

What the Rich era left behind

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The Rich era left three legacies to the canton of Zug. The first is the cluster itself. Marc Rich + Co. trained a generation of traders, just as Philipp Brothers had trained Rich. Its alumni founded or led other trading houses, some in Zug, others in Geneva, London or Singapore. The company's success demonstrated that a global commodity trading business could be run from a small town in central Switzerland. That example attracted other traders to the canton. The concentration of traders, service providers, banks and specialists in Zug that exists today has its origins in the Rich era.

The second is a reputation. For many observers abroad, Zug became the canton of Marc Rich: a place where a fugitive from American justice could live and do business undisturbed, where the trade with apartheid South Africa and with Iran could be organised, and where low taxes and banking secrecy protected those who did business beyond the reach of other states' laws. The reputation was partly unfair, since the canton's tax policy and its economy were far broader than the commodity trade, and since Rich complied with Swiss law. It was also partly deserved, since the canton's authorities had welcomed Rich and his business without asking questions that later generations would consider essential. Having shaped the international perception of the canton ever since, the reputation has also made Zug a target of the campaigns of non-governmental organisations such as Public Eye, which the Geneva volume also discusses.

The third is a lesson in law. The Rich case showed that the protection that Swiss law offered against foreign prosecution depended on distinctions, between tax evasion and tax fraud, between Swiss and foreign sanctions, between offences under Swiss law and offences only abroad, that were contested and that could change. When they changed, as they did in the decades after Rich's departure, the protection disappeared. A commodity trader in Zug today operates under Swiss sanctions that follow those of the European Union, under an anti-money-laundering regime that treats

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aggravated tax offences as predicate offences, and under an international system of mutual assistance that makes Swiss documents and Swiss witnesses available to foreign prosecutors.¹ The legal environment that made the Rich era possible no longer exists.

1 Notes

1. Peyer Partner Rechtsanwälte, "Steuervergehen und Geldwäscherei", peyerpartner.ch: since 1 January 2016 assets derived from a qualified tax offence (Art. 305bis StGB, number 1bis) are covered by the offence of money laundering; threshold of CHF 300,000 in evaded tax per tax period. Treated in Part E. ↩

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