

# Indonesia's 40 Richest

**H**IS BUSINESS EMPIRE TEETERS, AND his political capital seems to be fading fast. But history, and an Indonesian proverb, suggests that though Aburizal Bakrie is down, it's premature to write him off just yet. Broadly translated, the proverb says that even though an elephant might look skinny, there's still lots of fat under that thick hide.

Indonesians have watched the Bakrie family stampede across their national stage for decades, always finding a way to flourish whatever the shade of government: Sukarno's eccentric authoritarianism, the Suharto kleptocracy and the wobbly succession of democrats that followed. But now, with a presidential vote next year and the global financial crunch slimming down this debt-laden elephant by the day, Bakrie says he won't stay on as minister for people's welfare past the election. That's not to save his ailing business, the wily 62-year-old patriarch insists, but to run charities and play with his grandchildren. Indonesians are not so sure about that. As the government considers whether to rescue the Bakries for a second time, it may be that Aburizal Bakrie's greatest skill is to make his family interests national concerns.

"Have you ever ..." FORBES ASIA asks Bakrie in his only interview since the financial crisis began three months ago, "... advanced your personal business interests while you have been a cabinet minister?"

The question is at the heart of the corporate calamity that has engulfed Bakrie. The global banking meltdown, collapsing commodity prices and investors' flight from emerging markets have gathered to bring Bakrie's 66-year-old empire perilously close to collapse. Shares in his family's companies have fallen by 90% as nervous bankers, worried about a rerun of Asia's

1997-98 financial crisis, threaten foreclosure on the billions they've risked on him. Politicians lock horns, testing cabinet loyalties over whether to bail him out. Increasingly the Bakrie question is framed as a governance test for an Indonesia that's trying to overcome its shadowy past and emerge as a self-confident Asian powerhouse.

"Me?" he asks, sinking deep into an easy chair in his ministry's Dutch-colonial-era offices in central Jakarta. "I have never done that. Never! Never! I am no longer a businessman. I know what [my family] is doing, but I'm not a businessman at all. I have devoted four years of my life to this job [in the cabinet]. I have never been involved in any business discussion." But then, glancing at a TV in the corner of his office showing CNBC, he clarifies his statement: "I go to the company office to pray, yes. And if in the evening my brothers would like to report, yes, we discuss, that's all."

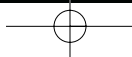
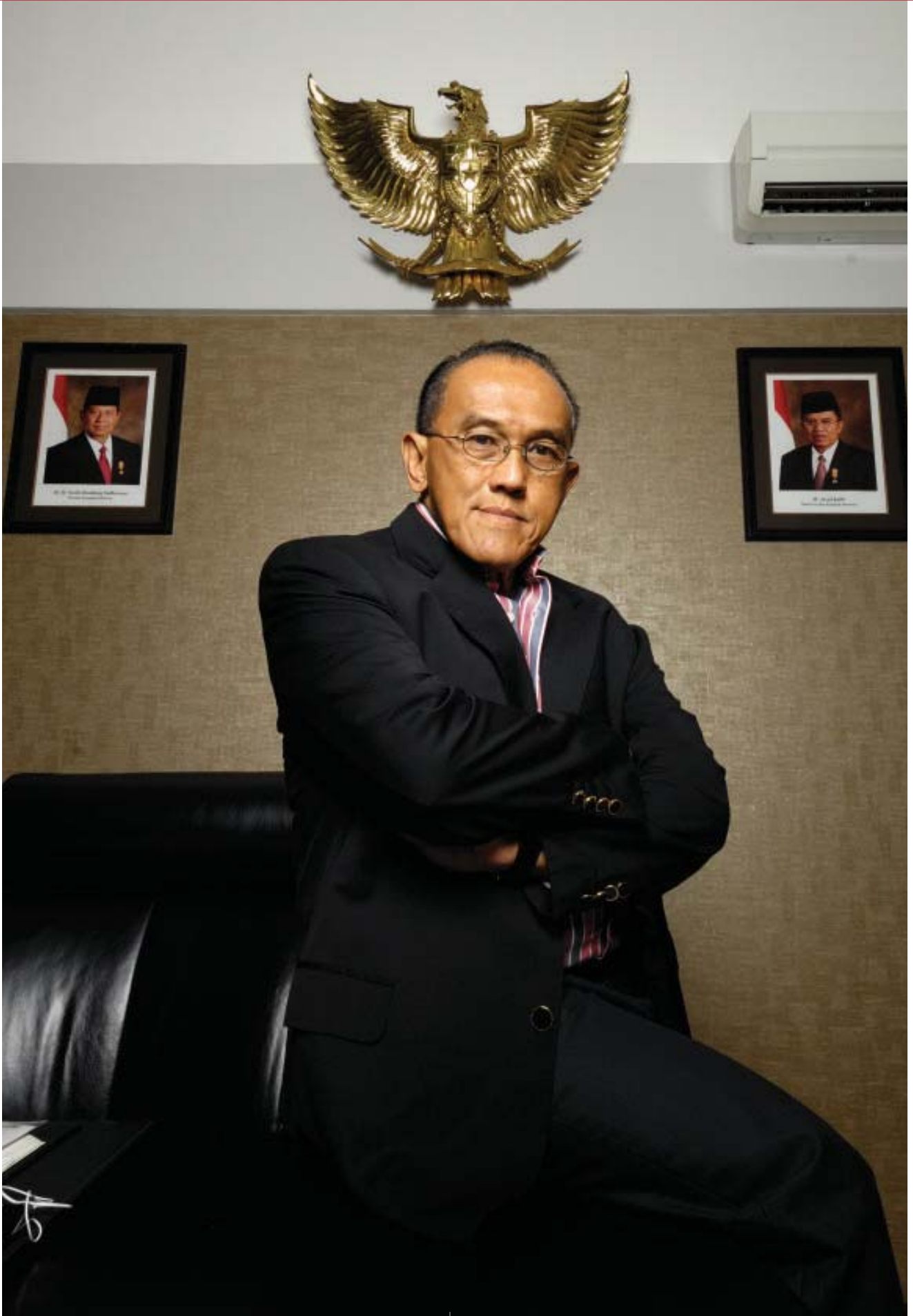
With interests from palm oil and coal mining to telecommunications and construction, the Bakrie Group may be the country's biggest private enterprise, but is it too big to fail? Aburizal Bakrie is a born dealmaker who knows how to influence a government his critics say he bought his way into. He's been bailed out before—in 1998 during the financial crisis, when he demanded that as a rare *pribumi* (an indigenous, Muslim business group), his family deserved saving. A bailout this time would most likely involve a state-owned mining company taking a stake in Bakrie's coal-mining giant, Bumi Resources.

But in Indonesia, more than most nations, money means power, and by that measure, Bakrie's influence is waning. Last year FORBES ASIA estimated his family's wealth at \$5.4 billion, putting it atop the list of Indonesia's richest. This year the family's fortune has been cut to only \$850 million, dropping it to No. 9 on our list. "I was the richest man in Indonesia," he says with a wry smile. "But not any more. The shares have collapsed."

## Bye-Bye Bakrie?

Most of his wealth has disappeared, and he'll be gone from the cabinet next year, but in Indonesia, never count out **ABURIZAL BAKRIE** | By Eric Ellis

MUNSHI AHMED FOR FORBES



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Critics say he used his wealth to finance President Susilo Bambang Yudhoyono's 2004 presidential campaign and got a cabinet slot as the dividend. "It is only envy that mentions that," Bakrie says, adding that it's not true he helped finance Yudhoyono's presidential tilt. (The presidential palace declined to comment.) "There is a lot of envy in the world. The press does not believe there are rich people who are not corrupt who want to contribute to the country."

Bakrie continues. "It is not usual that a big businessman would want to be a minister with a very small salary ... [his ministerial salary is \$1,600 a month] ... that we rich people, who don't want corruption, think it's time to contribute to the country, through the cabinet."

"Come on, pak," FORBES ASIA implores, employing the Indonesian vernacular for sir, or uncle, with the approachable Bakrie. "The people say you are a reminder of the old Indonesian ways, how business was done in Suharto's Indonesia." (The late dictator stole \$30 billion during his 32-year rule, the World Bank calculates.) Bakrie is asked to place his hand on his heart and pledge to Allah that he has never once transacted business in the four years he's been in the cabinet.

Bakrie obliges, drawing his right hand to his left chest. "Hand on heart, no!" he says. "What I am doing is contributing to my country, a contribution to God, that's all."

He expresses frustration. "I don't know how to explain to people my true belief. This is what I feel. This is why I went to the cabinet."

Meanwhile, much of the Bakrie Group's focus for the past three months has been on salvaging its prized asset, Bumi Resources, which accounts for 70% of its business. Officially run by Bakrie's younger brothers, Nirwan and Indra, Bumi is Indonesia's biggest mining company. Its shares traded at just under \$1 in July but have plunged to a

recent price of 7 U.S. cents. Trading in the shares was suspended for most of October, leading critics to charge that the company was trying to arrange a rescue without a nosediving share price as the backdrop. Rumors of deals came and went, as did an announcement of a big stock buyback. "Their already limited credibility has continued to evaporate," says James Bryson, managing director of Jakarta investment house HB Capital. "The whole process has become something of a farce in the eyes of the institutional investor community, both domestic and foreign."

Bumi has managed to unload some of its debt. Jakarta private equity firm Northstar Pacific, in which U.S. investor David Bonderman's Texas Pacific Group is a partner, orchestrated a \$575 million conversion of debt—believed to be held by Credit Suisse—to equity. Another \$70 million owed to

of the group's negotiations," he says. What's more, the group's corporate communications office has been known to freeze out analysts and media it doesn't like, and forward confidential e-mail exchanges around town to humiliate inquirers. Bumi denies this. "No such deliberate tactics have been employed nor adopted," says Bumi director Dileep Srivastava.

The Bakrie Group's history is partly to blame, too. It defaulted during the 1997–98 crisis and its shareholders and bankers lost millions. Confidence in corporate Indonesia has taken years to recover. The company seemed finished, but Bakrie negotiated a government bailout, pleading that as one of Indonesia's few non-ethnic-Chinese business empires, the Bakries not only deserved another chance, they were also critical in rebuilding national esteem.

But the rescue came at a price; once-burned bankers now demanded that loans be collateralized by shares in Bakrie companies. That was fine while Indonesia recovered and they did well. Suharto fell in 1998 and investors warmed again to a huge emerging market that was evolving into one of Asia's most robust democracies. In 2004 Yudhoyono, or SBY as he is known, won the country's first election in which voters directly picked the president. But to win, SBY had to rely on Suharto's old Golkar party and the national chamber of commerce, Kadin, two institutions that had become near-fiefdoms of the reborn Aburizal Bakrie. When SBY named his cabinet, there was a job for Bakrie as economics minister. But he proved to be a lackluster minister and in 2005 was moved to the people's welfare portfolio, administering to Indonesia's many poor.

If it was a demotion, it didn't seem to bother Bakrie, seemingly content to be an under-the-radar minister as his family empire prospered beyond the walls of his ministerial compound. Besides, it was widely believed, rightly or wrongly (Bakrie insists wrongly), by most Bakrie watchers that the

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JPMorgan Chase was converted into a 5% stake held by another Jakarta private equity firm, Ancora Partners. The group still has \$1.3 billion in loans maturing by April, and they are secured by Bumi shares worth half that amount. Getting its foreign bankers, already hammered by the credit crunch, to renew these loans might be difficult. Says Goldman Sachs' Chee Yoke Fong in a note to clients: "While the [Northstar] deal has provided Bakrie a lifeline in the restructuring of its debt, we think its complexity and opaqueness fails to remove the existing overhang on Bumi."

Bakrie's problem isn't just debt; it also has a poor reputation for transparency. Bryson cites a series of so-called press conferences that took place late at night, with few journalists and no research analysts being notified. "These opaque presentations have failed to provide any real clarity on the state

*(continued after the gatefold)*

Turn the page to see our list of Indonesia's 40 Richest. ▶



minister was, er, otherwise engaged.

In May 2006 Bakrie's much-debated reputation took a battering after torrents of mud began oozing out of a group-owned oil-and-gas field in eastern Java called Lapindo. A volume of mud that would nearly fill Beijing's Olympic Stadium continues to flow each week, creating a now 7.5-mile-long corridor, killing a dozen people and displacing 50,000 villagers. Bakrie blames the disaster on an earthquake in central Java. Critics say the way the field is being developed is to blame. Visitors to Lapindo, which is near Surabaya, risk physical attack from outraged villagers if it's suspected that they are connected in any way to the Bakries. He has consistently denied any responsibility for the disaster. The government ordered the group to pay the mud volcano victims at least \$300 million in compensation.

If Aburizal Bakrie is a link to the old Indonesia of Suharto and crony culture, it's his 46-year-old cabinet colleague, Finance Minister Sri Mulyani Indrawati, whom Indonesians see as their shiny new future. The country's longtime representative at the International Monetary Fund, U.S.-educated Mulyani also joined SBY's cabinet in 2004. Now the finance minister, she's known as the Iron Lady for her take-no-prisoners attitude toward waste and graft. After moving to the finance ministry, she insisted on banners above the entrance to remind bureaucrats that their mission was to be "clean, accountable, transparent and efficient."

In October, as the crisis crippled the Bakrie Group and speculation swirled that it was seeking state support, Mulyani made a speech to Kadin, which was chaired by Bakrie the year before he entered the cabinet. She didn't mention her beleaguered colleague by name, but her point was clear when she declared that her job was to protect state funds, and it was the job of companies to protect their business. "If they fail, it is their fault and they deserve to go bust," according to the *Jakarta Post*.

Soon reports surfaced of a feud between Mulyani and Bakrie. Some reports said she had offered to resign because she opposed the use of state funds to rescue the Bakrie Group and the lengthy trading suspension of Bakrie shares. SBY refused the offer. Mulyani wouldn't be interviewed by FORBES ASIA and

## A Country in Transition

The new Indonesia features a reform-minded president and finance minister, but the Bakries and their 66-year-old conglomerate still are key players, even as the markets batter their empire.



**Jakarta, 2004: Suharto's old Golkar party holds its presidential nominating convention.**



**Jakarta, 2006: President Susilo Bambang Yudhoyono and Bakrie discuss a labor bill.**



**Lapindo, 2006: A volcano of hot mud that's still flowing got the Bakries in hot water.**



**Jakarta, 2004: new cabinet minister Bakrie at his swearing-in ceremony.**



**Kyoto, 2007: Finance Minister Sri Mulyani Indrawati pushes for a new Indonesia.**

has deftly avoided the matter in public. "It was a standoff, pure and simple," says Wimar Witeolar, a political analyst and former senior aide to ex-president Abdurrahman Wahid. "Bakrie seemed to be winning for a while but it seems that Mulyani has prevailed. SBY knows that if Mulyani goes in the middle of this global crisis, any international confidence in us would go, too."

A month later and with both ministers still in the cabinet, Bakrie laughs at suggestions that he and Mulyani are at war. In fact, he presents himself as something of a mentor to her. "I have never been in a war with Sri Mulyani at all, no. There is no conflict of interest in any discussions about Bumi. There are no splits in the cabinet. I told the

president that Sri Mulyani would be good for economics minister and also for finance minister."

Some Indonesians see the Bakrie crisis as a watershed for how politics and business are conducted in Indonesia, ten years after it embraced democracy. Says Aleksus Jemadi, professor of politics at Bandung's Parahyangan Catholic University: "Mulyani wants to build a new tradition of transparency for this country but its not easy to break down these old practices."

Or retire thick-skinned old elephants, either. Indeed, even though he'll step down from the cabinet next year, the crafty Aburizal Bakrie says he's not leaving politics. Watch for further stampedes. **F**