

Bush's letter abets Barrick's golddigging

by Gail G. Billington

On Nov. 26, 1996, the small Canadian mining company Bre-X Minerals released a "guidance" from the government of Indonesia, which requested that Bre-X sell the majority of its 80% holding in what *Maclean's* magazine called the "mine of the century," the Busang goldmine in East Kalimantan state, to Barrick Gold. By Dec. 17, Umar Said, secretary general of Indonesia's Ministry of Mines and Energy, reported that Bre-X and Barrick had reached an agreement, whereby Barrick would take 67.5% to Bre-X's 20.25% share in Busang, and Indonesia would retain a 10% stake. Overnight, Barrick had outmaneuvered several other contenders, such as Placer Dome, to emerge as perhaps the world's premier gold diggers. Busang is currently valued at \$21 billion, with estimated gold deposits of 57 million ounces, but which could end up nearer to 100 million ounces.

According to a Houston-based spokesman for Barrick's "honorary senior adviser," former President George Bush, a Sept. 19, 1996 personal letter from Bush to Indonesian President Suharto clinched Barrick's advantage on the Busang mine deal. Bush's personal intervention was first revealed in the Dec. 21-23 *Financial Post*, a Toronto-based paper controlled by Bush's media ally Conrad Black, who, in the same issue, declared Barrick CEO Peter Munk "newsmaker of the year."

Bush spokesman Jim McGrath confirmed the *Financial Post* story, describing Bush's Sept. 19 letter as "a private letter between friends," which mentioned Bush's high regard for Barrick. "He wrote one letter . . . and that's it," McGrath told a journalist. "There were no phone calls [to Suharto]."

Munk, in *Barrick*, a special magazine put out on Oct. 2, 1996 for the Denver Gold Conference, in an article entitled "Continuing Growth/Barrick Plans to Double in Size; Comments on Barrick's New Opportunities," confirmed the extent of Barrick's holding's in Indonesia: "One of the most important countries in our worldwide exploration program is Indonesia, where we have a land position of 8.5 million hectares—the largest of any company in the country. We are currently mapping and sampling on Woyla Property in northern Sumatra; on both Masupa Ria and Yamana projects in Kalimantan; and on several properties on Irian Jaya. Drilling will begin on both Woyla and Masupa Ria in first quarter 1997."

By early November, Barrick CEO Munk landed in Jakarta to handle negotiations. The Nov. 29 Toronto *Globe and Mail* suggested that Munk may have been seconded by Canadian Prime Minister Jean Chrétien, who spent several hours with Suharto in bilateral talks following the Asia-Pacific Economic Cooperation summit in Manila, less than 48 hours before Indonesia's guidance was made public. An industry source told the Dec. 2 *Northern Miner* that there is no question that Munk interfered in Bre-X's Indonesian operations, "and, in doing so, has placed a gun at Bre-X's head . . . because Munk . . . wants this thing so bad he can taste it."

No one is saying how much Barrick will pay Bre-X for its stake in Busang, although Barrick is expected to foot the \$1.3-1.5 billion cost of constructing the mine. But Busang has already started earning money for Barrick, thanks to stock-market speculation in Barrick's favor, and to Bre-X's detriment.

Several outstanding issues remain to be clarified, including appeasing Bre-X's stockholders and sorting out multiple claims to the three Busang fields by Bre-X's Indonesian partners. The Dec. 21-23 *Financial Post* reported that Bush also sent a letter to Bre-X's stockholders, assuring them that Barrick would give them a fair deal. However, one group of shareholders has retained the services of law firms Lang Michener in Vancouver, and Baker and Botts in Houston, the latter the family firm of Bush's secretary of state, James Baker III.

Industry sources say the Barrick/Bre-X split only covers the two richest fields, Busang II and III. Bre-X has a work contract and a local partner for Busang I, which is estimated to contain only about 2.6 million ounces of gold. The local partner, PT Askatindo Karya Mineral, will get a 2.25% share as a result of the Barrick/Bre-X split, but Jean Anes, of the Indonesian Consulate in Toronto, told the Dec. 23 *Northern Miner* that Bre-X "still has to give 10% to their local partner," presumably to cover Askatindo's 10% claim to Busang II and III. A fourth party, businessman Jusuf Merukh, has a 10% undisputed claim to Busang I, and a 40% claim to the two richer sectors, and has threatened to sue.

Barrick has made out like bandits on Busang, while Bre-X has been bullied by the "big boys." Indonesia's headaches over Busang will continue, in part because resentment of Barrick's high-society, knuckle-dragger profile is likely to fuel a nasty press campaign in which Bush would be more than happy to see Indonesia played as the scapegoat for damages to Bre-X et al.

The irony is that it is Bush-linked press in the United States, such as Bush's favorite Moonie paper, the *Washington Times*, and the *Wall Street Journal*, which have carried the most visceral attacks on Indonesia in their coverage of the "Riadygate" connection to the Democratic National Committee's fund-raising, and gave the most fawning praise of the Nobel Peace Prize award to East Timor terrorist spokesman Jose Ramos-Horta in October, 1996.