

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-

ates, as well as George Bush himself.

The exposé comes at a time when Enron is gasping for political support. The Texas firm's agreement with the Maharashtra state government, at the time ruled by the Congress Party with Sharad Pawar as chief minister, for construction of the first phase of the 2,015 megawatt Dabhol Power Project, is likely to be torn up. The agreement documents have already been reviewed by a commission under Deputy Chief Minister Gopinath Munde, set up by the newly elected Bharatiya Janata Party (BJP)-Shiv Sena alliance government now ruling the state of Maharashtra. A decision on the project is expected soon, and it is almost certain that if the project is not altogether scrapped, Enron will be asked to renegotiate some important aspects of the deal.

### **Enron has been softened up**

Meanwhile, speculation regarding the fate of the project abounds. Leaks to the media indicate that the project will be allowed to go through, but only after "certain changes" are made to bring down the capital costs and the recurring electricity tariff. Although it is impossible to check out the claims presently being made, there is no doubt that Enron has come down from the high horse from which it was speaking with arrogance and disdain about the new review, and is instead showing eagerness to be accommodating.

At a press conference in Bombay on July 21, Enron's chief executive officer, Rebecca Mark, said that Enron is ready to consider use of naphtha as feedstock for the first phase of the project in place of the more expensive oil distillate agreed upon in the original contract. The higher cost of imported oil distillate, the critics have been pointing out, means more foreign exchange going out of the country. The use of naphtha in lieu of oil distillate will shave from 0.3¢ to 1¢ off the unit electricity tariff. The agreed tariff presently stands at 7.5¢ per kilowatt-hour, quite high by international standards.

In addition, Mark has also publicly expressed regrets over the testimony of Linda Powers, vice president of Global Finance, Enron's investment arm, before a U.S. Senate Appropriations subcommittee last January. On that occasion, Powers, who has since been removed, claimed that Enron had spent \$20 million to "educate Indians." Mark did not offer a denial of that statement, but merely indicated that it was poorly worded and the number quoted was "too high."

### **Political skeletons**

The accommodating gestures now coming from Enron could be linked to revelations concerning Enron's influence-peddling around the world. The *New Yorker* article, written by Seymour Hersh, said that following his defeat in the 1992 U.S. presidential election, George Bush made a private trip to Kuwait that was partly devoted to peddling influence on behalf of Enron. He reportedly pitched in favor of Enron to win the 400 MWe Shuaiba North power plant contract.

Hersh wrote that such a high-level push was necessary because Enron's price for supplying a unit of electricity was 11¢ against the rival bid of 6¢ by the German company Deutsche Babcock.

In 1993, when Bush visited Kuwait, he was accompanied by his two sons, Neil and Marvin, and his former colleagues James Baker III and Thomas Kelley. Hersh wrote that the founder of Enron, Kenneth Lay, had already put former Secretary of State James Baker III, a fellow Texan and a close associate of George Bush, and Secretary of Commerce Robert Mosbacher, on the Enron payroll. Kelley, the director of operations for the Joint Chiefs of Staff at the Pentagon during the Persian Gulf war, was already hired by Lay to do the public relations job. Hersh pointed out that Lay is a Texan and a close friend of George Bush.

When approached by the Inter-Press Service (IPS), Diane Belizades, Enron's vice president for Public Relations, called the article "completely inaccurate." But Belizades said only that Bush's two sons were not employed by Enron and "James Baker did have one or two meetings on our behalf in Kuwait, but that was after George Bush had left."

IPS news service claims that Enron's political clout remained intact even after the Bush crowd had left Washington in 1992. Sen. Lloyd Bentsen, a Texan whom President Clinton chose as his first secretary of the Treasury, had received a generous campaign donation of \$14,000 from Enron during his senatorial campaign. Current Treasury Secretary Robert Rubin was a business associate of Enron as an investment banker at Goldman Sachs.

### **Influence-peddling**

There are also reports that Clinton administration officials have publicly helped Enron win contracts in India as well as in Indonesia. And in the last two years, Enron has received U.S. government funds to build power plants in China, the Philippines, and Turkey. Enron has also won contracts in Pakistan and Russia while accompanying senior U.S. government officials on state trips, IPS noted.

The political influence-peddling nature of Enron has also been highlighted in India. Energy Minister N.K.P. Salve and former Maharashtra Chief Minister Sharad Pawar have spoken out unabashedly on behalf of Enron, and have supported the original agreement with Enron without reservations. Even now, Sharad Pawar is publicly promoting Enron and trying to keep the deal intact.

Recently it has been reported that Commerce Minister P. Chidambaram, a Harvard-educated lawyer, was also a recipient of a modest sum from Enron for providing legal advice on a one-shot basis; he allegedly advised Enron to go in for arbitration in London under the regulations of the United Nations Council for International Trade and Law if the Maharashtra state government scraps the deal. Minister Chidambaram, who has strongly denied any foul play, has insisted that his association with Enron has nothing to do with the contending issues in the controversial deal.