

# Will the Marc Rich scandal reveal new evidence of Kissinger's corruption?

by Joseph Brewda

In a vitriolic outburst published on page one of *Izvestia* Aug. 15, the Soviet government lashed out at the United States for conducting a federal grand jury investigation of Marc Rich A.G., one of the world's largest commodity traders. According to *Izvestia*, an ongoing probe of Marc Rich for alleged tax evasion and other criminal practices is nothing less than "an open threat, an attempt to interfere in the internal affairs of Western European countries. . . ."

U.S. investigators seeking to understand why Moscow is moved to such a display of outraged virtue on behalf of the eminently "imperialist" Marc Rich A.G., are now pursuing two interrelated questions: Are the Soviets more alarmed by possible revelation of their financial and political-intelligence ties to Marc Rich and other Swiss-based banking interests, or at exposure of the shadowy international trader's redundant links to Soviet ally Henry Kissinger?

In 1982 the U.S. Attorney's office in the Southern District of New York convened a Grand Jury to investigate possible tax fraud by Marc Rich and Company International, and its parent Marc Rich A.G., both of which are based in Zug, Switzerland. According to public documents from the case, Marc Rich International had been buying oil from its parent in such a fashion as to register a paper loss of income of the subsidiary for tax purposes. In 1979, the year in question, Rich International purchased crude oil from Rich A.G. at the highly inflated price of \$345 million, sold the same oil to other firms in the same period for \$235 million—and registered a \$110 million formal loss. Since International's purchases from A.G. accounted for 25 percent of its business in the period, the firm nominally lost heavily in that year with a consequent

It would seem, if the documents presented by the U.S. government are accurate, that the Rich case was just one more example of a firm caught in an ordinary tax fraud scheme. However the subsequent bizarre behavior of Marc Rich, the Soviet government press, the Swiss government and Henry Kissinger's law firm demonstrates the intense concern which these parties have with the case.

For over a year, government prosecutors have been trying to investigate the possible fraud of Marc Rich A.G. and International by subpoenaing hundreds of thousands of Marc Rich documents and statements. In June 1982 Rich officials refused to produce the documents, arrogantly arguing that as

a Swiss-based firm they were not subject to U.S. investigation. Finally, a year later, on June 29, 1983 Federal Court Judge Sand found the company in contempt of court and levied a \$50,000-a-day fine until the firm complied with the subpoenas issued. Rich responded with further evasion.

First, on June 30, one day after Sand imposed his fine, Marc Rich A.G. sold Marc Rich International to Clarendon A.G.—a newly formed firm chaired by the former managing director of Marc Rich A.G. and staffed by other Marc Rich A.G. personnel. Clarendon, which operates out of the same offices as the now formally defunct International, claims the firm is independent and not subject to government subpoenas. Then on Aug. 8, federal agents seized a courier of Marc Rich A.G. with two steamer trunks of subpoenaed A.G. documents aboard a plane readying itself for departure to Switzerland.

## Swiss and Soviet intervention

In one of its first efforts to avoid U.S. subpoenas in 1982 Marc Rich A.G. argued that for Rich to turn over its documents to U.S. courts would violate article 273 of the Penal Code of Switzerland which deals with economic espionage. To provide information to the U.S. government, Rich and its Zürich attorneys asserted, would disclose business secrets which can not be disclosed under the Swiss code. Then, on Aug. 5, 1983, Rich A.G. agreed to provide its subpoenaed documents in an apparent settlement.

On Aug. 12, the Swiss government seized documents belonging to Rich A.G. in its Swiss offices, allegedly to determine whether Rich was violating Swiss secrecy laws by its Aug. 5 agreement to comply with the U.S. grand jury. Switzerland, under the pretext of defending its sovereignty, moved to protect Rich, transforming the case into a virtual diplomatic incident with the United States. To present its absurd arguments before the Southern District, Switzerland retained Arnold and Porter, the law firm of Henry Kissinger's business partner William D. Rogers.

Then on Aug. 15, *Izvestia*, the official newspaper of the Soviet government, supported Rich and the Swiss on its front page, alleging that the case was a pretext for Washington to demand that Switzerland "either change its internal legislation or . . . be deprived of admission to American markets." "An attempt to interfere into the internal affairs of Western

European countries," *Izvestia* declaimed.

## Enter Henry Kissinger. . .

Marc Rich, currently one of the wealthiest commodity dealers in the world, began as the son of burlap bag seller. Picked up by the Oppenheimer commodity trader Phibro, Rich became one of its top traders, leaving the firm in 1973. Rich's new ventures, centered in spot-market oil, made it big only through the 1973 Kissinger-orchestrated oil crisis and his chummy relations to several Middle East countries including Iran. Rich's success in securing Kissinger Associates partner Robert O. Anderson, the owner of Atlantic Richfield, as a reliable purchaser of his oil, is acknowledged as key to his financial success. Rich's credit line with Kissinger employer Chase Manhattan, is also among those coups which enabled the firm to grow so rapidly. In fact Peter Ryan, the vice president of the commodities division of Chase, left Chase to become Rich's partner and Chief Executive Officer of Rich International.

During the 1970s Rich joined forces with one of Henry Kissinger's closest friends, oil man Marvin Davis of Denver, himself of shadowy origin and another beneficiary of Kissinger's oil hoax.

In 1981 Davis and Rich took over Twentieth Century Fox. Among their first deeds was appointing Henry Kissinger as a paid director of the firm. According to one source the joint financial dealings of Kissinger, Davis, and Rich have also included real-estate speculation in Israel.

Rich's stranglehold over the economy of Bolivia, where he controls 45 percent of tin production—its largest export next to cocaine—has suggested to some that Rich figures in Kissinger's Ibero-American operations.

## . . . and Russian speculators

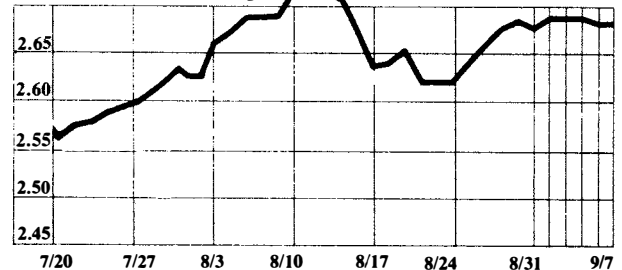
Apart from Moscow's affection for Henry Kissinger, it is not out of the question that the Soviet Union's defense of Rich and Swiss speculators might reflect the U.S.S.R.'s own direct ties to Rich. The Soviet government is currently one of the largest sellers of oil on the spot market in the world and does a brisk business with the Republic of South Africa in gold and related commodities. Soviet commodity speculation is done through western banking and corporate interests not associated in the public imagination with the U.S.S.R. These cut-outs, many operating out of Switzerland, include scores of South African firms and Swiss banks, most prominently the interests associated with the Oppenheimer empire—the same interests which spawned Rich. Are Rich A.G., Rich International and related Rich concerns in this category?

Among the most striking features of the 1979 oil trade of Rich A.G. now being investigated is that the oil—to a large degree originating in Iran—was sold to interests including Charter Oil. During that same period Libya-linked Charter Oil was negotiating with Billy Carter a number of corrupt deals only partially exposed by the notorious Billygate scandal.

# Currency Rates

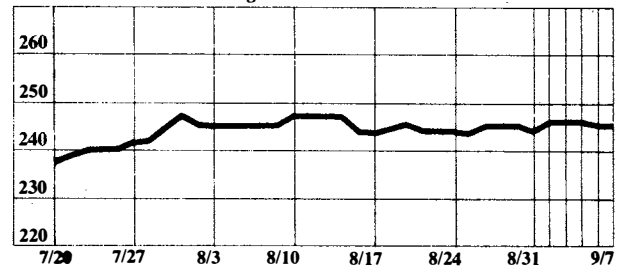
## The dollar in deutschemarks

New York late afternoon fixing



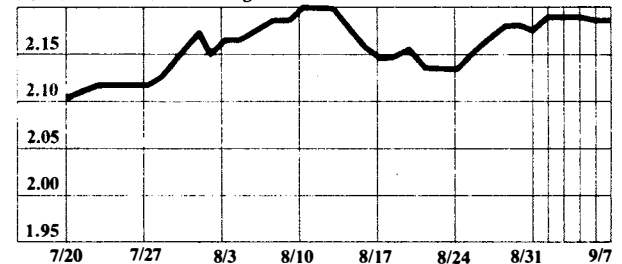
## The dollar in yen

New York late afternoon fixing



## The dollar in Swiss francs

New York late afternoon fixing



## The British pound in dollars

New York late afternoon fixing

