not sexy or speculative. It's insane to try for a killing in today's market." Some caution a few years ago might have saved Rich and Green a lot of lawyers' fees -- not to mention one-way tickets to Zug.

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