

Accounting firm Andersen charged for shredding Enron documents

REUTERS, Washington

A federal grand jury has indicted accounting firm Andersen for obstruction of justice tied to probes of Enron Corp's ENRNQ. PK collapse, federal officials announced Thursday, prompting Andersen to say its business was damaged but it had no plans for bankruptcy.

The US Justice Department said Andersen was indicted in connection with the destruction of tons of documents and computer files sought in probes of fallen energy trading giant Enron, the center of a storm of controversy since it filed the largest bankruptcy in US history on Dec. 2.

Deputy Attorney General Larry Thompson said the indictment included allegations of widespread criminal conduct by Andersen, charging the firm sought to undermine the justice system by destroying evidence relevant to investigators.

"Dozens of large trunks were brought in to haul documents from Andersen's office and Enron's building to Anersen's firm office in Houston in order to destroy literally tons of documents," Thompson told a news conference.

The indictment alleged that Andersen partners and others, at urgent and mandatory meetings, told employees to immediately destroy documents on Enron, a top campaign contributor to President George W Bush and others in Washington.

Chicago-based Andersen, which had been Enron's auditor until January, blasted the prosecution of the firm by the government as "a gross abuse of government power."

Confirming business damage from client

defections, Andersen spokesman Charlie Leonard said that, as of Wednesday, the firm had lost about two per cent of its annual US revenues. "I would be the first to acknowledge that we're looking at a significant hit," Leonard said on a conference call.

But, he added, "There is no plan for bankruptcy ... We're affirmatively moving forward with our business in the US."

Sources close to the firm said Andersen lawyers would likely move quickly to fight the government prosecution, possibly moving for a rapid dismissal of the charge.

Andersen rivals Deloitte Touche Tohmatsu and Ernst & Young on Wednesday ended merger talks with Andersen, citing its legal troubles. "I can't believe another firm would be interested in them at this point," Paul Brown, chairman of accounting at New York University's Stern School of Business, said.

The Justice Department alleged that Andersen partners began a plan for the wholesale destruction of documents just days after Enron alerted the auditor on Oct. 19 that the US Securities and Exchange Commission had begun an inquiry into special partnerships created by the energy firm.

On Oct. 16, Enron had reported its first quarterly loss in more than four years and took \$1 billion in charges on the poorly performing partnerships.

"Employees were told to work overtime if necessary to finish the job of destroying documents. The shredder at the Andersen office and Enron building ran virtually constantly," Thompson said.

The indictment "alleges that, at the firm's direction, Andersen personnel engaged in the wholesale destruction of tons of paperwork and attempted to purge huge volumes of electronic data or information," Thompson said.

According to the indictment, the destruction effort had spread far beyond Andersen's Houston office.

"In addition to shredding and deleting documents in Houston, Texas, instructions were given to Andersen personnel working on Enron audit matters in Portland, Oregon; Chicago Illinois; and London, England to make sure Enron documents were destroyed there as well," according to the indictment.

Thompson said the records were destroyed in late October and early November, at a time when Andersen knew they were relevant to federal inquiries into Enron's collapse.

Justice Department officials said no individual Andersen employees were charged, but that the investigation continued.

The indictment was obtained last week from a federal grand jury in Houston, Texas, but was kept under seal until Thursday while the Justice Department tried unsuccessfully to reach a plea agreement with Andersen in which the company would admit guilt.

The maximum penalty for the charges is a \$500,000 fine and five years on probation. But Andersen, which has seen major customers defect after the Enron collapse, has warned that a criminal indictment would put the company in "grave jeopardy."

Andersen assails US Justice Dept

AFP, Chicago

Accounting firm Arthur Andersen, reacting to its indictment on criminal charges for destroying Enron documents, assailed the Justice Department Thursday for its "extraordinary abuse of prosecutorial discretion."

"Given the circumstances in this case, this is a gross abuse of government power," the Chicago-based firm said in a statement after being indicted on charges of obstruction of justice.

"The Department has refused to allow the firm to tell its story to a grand jury, in violation of both Department policy and basic precepts of fundamental fairness. In fact, it is unclear what evidence was presented or whether any witnesses appeared before a grand jury."

Bush boosts US development aid for poor nations by \$5b

AFP, Washington

President George W. Bush on Thursday unveiled plans to boost US development aid for poor nations that take the "hard road" of legal, economic and political reform by five billion dollars.

"Greater contributions from developed nations must be linked to greater responsibility from developing nations. The United states will lead by example," Bush said at the Inter-American Development Bank's headquarters here.

Starting in 2004, the monies will go into a "Millennium Challenge Account" to fund projects including the fight against HIV/AIDS; trade promotion; textbooks and training to students in Islamic nations; and help to increase harvests in the poorest nations, he said in a speech.

But "to make progress we must encourage nations and leaders to walk the hard road of political, legal and

economic reform so all their people can benefit," said Bush, who heads next week to an international meeting on development aid in Monterrey, Mexico.

The fund will pay out only to nations that battle corruption; uphold human rights; adhere to the rule of law; invest in schools and health care; and pursue open markets, "sustainable" budgets, and promote entrepreneurship.

Bush said he had directed US Secretary of State Colin Powell and Treasury Secretary Paul O'Neill "to reach out to the world community, to develop a set of clear and concrete and objective criteria for measuring progress."

The US leader explained that pursuing "sound policies" could help treble the impact of the economic aid, because under those circumstances each dollar of assistance attracts two dollars of private investment.

"And when development aid rewards reform and responsibility, it

lifts almost four times as many people out of poverty compared to the old approach of writing checks without regard to results," he said.

Ultimately, nations that meet Washington's criteria for receiving the assistance "will really no longer need it" because they will earn more trade revenues and attract more foreign investment, the president said.

Bush also said he would seek to expand US contributions to a global fund to fight HIV/AIDS from the current 500 million dollar commitment "as the fund gets organized, develops a strategy, and shows success."

And he renewed his call for development banks to provide up to half of the funds they provide to poor nations as grants "instead of loans that may never be repaid" -- an alternative, he said, to debt forgiveness.

"Many have rallied to the idea of dropping the debt. I say let's rally to the idea of stopping the debt," he said.

China joins int'l opposition against US steel tariffs

AFP, Beijing

China on Thursday joined the international opposition against a US decision to impose tariffs on imported steel and announced it would appeal the move to the World Trade Organisation.

China's Ministry of Foreign Trade and Economic Cooperation (MOFTEC) said it was "deeply shocked" by the US decision and warned it could harm US-Sino trade relations, according to state-run Xinhua news agency.

"This decision not only goes against the WTO rules, but also will have a serious impact on China's normal steel exports to the United States, hence causing huge losses to the steel makers of China," MOFTEC said in a statement, according to Xinhua.

MOFTEC said China expected to hold bilateral discussions with the United States over the issue, in accordance with WTO regulations, that could pave the way for compensation claims and retaliatory measures.

EU-US talks on steel dispute Tuesday

AFP, Geneva

The EU Commission and the United States will open talks here Tuesday on European objections to tariffs to be introduced by Washington on most steel imports, the European Union said on Thursday.

The talks will be held as the first step in a procedure laid down in the World Trade Organisation's (WTO) agreement on safeguards, diplomatic sources said here.

Under the agreement, the EU could seek compensation matching the level of harm that its steel exports will sustain under the US measures.

If the talks fail, the EU may under certain conditions take retaliatory action on imported US products to the EU. This could happen within three months of the US safeguard measures being applied on March 20.

Under WTO rules, consultations must begin before the safeguard measures are introduced and can last up to 30 days from the European's complaint being lodged.

Other WTO members -- Brazil, Norway, Japan, South Korea,

Australia and New Zealand -- have also filed complaints over the US measures on steel with the WTO.

But their own consultations must be carried out separately of the US-EU talks.

The EU is also the only WTO member to have asked Washington for consultations on the conformity of its measures with global trade rules under the WTO's dispute settlement mechanism.

The first step in this procedure is also consultations, which in the case of a failure in the allocated 60 days, would be followed by a request by the EU for a panel of experts to be set up to look into the case.

But diplomatic sources said the US has not yet responded to the EU's request on this matter and no date or place has been scheduled for the start of consultations.

In this procedure, other WTO members could join the EU in its complaint. Past cases before the WTO have involved multiple complainants.

EU agrees on common rate of aid to poor countries

AFP, Brussels

The European Union set a common rate of international aid donation on Thursday, in a move meant to put the controversial issue to rest before this weekend's summit and an upcoming UN aid conference, the EU's Spanish presidency said.

The 15 member states finally agreed on a Spanish compromise setting the average rate of financial aid to poor countries at .39 per cent of GDP by 2006, up from the current rate of .33 per cent.

EU foreign ministers meeting in Brussels on Monday attempted to settle the issue, but found themselves divided for the most part between the union's richer and poorer members.

While Austria, Germany, Greece, Italy and Portugal refused to raise their rates of donation citing budgetary constraints, Denmark and The Netherlands argued that the Spanish-led compromise was not generous enough.

'Japan must cut taxes to boost economy'

AFP, Tokyo

The Japanese government must make tax cuts next fiscal year to help boost the economy if demand remains weak, Finance Minister Masajuro Shiokawa said Friday.

"Some tax cuts will be needed within the next fiscal year (starting April) if domestic demand faces challenges and the business community presses for more cuts," Shiokawa told a regular news conference.

"The contents of any tax cuts will be decided after the Council on Economic and Fiscal Policy meeting in June," he said, referring to the government's top economic panel chaired by Prime Minister Junichiro Koizumi.

Chief Cabinet Secretary Yasuo Fukuda said Tokyo had no immediate plans to cut taxes. "Though we need to prepare for unexpected events," he said.



PHOTO: AFP

As general counsels or partners who worked for the Enron Corporation testify before the US House of Representatives Committee on Energy and Commerce Thursday on Capitol Hill in Washington DC, Ronald T. Astin Esq. (C), Partner, Vinson & Elkins L.L.P., looks towards the television cameras that record all testimony.

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