A pattern of political warfare

Early this year, the Clinton administration directly intervened to scuttle a similar large-scale deal, involving the American corporation Conoco, which was about to consolidate a deal to open an oil refinery in Iran. The Conoco-Iran deal had been brokered, according to Washington sources, by former Secretary of State Alexander Haig, and involved large investments by some of George Bush's most prominent Texas business cronies. Had the Conoco deal gone through, some Washington sources are convinced that some of Bush's former CIA employees with a long track record of dirty dealings in the Persian Gulf would have gotten into the act and made things even more difficult for the Clinton administration.

The most blatant case of political wheeling and dealing by the Bush-leaguers came in April 1993, just three months after Bush left the White House. Enron President Kenneth Lay—a longtime pal of Bush, according to a Sept. 6, 1993 exposé in *New Yorker* magazine by Seymour Hersh—hired former Bush campaign manager and Secretary of State James Baker III, and former Bush Commerce Secretary Robert Mosbacher, as "consultants." Wendy Gramm, the wife of Texas Sen. Phil Gramm (R) and the former head of the Commodity Futures Trading Commission, was placed on the company's board of directors.

That month, Baker and Mosbacher traveled to Kuwait with ex-President Bush, two of his sons, Marvin and Neil, and other ex-Bush administration officials. While George Bush partook of the Kuwaitis' hospitality, the rest of the delegation set out to bag a $4 billion power plant construction contract. Needless to say, the ex-President's participation in the junket put Enron in a formidable position to win the deal, even though the Kuwaitis had received lower bids from several other companies.

The Bush-Enron crowd, while running into trouble in India of late, is moving fast on a number of other global fronts, including Russia and Ibero-America.

Gazprom privatization is a strategic issue

by Rachel Douglas

William Engdahl, Brian Lantz, and Roger Moore contributed research for this article.

In the matter of privatization of Russia's Gazprom, the Bush- and Phil Gramm-linked, Houston-based Enron Corp. already plays an ominously key role. So does the British investment house Kleinwort Benson, a top investment firm of the London-centered oligarchy known as the Club of the Isles (see *EIR Special Report,* "The Coming Fall of the House of Windsor," Oct. 28, 1994); Kleinwort is notorious for its expertise in the looting of whole countries, termed "emerging markets."

Because its privatization is considered by leading Russians to be a national security issue, the fate of Gazprom is of world strategic importance (see *EIR,* July 7, p. 42). Fully privatized, the Russian natural gas extraction and distribution firm would be the largest company in the world. Estimates of its assets range from $100 billion up to $1 trillion. Gazprom is believed to hold 24-33% of total known world natural gas reserves, and is a major gas supplier to Europe, especially Germany, Italy, and France. It is Russia's single largest hard-currency earner, having netted an estimated $7 billion from exports in 1993. The Russian political figure closest to Gazprom is Prime Minister Viktor Chernomyrdin, who headed the agency during the end of the Soviet period.

Gazprom is already partly privatized, as a joint-stock company, but the sale of its shares to foreign interests looms as one of the hottest undecided economic policy questions in Russia.

Shares put on world market

In June, Gazprom Chairman Rem Vyakhirev told a press conference, after the first-ever meeting of Gazprom shareholders, that 9% of its shares will be sold on the world market. This is being handled by Kleinwort Benson. These are from the 10% of total Gazprom shares, obtained by the company itself for a nominal cost, in exchange for privatization vouchers, for eventual market sale. The remaining 1% will be sold inside Russia.

Vyakhirev's remarks were featured on June 20 in *Finansovyye Izvestiya,* a joint publication of the Moscow *Izvestia* and the London *Financial Times.* According to Vyakhirev, the structure of Gazprom ownership at present is: 15% of the shares were acquired by 282,000 workers and retirees from the natural gas industry; nearly 34% of the shares were sold at closed auction in 61 regions of Russia, creating 747,000 more co-owners of Gazprom; 40% of the shares still belong to the Russian state; 10%, as noted, were obtained by the firm itself.

Gazprom shares are unevenly distributed among these owners. One thousand shareholders took part in the meeting, each holding at least 8 million shares. Vyakhirev said that 262 of those present, among them the state's representatives, controlled 74.5% of the shares. In January, Vladimir Polevanov, then head of the state committee dealing with privatization of state industry, cited the purchase of 210 million shares of Gazprom by a single individual, Vasili Timofeyev from Tyumen, as an instance of the sort of unregulated, not properly taxed business activity, which had turned the privatization process into a looting frenzy. Polevanov subsequently lost his position, after publicly challenging Chernomyrdin about such abuses. Suspicions remain, that some purchases of large blocks of stock in Russian firms, by individual Russians, cover for foreign interests, as well as domestic criminal interests.

The shareholders voted against permitting Gazprom shares to be freely traded on stock exchanges. "In view of the lack of laws regulating joint stock societies and the rights of shareholders," Vyakhirev explained, "[this] would be premature." (A month later, speaking to reporters after talks with visiting German gas industry representatives, Vyakhirev was asked about illegal trading of Gazprom shares, reported in several cities. He replied that the "black market" had come into play, and endorsed Chenomyrdin's political party, "Russia Is Our Home," as the force capable of cleaning it up.)

But Vyakhirev raised the next, most sensitive question. Addressing whether there might be a second share issue, he said that, first, *"the state must sell its portion of Gazprom shares."*

London eyes natural gas bonanza

A study released in May by the Royal Institute of Economic Affairs (RIEA) in London and featured in the *Financial Times International Gas Report* on May 26, under the headline "Cheap Russian Gas 'Bubble' to Hit Europe," eagerly prognosticated that the collapse of Russia's economy would compel Russian authorities to sell natural gas at "extremely competitive prices."

The RIEA maintains that vast revenues from Russian gas will be possible, without any new investment in its development. The study claims that the bargain-basement sale will depress prices so much, that further development of Russian energy supplies will not be cost-effective.

The involvement of Kleinwort Benson with Gazprom, suggests that the RIEA study is a smokescreen. For some time, *EIR* has learned, the British Foreign Office's Know How Fund has been quietly assisting the creation of "western-style" speculative financial markets in Russia. After five years of asset-stripping and criminalization of the Russian economy, under the reforms imposed in collaboration with the Margaret Thatcher and George Bush administrations and the International Monetary Fund, one remaining prospect in Russia is to grab ownership of privatized real assets and run up their paper value in an "emerging market" scam.

Already, market gossips term the scarcely traded shares of Russian companies, "undervalued." An article in *Forbes* last November gloated over the opportunities in Russia: "For a parallel, you needn't go very far back in U.S. financial history. In the 1980s empire builders like Ron Perelman, Henry Kravis, and Steve Wynn used junk bonds and financial leverage to tender for the undervalued equity of American companies."

Concentrating on the development of "financial services and equity markets" in Russia, the British Know How Fund has involved Kleinwort Benson for assistance. Kleinwort Benson, which dominates Hongkong's gold market along with the Hongkong and Shanghai Bank, is also a coordinator for the privatization of huge state-owned firms, such as Italy's ENI and Turkey's oil business, Tupras.

"Kleinwort Benson has a policy to make no comment on the Gazprom share issue," a senior member of the firm told *EIR* on July 5. He added, "We continue to be satisfied with the progress of our negotiations with Gazprom and when there is something further to tell, you can be sure it will be announced." According to a source in the Texas natural gas industry, Kleinwort will not make a formal offering, but approach companies individually, with the stipulation that all discussions be confidential.

According to oil and gas industry sources, most of the proposed 9% share offering would go to existing or potential industrial customers of Gazprom, such as Enron or British Gas or BASF.

Through its adjunct, Enron Development Corp., the Houston firm has pursued an aggressive strategy in South American markets, of being "first in privatizing markets," in the company's own words. In August 1993, after Chernomyrdin visited Houston, Enron and Gazprom entered into a framework agreement.

Enron's 1993 Annual Report described its Gazprom undertaking: "The agreement unites two of the world's largest natural gas companies in an effort to develop new markets for Russian gas into European markets. While no specific projects have been completed, Enron has been evaluating with Gazprom opportunities in Italy, Greece, and Turkey, as well as in eastern Europe. Enron's experience will be used to identify, evaluate, develop, contract, finance, and negotiate gas sales and power purchase contracts for independent power projects. Gazprom will deliver gas to the power projects either directly or through one of its trade houses or partners. The agreement will serve as the cornerstone of Enron's Russian and eastern European development strategy."

Bush-league link to Enron: How dirty is it?

by Susan Maitra and Ramtanu Maitra

As the Enron deal to build a power plant in Dabhol, India (see *EIR*, June 16) has been put under the microscope by lawmakers, reports of close links between the Houston-based U.S. multinational Enron Development Corp., and former U.S. President George Bush, have hit the Indian media. On July 20, the *Asian Age*, a daily published simultaneously from New Delhi, Bombay, Calcutta, and London, reported on the 1993 *New Yorker* magazine story which revealed a direct tie between Enron and a number of Bush's close associ-