North America

Canada and the United States

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Overview

In North America, trends in corruption over the past year were characterised by financial and political scandals and influenced by the 'war on terrorism'. Accounting scandals were a major theme, beginning with the bankruptcy of the Enron Corporation, considered the seventh-largest business in the United States, and the subsequent unravelling of a number of other top U.S. corporations, including Adelphia Communications, Global Crossing, Halliburton, Qwest, WorldCom and Xerox. The scandals raised crucial questions about the effectiveness of existing accounting regulations – as well as the influence of corporate money on U.S. politics – and led to proposals for tighter regulation of the accounting industry, improved disclosure of corporate information and tougher penalties on executives who mislead investors. They also spurred the passage of campaign finance reform to limit contributions to political parties after seven years of gridlock on the issue. Although the new law still faces legal challenges, it represents a major victory for the campaign to restrict the role of money in U.S. politics.

In Canada, an ethics scandal enveloped the Liberal government of Prime Minister Jean Chrétien in May 2002. Despite allegations of patronage and favouritism in his administration's awarding of contracts, Chrétien was resolute in his decision to stay in power. He removed the two ministers whose actions had caused a public outcry and announced new ethical guidelines for the remainder, along with changes to the laws governing lobbyist regulation and political party financing.

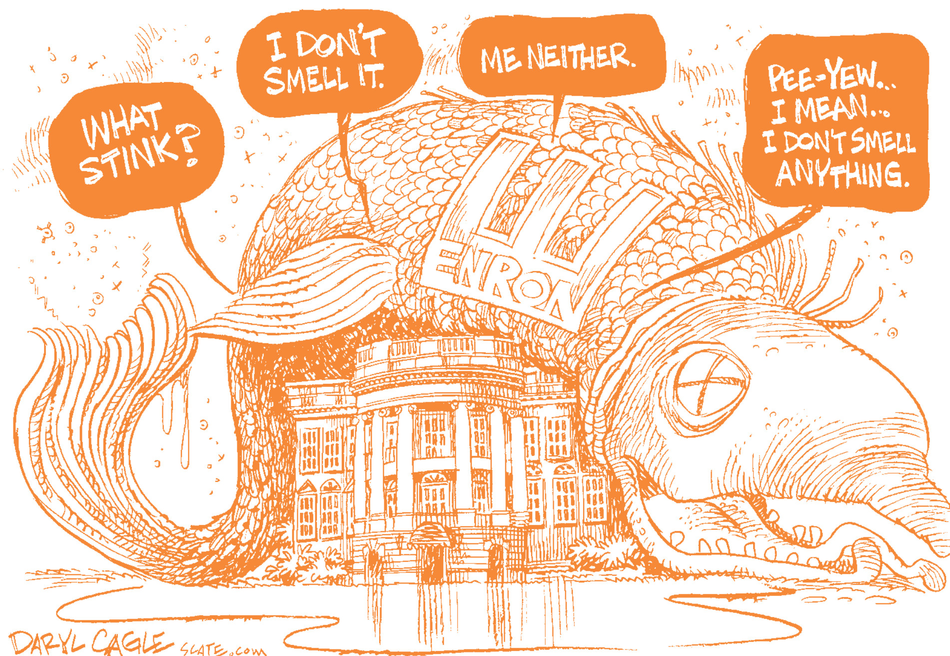
The 'war on terrorism' led to positive and negative developments in the fight against corruption. On the positive side, it inspired new legislation in the United States with tighter provisions against money laundering. Yet it also prompted government action in both the United States and Canada that poses important challenges to transparency and curtails civil liberties.

While NGOs in North America played strong advocacy roles in the last year, scandals as disparate as those in the Canadian media and the U.S. Catholic Church served to highlight the need for greater transparency and accountability.

International and regional

In the aftermath of September 11th, anti-corruption efforts assumed a high priority and the administration of President George W. Bush took several steps to fight corruption at an international level, largely to combat organised terrorism. On 25 October 2001, Congress passed the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, otherwise known as the USA Patriot Act. The act holds financial institutions responsible for preventing corrupt foreign officials from using the U.S. financial system to hide illicitly acquired assets, and makes foreign bribery a predicate offence for money laundering.[1] Its provisions against money laundering make it more difficult for individuals and corporations in the United States to launder funds abroad. Offshore financial centres, such as the Cayman Islands, are now barred from receiving large amounts of funds that are unreported to the U.S. Treasury. In addition, Washington signed an agreement with Aruba, Colombia, Panama and Venezuela that will require 'exchange houses ... to maintain records of unusual cash and money order transactions, which will be monitored through information systems operated by each country'.[2]

The U.S. administration extended its anti-corruption agenda into the diplomatic sphere with new travel restrictions on Latin American officials suspected of corruption. Since February 2002, U.S. consuls have cancelled the visas of officials from Guatemala, Honduras, Nicaragua and Paraguay.[3]



Daryl Cagle, United States

Washington also brought an anti-corruption focus to U.S. development policy. At the UN-sponsored Monterey Conference on Financing for Development in March 2002, President Bush launched the Millennium Challenge Account, which offers billions of dollars of additional development assistance over three years to countries that are committed to anti-corruption programmes and good governance, among other goals. The administration also advanced anti-corruption programmes as key themes in the 2002 World Food Summit, the G8 Summit and the World Summit on Sustainable Development.[4]

The fight against corruption was also a focus of Canada's development policy. In April 2002, Prime Minister Chrétien visited South Africa to discuss the New Partnership for Africa's Development (NEPAD), an African-led effort to promote development and reduce poverty on the continent. A leading advocate of NEPAD, which prioritises progress on accountability and good governance, Chrétien promised to spend US $315 million over three years to support the initiative.[5] NEPAD was also discussed at the June 2002 G8 meeting, hosted and led by Canada, where world leaders agreed to provide billions of dollars in assistance to African nations that promise to fight corruption and pursue free-market reforms.[6]

National

The extent to which money influences the outcome of elections and policy-making in the United States continued to be a dominant topic throughout 2001 and 2002. In March 2002, Congress implemented its first major campaign finance reform in more than 25 years. The McCain-Feingold law bans 'soft money' contributions to national parties and restricts advertisements for specific candidates by outside groups.[7] By leaning on the guarantee of free speech in the First Amendment, the campaign finance system had previously allowed citizens to make unlimited contributions to political parties for issue advocacy. Instead of tying this so-called soft money to party issues, however, parties often used it to support individual candidates, simply by advertising issues identified with particular candidates. At the same time, large donors expected – and received – a certain degree of preferential access to office-holders and candidates at fund-raisers for political parties.[8] The extent to which large contributors 'purchased' candidates' policy positions is unclear, but the explosion of soft money in the 1990s raised widespread concerns about public trust in the accountability of government officials and politicians.

Since 1989, the energy giant Enron had contributed soft money totalling US $5.95 million (with 74 per cent going to Republicans) and it enjoyed a close connection with policy-makers in the Bush administration.[9] In his book *The Buying of the President 2000*, Charles Lewis identifies Enron as President Bush's top career patron and the Enron CEO, Kenneth Lay, as a close personal friend.[10] When Enron collapsed, Congress opened hearings into whether the corporation had enjoyed favourable treatment by the administration.[11] In February 2002, the investigative

A large dose of Enronitis: the need for global reform

Since the Enron collapse in late 2001 and subsequent company failures, manipulation of accounts and disclosure of multiple conflicts of interest, public criticism of the scandals in the corporate world has escalated, fuelling international – not just U.S. – concerns about the governance of business, the regulation of the banking and accounting industries and the relationship between business and party politics.

'The troubles of Enron … have directed new attention to the ills of personal greed, lousy accounts and inadequate surveillance.'[1]

'The only good thing to come out of Enron is that people realise there is something broken in the system.'[2]

These verdicts come as no surprise. Swept along by the dotcom frenzy, Enron's market capitalisation topped US $60 billion in early 2001. By the end of the year, the company was bankrupt and tens of thousands of people worldwide had lost not only their jobs but also their life savings in pension funds invested in Enron stock. In the year leading up to the bankruptcy, Enron had paid its team of 144 senior managers US $744 million in cash and stock – an average of US $5 million per head. Kenneth Lay, the former chairman, received US $150 million.

Andersen, Enron's auditor, flaunted a proud history and a global reach of 85,000 employees, of whom 28,000 worked in the United States. Following the Enron collapse, Andersen itself fell apart and the U.S. firm filed for bankruptcy after it was convicted of illegally destroying documents. The world's big five accounting firms were reduced to four and the entire profession remains in crisis.

Andersen and Enron's legal advisers had assisted Enron in setting up off-balance-sheet vehicles to take both losses and liabilities out of the company's consolidated financial statements. The discovery of these devices was the major cause of loss of confidence in Enron's creditworthiness, although some of these constructions, in fact, conformed to U.S. accounting rules.

Rating agencies failed until late autumn 2001 to downgrade Enron to reflect its deteriorating credit status. In order to facilitate creating the off-balance-sheet vehicles, Enron's board suspended provisions in its code of conduct that covered conflict of interest issues.

Some of Enron's investment banks continued to send buy signals on Enron stock until bankruptcy was all but inevitable. Simultaneously, they earned huge fees from structuring and financing deals for Enron.

Enron was George W. Bush's largest campaign contributor and made large contributions to both major political parties and many candidates. Close relations existed between board members, senior politicians and energy regulators.

As court cases continue to unfold, the public may learn whether individual transactions were fraudulent or whether corrupt payments were involved. Indeed, there are already accusations of bribery by Enron in India and Ghana.[3] If corruption is defined as 'the abuse of entrusted power for personal gain', however, it is the system around Enron that was clearly flawed. Just as a corrupt public sector needs to be fought on political, administrative and civil society fronts, so must private sector corruption be countered by the strengthening of a wide range of checks and balances.

The following comments therefore set out considerations for reform from a civil society and international viewpoint.

Improving corporate governance

The prime responsibility for achieving improvements in corporate governance lies with the corporations themselves.

Boards of directors need independence from management and from a dominating CEO. Their role is to represent the interests of shareholders and other stakeholders pursuing the long-term sustainable development of their company. The chairperson of the board should therefore not be the CEO of the company. Truly independent directors should hold a majority on the board and should chair separate audit and remuneration committees.

Audit committees should take responsibility for an effective risk management system. They should review the work of internal auditors and compliance programmes and maintain a direct relationship with external auditors, taking special responsibility for the latter's independence from pressures both real and perceived.

Remuneration committees should remember first that they are utilising shareholders' funds in remunerating management. Performance-related remuneration should use tough, realistic criteria and reflect the current cost of deferred arrangements such as options and longer-term bonus payments. Remuneration of senior executives and board members should not include incentives that encourage manipulation of reported results. All elements of directors' remuneration should be fully disclosed in the financial statements and be subject to separate voting at each annual general meeting.

The adoption of **codes of conduct** and related **compliance programmes** that ensure proper implementation and monitoring should be required and details published in each annual report. Companies should be required to publish the results of external verification that such systems are in place or otherwise explain why such verification was not performed. Companies should be encouraged to report on specific cases of unethical behaviour and the related sanctions imposed.

The role of auditors

Audit independence has emerged as a key post-Enron issue: should auditors offer their audit clients non-audit services? Should companies be required to change auditors after a certain number of years? Is an independent audit oversight body needed in lieu of various self-regulatory bodies?

Auditors need to confront the worldwide crisis of confidence regarding their independence and performance by positioning themselves as providers of credibility to the capital markets. Their prime client focus should be on the interests of shareholders – and, where appropriate, other stakeholders – and the protection of their rights vis-à-vis management.

The appointment of auditors should be proposed by the audit committee and approved together with their remuneration by the shareholders in general meetings. Active participation of the auditors at shareholder meetings should become the norm. The audit committee should specifically approve any non-audit work awarded to auditors.

If auditors wish to avoid regular rotation of firms performing audits, as a minimum they should develop standards for independent reviews of assignments following internal rotation and should document the results. So far, no country has specified such requirements.

Whether they like it or not, auditors must face up to the fact that fraud and other illegal acts of management fall within their expected scope. At a minimum, they should be in a position to demonstrate that they have reviewed their clients' anti-fraud and anti-bribery systems and recommended improvements. The audit function can represent a significant strengthening of corporate governance if the auditor understands this wider responsibility.

The need for integrity in accounting

The reputation of the U.S. generally

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accepted accounting principles (GAAP) as the world's most respected set of accounting principles has suffered following the Enron demise and a number of other accounting-related scandals. The downfall of Andersen amid an avalanche of legal claims, together with the media spotlight on audit failures, will force auditors to be more conservative in interpreting accounting rules.

Harmonised international accounting standards that are applicable across the world have been seen as the holy grail of the accounting world. Post-Enron criticism of the often rules-based approach of U.S. accounting principles has made U.S. acceptance of the international accounting standards (IAS) more likely. A return to principles, rather than detailed rule-making, combined with disclosure about options chosen in cases where differing treatments could be justified, provides the best hope for greater transparency and auditor power to confront dishonest management.

Political contributions

Political contributions should be restricted in amount and never paid in cash or to individual politicians. They should be given to legitimate party organisations and be fully disclosed in financial statements.

Banking relationships

The banking community must recognise and eliminate conflicts of interest between commercial banking, corporate finance and investment advisory/analysis functions. It must be constantly reminded of its own role, as part of the regulated capital markets system, in supporting the fair allocation of risks between shareholders and stakeholders and the management of their clients. We have only just begun to see the possible need for reforms in the financial services industry to reduce misuse of stock options and fraudulent initial public offerings.

Many of these proposed reforms already exist as best practice in some countries; others are currently being passed or tabled as new laws in the United States as a response to Enron and related scandals. Together they serve to remind management, auditors, banks and politicians of their duties in a market economy, which – to function efficiently – relies heavily on actual and perceived transparent ethical behaviour of the major players.

Jermyn Brooks

1 *Economist* (Britain), 8 June 2002.
2 *Financial Times* (Britain), 24 June 2002.
3 'Enron Scandal Spreads to India?', *60 Minutes,* CBS News, 11 April 2002; www.cbsnews.com/stories/2002/04/11/60minutes/main505913.shtml. Kate Bayliss and David Hall, 'Enron: a corporate contribution to global inequality', Public Services International Research Unit, University of Greenwich, June 2001; www.psiru.org.

branch of Congress filed a lawsuit demanding records from the administration's energy task force to determine whether campaign donors such as Enron had exerted a disproportionate influence over President Bush's energy policy.[12] (For more on the Enron scandal, see 'A Large dose of Enronitis', p. 80.)

One benefit of the Enron scandal was that it helped to secure the final votes needed to pass the campaign finance bill, which had languished for seven years. The impact the bill will have on special interest money is unclear. Critics say that money from large donors will still find its way into politics through other channels, possibly through advocacy groups. Supporters counter that the reform will increase the distance between donors and the candidates their contributions are intended to

influence. The bill, which comes into effect after state elections in November 2002, faces further challenges in court and over implementation. In determining how to enforce the law, the Federal Election Commission ruled in June 2002 that candidates can raise soft money for state parties as long as they do not directly solicit the contribution.[13] This and other loopholes may well prompt supporters to regain lost ground through lawsuits or amendments.

Money in politics was at the heart of an ethics scandal in Canada this year. Allegations of patronage and favouritism in the awarding of contracts were levelled at the Liberal government of Prime Minister Chrétien. Many of the allegations involved small amounts of money, such as Defence Minister Art Eggleton's untendered grant of CAD $37,000 (US $24,000) to a former lover.[14] Critics pointed out, however, that these small amounts were part of a pattern in which ministers handed out contracts to friends or companies that had donated to the Liberal Party. A disputed CAD $1.6 million (US $1.1 million) in contracts to Groupaction Marketing, which had contributed CAD $70,000 (US $46,000) to the Liberal Party over several years, prompted an investigation by the auditor-general and the Royal Canadian Mounted Police. The auditor-general is also conducting an inquiry into all government advertising, sponsorship and opinion polling contracts.[15] When leading newspapers called for his resignation in late May 2002, the prime minister moved to defuse the crisis by reassigning public works minister Don Boudria and firing Eggleton. 'After nine years, people perhaps got a bit too comfortable,' said Chrétien, 'so [this] will teach a lesson to all of us.' He later froze dozens of contracts and announced new guidelines for ethics and political fundraising.[16]

The cabinet reshuffle followed the removal in January 2002 of another former public works minister, Alfonso Gagliano, amid allegations of cronyism and questionable business dealings. When the Chrétien administration's ethics counsellor cleared Gagliano of the allegations, he was appointed ambassador to Denmark.[17]

Corruption scandals also stirred up local politics in the United States. Representative James A. Traficant of Youngstown, Ohio, was found guilty in April 2002 on 10 federal counts of bribery and racketeering, and Vincent Cianci Jr, mayor of Providence, Rhode Island, was convicted of racketeering conspiracy in July. Still popular in their districts, they both intended to run for re-election until the appeals process was exhausted. On 24 July, after a motion by the House Ethics Committee, Traficant was expelled from Congress by a vote of 420 to one and began an eight-year prison term two weeks later.[18]

In the state of Illinois, more than 50 state employees were indicted in June 2002 for demanding bribes in exchange for commercial driver's licences, kickbacks on leases and contracts and the diversion of state funds to political activities. Investigators claimed the 'licenses for sale' scheme had funnelled US $150,000 into the campaign chest of Republican governor George Ryan. In April 2002, two former aides to the governor were indicted by a grand jury, which branded Ryan's election committee a 'criminal enterprise'.[19]

Noteworthy improvements in transparency were apparent last year in New York's traditionally corruption-prone construction industry. The clearance of debris and human remains from the site of the World Trade Center, one of the most difficult projects in U.S. history, was conducted without a hint of corruption. Clearly, the exceptional circumstances fostered probity, but credit is also due to the dispatch of teams from New York City's internal police agency, the Department of Investigation, which kept track of the enormous sums of money advanced to contractors.[20] By working together with contractors, the Department of Investigation brought control to the source as a preventive measure, instead of investigating contractors' work afterwards, as opponents.

Private sector

The U.S. economy was rocked by a series of corruption scandals last year. Trillions of dollars were wiped off stock market values as a crisis of confidence in U.S. business unfolded. A corporate whistleblower helped to reveal Enron's system of fraudulent accounting, which had relied on private partners and offshore subsidiaries to keep the corporation's debt profile low and drive its stock price up in a financial shell game.[21]

Further revelations of misleading accounting emerged from Adelphia Communications, Global Crossing, Halliburton, WorldCom and Xerox, while charges of tax evasion and insider trading were levelled at the CEOs of Tyco International and ImClone Systems. In May 2002, the Securities and Exchange Commission (SEC) began investigating Halliburton's accounting methods for reporting cost overruns on construction jobs. Vice President Dick Cheney, who served as the oil giant's CEO from 1995 to 2000, was subsequently taken to court by an anti-corruption pressure group, Judicial Watch. The group alleged that he had engaged in activities that led to overvaluation of the company's stock.[22]

During the period under review, overvaluation and the subsequent over-correction of stock prices wiped out billions of dollars of shareholder wealth in addition to millions of employee pensions, weakening confidence and sending the June 2002 stock market down to its lowest level since 21 September 2001.[23] In an attempt to restore confidence, Congress and the White House moved swiftly to pass a corporate fraud bill in July 2002. Praised as a significant overhaul of U.S. business regulations, the Sarbanes-Oxley Act of 2002 creates new penalties for corporate fraud and requires chief executives and boards of directors to take direct responsibility for the accuracy of financial statements.[24]

Overseas, allegations had arisen of serious conflicts of interest between government and big business, as was highlighted by the case of Enron's plans to build a US $3 billion power plant in India. In April 2002, the business editor of Zee TV, India's largest television network, told a CBS News correspondent that Enron had offered him US $1 million a year to work as its corporate communications chief. As such, he

would have been required to refrain from criticising the project. Although the World Bank refused to invest in the project and published a report charging that both the plant and its electricity were too expensive, the U.S. government supported Enron's plan. One consultant evaluating the project for the Indian government claimed that U.S. ambassador to India Frank Wisner had warned that if India refused Enron's proposal, foreign investment and capital flows into the country would dry up. After leaving office, Wisner joined Enron as director of one of its subsidiaries and later referred to this type of move as common.[25]

The fallout from Enron and the other scandals spread to the accounting industry and, notably, to Arthur Andersen, which had served as Enron's independent auditor. Andersen was charged with obstructing justice by shredding paperwork during the investigation of the energy giant's collapse. In June 2002, a Houston jury found Andersen guilty, fining it US $500,000. By then the company had lost one third of its clients, sold parts of the business and was told to stop auditing publicly held companies after 31 August 2002.[26] It also faces an SEC investigation into its auditing practices, and several committees in Congress are holding hearings to determine why the SEC allowed Andersen both to audit Enron's books and concurrently hold a large management-consulting contract with Enron's executive staff.[27]

Other consulting relationships were also placed under the magnifying glass, such as KPMG and Xerox or Deloitte and Adelphia. PricewaterhouseCoopers, one of the 'Big Four' accountancy firms, paid the SEC a fine of US $5 million for improper auditing and for violating standards of independence.[28]

The accounting industry, like the medical and legal professions, has been largely self-regulating until now. In view of the failure of Andersen and other accounting firms to police unscrupulous businesses, Congress incorporated tough new regulation of the accounting industry in the Sarbanes-Oxley Act of 2002. Most burdensome for the industry, the law bans accountants from providing some consulting services to the companies they audit and creates a new regulatory entity, the Public Company Accounting Oversight Board.[29]

At the same time, business leaders have recommended new procedures for corporate boards' audit committees to make them more effective in overseeing outside accountants, including selecting outsiders without management ties to serve on audit committees.

The corporate response to the financial scandals of 2001–02 was part of a broader and growing engagement of the business world in issues of corporate ethics and social responsibility. Business for Social Responsibility, the Conference Board, the Ethics Resource Center and the Defense Industry Initiative on Business Ethics and Conduct are among U.S. groups in which business leaders are actively engaged in encouraging ethical leadership, setting new standards of transparency and accountability and changing business practices at home and abroad. Transparency International USA also engages the private sector in supporting corporate governance reform and anti-bribery compliance.

Access to information in North America

In both the United States and Canada, the 'war on terrorism' prompted legislation and executive action that limit access to information. In the name of national security, President George W. Bush signed the military order of 13 November 2001, which denies non-citizens due process and bars observers from military tribunals. The order establishes procedures for the 'Detention, Treatment and Trial of Certain Non-Citizens in the War against Terrorism' and protects military tribunals from 'unauthorised disclosure … and access to proceedings'. While granting military tribunals exclusive jurisdiction over such cases, it also denies individuals any other remedy or proceeding.[1] Although partly aimed at protecting judges from reprisals, the barring of media and the public from access to tribunal proceedings creates a remarkably opaque process from which to judge innocence or guilt and, in the latter case, to carry out a sentence. The denial of the right to appeal against tribunal decisions further limits access to information and sets a dangerous precedent in U.S. law, under which all other cases enjoy the potential for review by a higher authority.

In Afghanistan, the U.S. military imposed tighter constraints on media access than ever before in a theatre of war. The Pentagon established an Office of Strategic Influence to project a favourable view of U.S. military activity. In response to a February 2002 *New York Times* report claiming that the office proposed to spread disinformation to the foreign press, Congress and military officers voiced criticism and pressured Defense Secretary Donald Rumsfeld into closing the office.[2]

In Canada, the wording of the proposed anti-terrorism act of 15 October 2001 poses threats to the public's access to government information. If passed, the act would authorise the minister of justice to suspend rights granted under the Access to Information Act of 1985 in order to protect international relations, national defence or national security. The Access to Information Act already contains exceptions for these categories of information, although it subjects decisions to independent oversight by the information commissioner and the federal courts.[3] The new legislation proposes to change the content of the act by insulating the justice minister's decisions from independent review. A committee of former deputy ministers and academics appointed to advise a government task force on access to information has stressed that independent oversight is essential to ensure that the minister's power is not abused.[4] The bill also drew protests from the information commissioner, Open Government Canada – a nationwide coalition advocating wider access to government information laws – and other media and advocacy groups. Parliament consequently held the legislation back for revision in late April 2002.[5]

Further challenges to Canadians' access to information came from the Access to Information Review Task Force (AIRTF), sponsored by the Justice Department and the Treasury Board. A federal cabinet committee responsible for managing the public services, the AIRTF conducted a two-year review of Canada's access to information legislation. Its subsequent report, released in June 2002, recommends additional exemptions to the act for records concerning cultural and

Civil society

In June 2002, the Canadian conglomerate CanWest Global Communications fired Russell Mills, publisher of the prominent daily *The Ottawa Citizen*, two weeks after he published an extended investigation that alleged misconduct by Prime Minister

heritage sites, officials' personal notes, draft audits, consultant reports, data from foreign authorities, critical infrastructure data and future legal and consumer regulatory investigations. It also suggests time extensions to delay responses when access requests interfere with normal department operations, the right to deny requests that are deemed 'frivolous, vexatious or abusive' and fee increases.[6]

The task force's report epitomises the government's hostility towards public access to official information. Notably, the government has engaged the information commissioner in a protracted court battle to restrict his right to inspect the prime minister's agenda books. The government has also refused to allow senior government officials to testify before an ad hoc parliamentary committee seeking to reform the Access to Information Act.[7] In his annual report on government performance, the information commissioner awarded it a mediocre 'C grade', noting that new ways to obscure ministerial spending, new laws brought in after the events of September 11th and new government bodies not subject to access laws have undermined access to information. Nevertheless, he gave the government credit for receiving a growing number of access requests and a decreasing number of complaints.[8] In the light of this evaluation, the Canadian Association of Journalists awarded its second annual 'Code of Silence' prize to the federal ministry of justice for granting itself the power, under Bill C-36, to override the Access to Information Act.[9] The prize recognises the most secretive government department in Canada.

Other Canadian civil society organisations have also been active in the area of access to information. The freedom of information coalition Open Government Canada created an on-line form letter to help in writing a request for access to information. The automatic letter-generator provides guidance on how to phrase requests and generates addresses of the relevant government offices for the specific access request. Open Government Canada also sponsored a May 2002 conference to evaluate access to government and corporate information.

Media concentration and freedom of the press in Canada were also matters of public concern over the last 12 months. In December 2001, the media conglomerate CanWest ordered its 14 daily newspapers to start running identical editorials from the head office and prohibited the publication of conflicting local editorials. The International Federation of Journalists protested the move and noted how dangerous concentration of ownership is to media pluralism.[10]

1 George W. Bush, Military Order of 13 November 2001 on Detection, Treatment, and Trial of Certain Non-Citizens in the War against Terrorism.
2 BBC News (Britain), 26 February 2002.
3 *Ottawa Citizen* (Canada), 18 October 2001.
4 Press release, Open Government Canada, 'Open Government Canada questions government justification for unaccountable secrecy provisions in Bill C-36', www.newswire.ca/releases/October2001/29/c1374.html.
5 'Government of Canada Introduces Anti-Terrorism Act', Department of Justice, Canada; canada.justice.gd.ca/en/news/nr/2001/doc_27785.html.
6 *Hill Times* (Canada), 24 June 2002.
7 *National Post* (Canada), 26 January 2002.
8 Canadian Press (Canada), 6 June 2002.
9 Canadian Association of Journalists website, micro.newswire.ca/releases/April2002/13/c4142.html/42015-0.
10 International Federation of Journalists, www.ifj.org/publications/press.

Chrétien and an editorial on the same day calling for his resignation. The company explained it was disciplining Mills for not publishing a diversity of opinions, but critics claimed the dismissal was political, pointing out that CanWest's founder and executive chairman was a former leader of the Manitoba Province Liberal Party and

a close ally of Prime Minister Chrétien.[30] The Communications, Energy and Paperworkers' Union called an emergency meeting of Canada's journalist community to draft a response to Mills' dismissal and the International Press Institute, a Vienna-based global network of editors, media executives and journalists from 110 countries, strongly condemned the move.[31]

In the United States this year, the integrity of the Roman Catholic Church was compromised when it came to light that Church leaders had responded to charges of paedophilia and other sexual abuse against clergy by transferring the alleged wrongdoers to other parishes without notifying either the civil authorities or the new parishioners. The Church had apparently also sought to cover up the incidents by paying, by some estimates, more than US $1 billion over the past 25 years to buy the victims' silence.[32] The revelations undermined the institutional stature of the Church and energised demands for more accountability both in the Church and elsewhere.

Anti-corruption advocacy and the monitoring of corruption by civil society organisations were vibrant in both the United States and Canada during the past year. The media, NGOs and research institutions generated an increasing amount of information, analysis, policy positions and lobbying campaigns to improve the integrity of public and private life. In the United States, Public Citizen, Common Cause, Democracy 21, Public Campaign and the Committee for Economic Development, among others, scored a notable victory in 2002 after seven years of lobbying for campaign finance reform. In Canada, a new freedom of information coalition, Open Government Canada, aggressively challenged the proposed anti-terror bill. Founded in 2000 and modelled on the U.S. National Freedom of Information Coalition, Open Government Canada is comprised of journalists, librarians, researchers, labour organisations, advocacy groups and others.[33]

As corporate fraud scandals continued to shake the U.S. economy in mid-2002, the Washington-based anti-corruption pressure group Judicial Watch filed a shareholders' lawsuit against Vice President Dick Cheney and Halliburton, the oil company he headed from 1995 to 2000. The group claims that Cheney engaged in fraudulent accounting practices that led to the overvaluation of company shares. Judicial Watch also sued for access to records of the Cheney-led energy task force, which drafted the Bush administration's energy policy in 2001.[34]

The attention given to public ethics also increased among organisations with broader mandates. For the first time the American Society for Public Administration presented an 'Ethics in Practice' award at its 2002 annual meeting. The goal of the award is to recognise significant ethical challenges in the public sector and reward those who have developed creative and effective responses. With the establishment of this award, the world's largest organisation devoted to the study and improvement of public administration has acknowledged ethics as a significant part of administration.[35]

1 Public Law 107-56, The USA Patriot Act, enrolled 26 October 2001.
2 Radio Caracol (Colombia), 20 March 2002.
3 *Honduras This Week*, 1 July 2002; *Miami Herald* (US), 3 October 2002; Periodistas frente a la corrupción, 3 April 2002.
4 Second Annual Report to Congress pursuant to the International Anti-corruption and Good Governance Act, 15 April 2002.
5 CNN (US), 7 April 2002.
6 Associated Press (US), 27 June 2002.
7 *New York Times* (US), 21 March 2002.
8 Buckley v. Valeo, 424 U.S. 1 (1976).
9 'Enron Total Contributions to Federal Candidates and Parties', Center for Responsive Politics, www.opensecrets.org.
10 *International Herald Tribune* (US), 11 January 2002.
11 *Independent* (Britain), 25 January 2002.
12 *Washington Post* (US), 23 February 2002. A further example of the Enron approach to business and politics was the debacle of electricity deregulation in California in summer 2001. Enron, using its power as a campaign contributor and lobbyist, strongly supported the deregulated system eventually adopted by the California state legislature. Shortages and, in some cases, fourfold increases in pricing moved the state to buy and distribute US $10 billion in power for certain parts of California. See *Los Angeles Times* (US), 22 January 2002. In June 2002, Army Secretary Thomas White, the highest-ranking former Enron executive in the Bush administration, testified before Congress that he did not know of any price manipulation by Enron during California's power crisis of 2000 and 2001. *USA Today* (United States), 15 May 2002.
13 *New York Times* (US), 25 June 2002.
14 Reuters (Britain), 26 May 2002.
15 *National Post* (US), 9 May 2002.
16 Reuters (Britain), 26 May 2002; *Washington Post* (US), 30 May 2002.
17 *PoliticsWatch News* (US), 18 January 2002, www.politicswatch.com/news-ca&gagliano%2001-17-02.htm.
18 CNN (US), 27 June and 6 August 2002; Associated Press (US), 24 June 2002.
19 CNN (US), 3 April 2002; *USA Today* (US), 18 June 2002.
20 *New York Times* (US), 21 January 2002.
21 Ibid., 14 February 2002.
22 www.judicialwatch.org/2296.shtml. At the time of writing, the vice president still had not responded to the allegations levelled against him.
23 *Time* (US), 18 June 2002.
24 *The Washington Post* (US), 31 July 2002.
25 www.cbsnews.com/stories/2002/04/11/60minutes/main505913.shtml.
26 *Time* (US), 18 June 2002.
27 *Los Angeles Times* (US), 10 January 2002.
28 BBC News (Britain), 19 August 2002.
29 *Financial Times* (Britain), 25 July 2002.
30 *New York Times* (US), 29 June 2002.
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