The Enron affair: Bush-leaguers make a global power play

by Jeffrey Steinberg

At the very moment that Dwayne Andreas and his Archer Daniels Midland conglomerate are in hot water with the U.S. Justice Department over charges of global price fixing of three critical agricultural commodities, it looks like the Houston-based corporate friends of former President George Bush are trying to get away with similar insider dealings in the world energy sector.

Enron Corp., one of the country's biggest energy companies, is grabbing headlines from India, to Kuwait, to Russia, to Ibero-America, to China, as the result of a string of aggressive moves to parlay its ties to senior officials of the former Bush administration into winning contracts worth billions of dollars.

The biggest controversy is swelling in India, where a multibillion-dollar contract to build a power plant at Dabhol in the state of Maharashtra is now under intense review (see p. 12). The contract was originally grabbed by Enron back in 1992, when George Bush was still in the White House, and the company's chairman, Kenneth Lay, was the chairman of the Host Committee for the Republican National Convention where Bush was renominated. The contract came under intense scrutiny following a change of government in Maharashtra, and after company officials admitted that Enron had shelled out $20 million in "educational funds" to convince Indian officials that the deal was a good investment.

On Aug. 3, CNN reported that the Enron Dabhol contract has been cancelled, although company officials immediately issued a statement saying that negotiations had not been totally cut off.

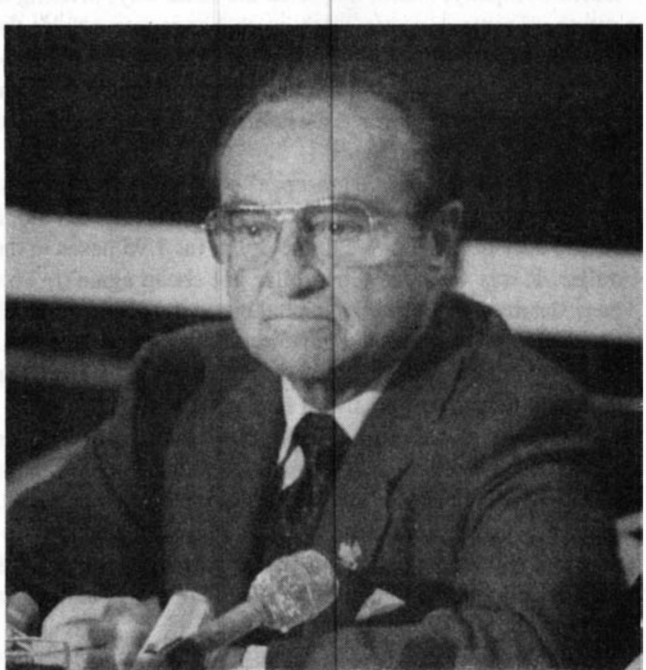
Geopolitical factors

There is more at stake in the Enron machinations in India than a multibillion-dollar business deal. Enron is one of a nexus of multinational energy, raw material, and agricultural companies that are politically allied with the Bush crowd in the United States and with the London-centered Club of the Isles.

This apparatus has a tremendous stake in destroying the Clinton Presidency and repairing the breach in Anglo-American relations that has widened in recent months and is nearly at a point of no return. Politically, they are committed to a return to the "new world order" strategy that then-President Bush tried to orchestrate in partnership with British Prime Minister Margaret Thatcher, following the collapse of the Soviet empire in 1989.

For this crowd, the real importance of a deal like the Dabhol power plant is the political influence and the opportunity to carry out secret intelligence activities that go along with the enormous cash profits. These efforts invariably are carried out in partnership with the International Monetary Fund and other agencies devoted to quashing any real economic growth and maintaining policy control over the economies of nation-states—including such powerful states as Russia and China.

One of the tell-tale signs that there was more to the Enron India deal than safe and abundant electricity, was the fact that, in June, at the conclusion of a visit to India, British Chancellor of the Exchequer Kenneth Clarke—no friend of the Clinton administration—issued a tough warning to the Indian government that a break-off of the Enron deal might have dire consequences for long-term British investment in the country's energy sector.



Dwayne Andreas of Archer Daniels Midland: His firm is under grand jury investigation for price-fixing, while another group of George Bush cronies, at Enron Corp., is under fire for insider trading in India.

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,