



NEWSLETTER

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Canadian Chapter News

IBM BECOMES A CHARTER MEMBER

We are pleased to welcome IBM Canada Ltd, as the newest charter member of TI-Canada, as of December 1997. IBM joins Alcan, GE Canada, Placer Dome, Ontario Hydro, IAMGOLD, McCarthy Tetrault, and Lindquist Avey Macdonald Baskerville in this prestigious category. The Canadian Centre for Ethics and Corporate Policy has become our newest Voluntary Sector Organization, joining a number of new individual members. **Take advantage of the membership application on the back to join TI-Canada today!**

WORKSHOP ON OECD ANTI-CORRUPTION CONVENTION

On March 24, thirty-nine people participated in a workshop on the OECD Anti-Corruption Convention. The day was launched by an welcome from TI-Canada Chairman and President, Dr. Wes Cragg, who emphasized that 1997 was a watershed for the anti-corruption movement world wide. In the past, corruption has been defined as a cultural issue, but it has now come to be recognized as an economic issue - one which is finding its way onto a number of corporate, government and civil society agendas.

Dr. Cragg's introduction was followed by a dialogue between Mr. Ahmedou Ould-Abdallah, Executive Secretary, Global Coalition for Africa, and Madame Huguette Labelle, President, Canadian International Development Agency (CIDA). The dialogue focused on "Corruption in Africa: International Business Transactions as a Source of Corruption." One of Mr. Ould-Abdallah's key messages is the negative impact of corruption as a frustrating economic obstacle to development. He described how the developing countries lose three ways as a result of corruption:

- 1) products and services costs more, as a result of

- 2) the product or service is not of good quality;
- 3) the money provided for the bribe finds its way out of the developing country to safe havens.

If corruption, defined as the abuse of public power for private gain, is allowed to flourish, it will affect other parts of society, for example the police and customs officials, and lead to an endemic breakdown of the rule of law. The causes, not just the consequences, of corruption need to be addressed. And it is the general public, through the free press, which plays the most critical role. Corruption thrives on secrecy - only the press can expose it. In realistic terms, public officials can be educated to not accept bribes; anti-bribery clauses can be included in international business contracts; CEOs of international corporations can be convinced to not pay bribes in Africa.

Madame Labelle highlighted the degree of corruption world wide, which goes into the billions of dollars. 1997 represented the breaking of the silence with regard to the use, in international fora, of the word "corruption." International Financial Institutions, such as the World Bank and the IMF, are including it on the agenda of their annual general meetings - it's now okay to talk about it. She also presented the role CIDA has played in developing the OECD Anti-Corruption Convention and in supporting Canada's response through changes in our criminalization code.

CIDA plays a critical role through requiring anti-corruption clauses in its contracts, supporting changes in governance in developing countries, strengthening the justice system, through enduring its separation from the administration, addressing the banking system, working towards changes in the police structure, to name a few examples.

Mr. Michael Davies, Vice-Chairman, TI-Canada, set the stage for the next session, which looked at the Canadian response to the OECD Anti-Corruption Convention. Ms. Jennifer McKeen, Counsel with the United Nations Criminal &

Treaty Law Division, Department of Foreign Affairs & International Trade, explained to the audience the implications of the signing by Canada of the Convention, last December. We will be putting laws on our books, which will have an impact on Canadian corporations, whether their business takes place within Canada or elsewhere in the world. Changes in our criminal code, similar to those of the Foreign Corrupt Practices Act (FCPA) in the United States, will require accountability on the part of Canadian businesses. While Canadians may not be very good at bribing, we do engage in it, and it must be eradicated.

Mr. Milos Barutciski, Partner, Davies, Ward & Beck, took the audience through the very rapid creation of the Convention. It was a surprise there is a Convention at all, given the time span. This reflects the importance of role of corruption and its deleterious effects in today's society.

Finally, a look at how American companies have responded to the FCPA, since its creation in 1977, was presented by Ms. Lucinda Low, Partner, Miller & Chevalier, in Washington, D.C. Although there have not been many cases taken to trial under the FCPA, it instils a fear in American corporations, encouraging compliance.

Corruption is one of the oldest "professions," and there will always be bad apples. However, since bad apples put a corporation at risk, it is necessary for companies to upgrade their compliance programs and bring in outside investigative firms to do due diligence, if necessary. The Convention will require some changes even to the FCPA.

ANNUAL GENERAL MEETING

A year in review

Following the Workshop on the OECD Anti-Corruption Convention, the First Annual General Meeting of TI-Canada was held. Presentations were made by the Chair, Vice-Chair and National Coordinator, reviewing TI-Canada's first full year of operation.

Chairman and President, Dr. Wesley Cragg, spoke to the three levels of activity of TI-Canada in 1997: 1) relations with the international secretariat in Berlin; 2) work with other TI national chapters throughout the world; 3) work as

a TI chapter in Canada.

TI-Canada has played a strong role in the support provided by TI to the inclusion of corruption in the agenda of the International Financial Institutions, such as the World Bank or the IMF, and the negotiation of the OECD Anti-Corruption Convention. Dr. Cragg and TI-Canada Vice-Chairman, Mr. Michael Davies, attended the 8th International Anti-Corruption Convention in Lima, Peru, in September, and organized a working session on "Corruption and the Funding of Political Parties."

Dr. Cragg delivered a key note address at the launch of the Jamaican chapter in February, and, on a recent trip to Asia, made presentations to TI national chapters in Malaysia and Australia and met with the leaders of the TI-Papua New Guinea chapter. The National Coordinator, Ms. Bronwyn Best, met with TI supporters and leaders in Namibia and South Africa.

On the homefront, TI-Canada has been very active, partnering with CIDA in raising awareness of the corruption issue within the Canadian government and encouraging a strong and coordinated government response to the OECD Anti-Corruption Convention.

As Vice-Chair, Mr. Davies has made a number of presentations to various organizations, throughout the year. Ms. Best, who became the National Coordinator in November 1997, taking over from the capable hands of Mr. Jim Lyttle, reported on the daily workings of a national chapter of Transparency International.

Election of New Board Members: Mr. Max Clarkson, Director, Clarkson Centre for Business Ethics, reappointed for three years; Dr. Michel Dion, Professor, Faculty of Theology, Ethics, and Philosophy, University of Sherbrooke, appointed for one year; Mr. Ian Marshall, Associate General Counsel & Assistant Secretary, Placer Dome Inc., reappointed for three years; Mr. David Selley, Partner, Ernst & Young, appointed for three years.

A peek at 1998

TI-Canada now has a listed telephone number: **416-488-3939**. Give us a call! We will soon have our own web page, which will include a Canadian,

anti-corruption best practices manual. Stay tuned! WE continue active cooperation with CIDA in sensitizing the Canadian Government to the importance of the anti-corruption movement. We have also launched a membership drive. **Take this opportunity to become a member of TI-Canada** and help us reach the public and corporate world in cities across Canada, to take full advantage of the changing anti-corruption environment.

INTERNATIONAL NEWS

“TI-Berlin” will now be known as “TI Secretariat”....Mr. Jeremy Pope, former Managing Director of TI, has been named Executive Director and will be working out of London, England. He has been replaced as Managing Director by Mr. Hansjorg Elshorst of Germany. Mr. Elshorst is the former head of the German development agency, GTZ....Mr. Peter Eigen, Chair, Transparency International, has been awarded the prestigious “Theodor-Heuss-Medaille” by the Theodor-Heuss-Stiftung of Germany, named after the country’s first post-war president. The award is in recognition of Peter Eigen’s work toward breaking the taboo surrounding corruption in Germany and encouraging countermeasures.

WHAT OUR MEMBERS ARE SAYING

This is a new section of TI-Canada’s Newsletter, providing an opportunity for you to express your personal views. It in no way reflects the views of TI-Canada. The following is from an e-mail from Kenneth Dye, TI-Canada member.

I think it is high time the IFIs got serious about corruption. It is time their officers stopped winking and nodding. While most of the problems are in executing agencies, I have become aware of bank employees allegedly taking bribes too. Most IFI officers don’t want to play the role of a policeman, but they could at least, when becoming aware of a bribe, alert their chief internal auditor.

I don’t think the Transparency International approach goes far enough. Until it becomes painful for bribers to bribe, I don’t think they will care if they lose some tax deductibility or face minor charges. The cost of being caught must far exceed the benefits derived from a bribe. Criminal charges with heavy penalties such [as] long term prison sentences and big fines, should be the order of the day. Regrettably bribes are so well hidden that I don’t think there will be much opportunity for bribers to be caught and punished.

There are several other alternatives for IFI to use to reduce bribery. They could and should insist that the supplier of goods or services declare in writing that they will not pay commissions or bribes or other corrupt payments to obtain business. If it is determined that a supplier of goods or services has engaged in a corrupt practice, the IFI should blacklist the supplier for five years and post a list for other donors to see. The punishment must be made expensive. The onus should be on the alleged briber to prove that they did not bribe.

Suppliers should be encouraged to develop a code of corporate ethics which includes a clear prohibition of corrupt practices. Corrupt practices would be well defined.

Where officials of donor agencies are found to engage in corrupt practices, the individual should be dismissed with a loss of all benefits including pension. Again the punishment must be greater than the bribe. Their reputation should be disgraced so they never get another job requiring trust.

We in Canada should lead the way against corruption. With many of the problems in Asia right now leading back to corruption, the time is right to snuff out this nonsense in donor activities.

INDIVIDUAL MEMBERS (Fee Range -- \$50 to \$100)

Individual members will be entitled to full participation and voting privileges at all meetings of the members.

VOLUNTARY SECTOR ORGANIZATIONS (Fee Range -- \$50 to \$500)

The designated spokesperson of an NGO has full voting and participation rights at meetings of members.

GOVERNMENT DEPARTMENTS AND AGENCIES (Fee -- \$500)

We welcome government departments and agencies as (arm's length) members, but government members will have no voting rights

PROFESSIONAL FIRMS, BUSINESS CORPORATIONS (Fee Range -- \$1,000 to \$5,000)

The designated spokesperson of professional and business firms has full voting and participation rights at meetings of members.

CHARTER MEMBERS (Fee -- \$10,000 over two years)

The purpose of charter membership is to put the chapter on a sound financial footing in its first two years of operation. Charter members will have all the rights and privileges of other members and will have the right to sit on a Corporate Advisory Council and assist in advising the Board on policies and programs.

ALL MEMBERS will receive newsletters, information about conferences and workshops, and the right to participate in these conferences and workshops on a cost recovery basis.

APPLICATION FOR MEMBERSHIP

Name: _____

Title: _____

Organization: _____

Address: _____

Country: _____ Postal Code: _____

Telephone: (____) _____ Fax: (____) _____

E-mail: _____

Membership Category (circle one)	Individual	Volunteer/NGO Professional/Business	Government Charter
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Fee: Amount _____ (Please enclose cheque, payable to "TI-Canada")