

TRIBUNE SPECIAL REPORT: A FINAL ACCOUNTING

# REPEAT OFFENDER GETS STIFF JUSTICE

Andersen’s leaders believed the firm would survive Enron’s collapse, but federal prosecutors found no reason for mercy



Andersen CEO Joseph Berardino was behind the ill-fated strategy to save the Chicago accounting legend. After failing to persuade federal prosecutors to back away from indicting the firm, Berardino resigned under pressure in March.

## Sins of past come back to haunt firm

CHICAGO TRIBUNE  
Last of four parts

A biting late-winter rain soaked the coats of Andersen’s top partners and their lawyers as the group shuffled into the Justice Department’s Washington headquarters for a rare Sunday meeting.

It was March 3, and Andersen’s reputation for checking corporate America’s books was in tatters.

Two months had passed since the Chicago-based firm publicly admitted to destroying records related to its botched audits of Enron Corp. Congress had lambasted Andersen accountants and attorneys on national television. And the firm was considering an estimated \$750 million settlement with Enron investors.

But Andersen’s problems were about to get even worse.

The firm had just learned that Assistant Atty. Gen. Mike Chertoff, chief of the Justice Department’s criminal division, was moving to indict Andersen for obstruction of justice. This Sunday session, recounted by several participants, was its best chance to talk him out of it.

Led by Chief Executive Joe Berardino, who had rushed back from Japan, the firm’s legal team argued that Andersen was being a good corporate citizen.

This series was reported by Delroy Alexander, Greg Burns, Robert Manor, Flynn McRoberts and E.A. Torriero. It was written by McRoberts.

zen. In January it had reported to the feds the shredding of Enron documents and the deletion of e-mails. It had decided to fire or demote key auditors responsible for the mess. And Berardino had a plan to reform the firm.

Robert Fiske, a former White-water prosecutor now representing Andersen, argued that indicting the company instead of a few of its auditors would kill the firm, emphasizing in a deliberate cadence, “Death, death, death.”

Chertoff listened intently but was unmoved by the pitch—and put off by the histrionics. The prosecutor who made his reputation sending mobsters to prison reminded Fiske that his office sometimes dealt with genuine matters of life and death.

In his gravelly voice, Chertoff then lectured Berardino and the rest of his team. Glaring at them across the government-issue conference table, Chertoff had one particularly cutting word to describe Andersen—“recidivist,” a repeat offender deserving.

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Jamell McLaurin marches with other Andersen employees in Chicago as part of a campaign to get the Justice Department to drop its prosecution of the firm.

# Schools open, for some it’s truly new start

Transfers, closings move 2,500 pupils

By Lori Olszewski and Ana Beatriz Cholo  
Tribune staff reporters

Searching for a better education, thousands of Chicago public school students started the new year Tuesday by switching schools, some taking advantage of federal reforms while others were displaced by local school closings.

Although the complex set of changes led to some isolated problems, such as children stranded waiting for buses that did not come, most parents and officials agreed that the opening of school was relatively smooth. Attendance figures for the first day will not be available until Wednesday, but spot checks suggested a solid turnout.

Troy Irvin, 12, of Englewood

was happy to take advantage of a new federal law that allowed 1,200 Chicago pupils to transfer from their failing neighborhood schools into better schools. Still, the prospect of his first bus ride unsettled him enough that he decided to pass on his usual Frosted Flakes.

“I’m kind of scared I won’t know anyone,” said Irvin, a 7th grader.

But as he waited for the bus on South Ashland Avenue, he soon found that he was not alone—at least a dozen of his former Bunche School schoolmates were also transferring two miles away, to Joplin School in the Auburn Gresham neighborhood.

Though some parents had been critical of the limited

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# Terror war has U.S. in dubious alliances

By Howard Witt  
Tribune senior correspondent

WASHINGTON—When President Bush declared war on terrorism a year ago and divided the world into “with us or against us,” savvy governments around the world seized their chance.

Suddenly, nearly every country facing a domestic insurrection, a civil war or just an inconvenient opposition declared that it, too, was fighting terrorism and sought a place for itself on the right side of Washington’s new world view.

The Chinese battling separatist Uighurs, the Russians fighting the Chechens, the Colombians hunting narco-rebels, the Indians struggling in Kashmir,

■ White House prepares case for lawmakers on Iraq. **PAGE 3**

the Israelis against the Palestinians—these conflicts and many others were instantly recast in post-Sept. 11 terms, often with Washington’s eager assent.

Terrorism has become the new communism. The grim realpolitik calculations of the Cold War, which for so long compelled Washington to support dictators, strongmen and crooks, are now being employed in a new global fight portrayed as an epochal battle of good versus evil.

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# Mystery shrouds death of football-playing girl

By Tom McCann and John Keilman  
Tribune staff reporters

A 10-year-old Bartlett girl who collapsed during a football practice last week died Monday, a victim of blunt trauma to the head, according to the Cook County medical examiner’s office.

Taylor Davison, the only girl on her tackle football team the last two seasons, collapsed near the end of no-contact drills Friday evening after complaining that she had a headache. Her mother, who was at the practice, said she saw no hitting or blocking that could have caused the

injury. She also said her daughter was wearing a helmet at all times.

An autopsy conducted Tuesday by the medical examiner’s office determined that Taylor died of a subdural hematoma, a blood clot that formed under the surface of her brain. The office would not speculate on the cause of the trauma that led to the clot.

Taylor’s mother, Susan Davison, said she thinks the autopsy results are mistaken.

“I never saw her get hit. She was fine up to that very minute,” Davison said. “The doctors

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# Hotel union shakes off past, wins big contract

By Stephen Franklin  
Tribune staff writer

Amid loud cheers from bargaining-weary workers, officials from the hotel workers union Tuesday detailed a tentative agreement with Chicago-area hotels, averting the first-ever strike against local establishments.

Hourly workers will receive a \$3.27 hourly raise over the term of the four-year contract, and workers’ costs for family health care will drop to \$30 a month from \$85 a month. That translates into an average 11.5 percent annual increase in wages and benefits, union officials said.

“This settlement is one we deserve,” said Henry Tamarin, president of Local 1 of the Hotel Employees and Restaurant Em-

ployees Union, whose ranks are made up largely of minority and immigrant workers.

The hotel workers’ bargaining success, suggested Bob Bruno, a labor expert at the University of Illinois at Chicago, was a textbook example from the 1930s, when unions thrived on close attention to the needs of the rank and file and intense organizing.

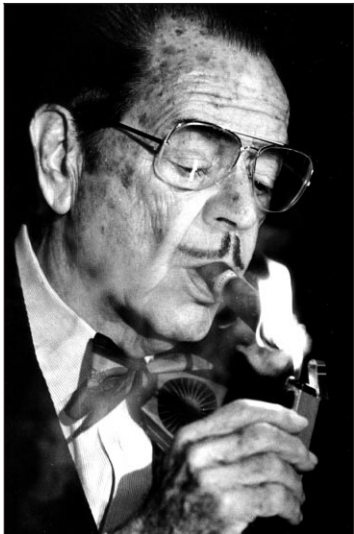
Most unions are familiar with the strategy, but many have fallen out of touch with it, adopting more of a top-down approach, Bruno said.

Linda Grace, 51, a turn-down room attendant at the Drake Hotel and one of the 65 members of the bargaining committee—made up of cooks, waiters and maids like herself—glowed and

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W. Clement Stone  
1902 ~ 2002

# Positive thinking, \$100 led to fortune



W. Clement Stone gave millions to political candidates, including Richard M. Nixon.

By Pat Widder, James Janega and Rick Pearson  
Tribune staff reporters

For W. Clement Stone, who parlayed \$100 and a positive mental attitude into a \$2 billion insurance empire and a personal fortune once estimated at half a billion dollars, anything was possible.

The founder and chairman emeritus of the giant Combined International Corp.—since merged with Ryan Insurance Group to form Aon Corp.—Stone was as famous for giving away money as he was for making it with his legendary “success system that never fails.”

He was 100 when he died Tuesday in Evanston Hospital. What had seemed like a charmed life ended due to natural causes, ac-

cording to his son Norman.

Stone’s trademarks were a pencil-thin mustache, a bow tie, an endless supply of Havana cigars, an infectious optimism and political and philanthropic donations estimated to have exceeded \$275 million, not including political donations themselves worth millions.

To Richard M. Nixon’s campaigns alone, Stone donated more than \$8 million. Stone viewed his gifts to politicians and civic causes as a way to influence events. “I have a magnificent obsession,” he once said. “All I want to do is change the world, make it a better place for this and future generations.”

And what seemed a large contribution to others wasn’t sig-

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## INSIDE

**METRO**  
**West Nile toll in Illinois hits 9**  
2 more fatalities give state the most deaths in the U.S.

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**Weather:** Sunny; high 82, low 60  
**Thursday:** Sunny; high 85, low 67

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## POLICY: U.S. aid flows to dictators, rights abusers

CONTINUED FROM PAGE 1

At the same time, the administration has articulated a "Bush Doctrine," asserting that the United States has the right to strike pre-emptively at nations that might pose a threat. Chief among them is Iraq, one of the three nations, along with Iran and North Korea, that comprise Bush's "axis of evil."

Yet critics fear that by viewing the world through a prism of terrorism, the United States is distorting its perception, jeopardizing its interests and damaging its leadership role.

Around the world, as a direct consequence of the Sept. 11 attacks, the Bush administration finds itself making common cause with regimes castigated in the State Department's human-rights report.

New U.S. military aid is flowing to Central Asian dictators who routinely jail political dissidents and to Indonesian security forces tarred by widespread brutality. Sclerotic Arab autocrats evade American scrutiny of their anti-democratic excesses so long as they keep a lid on Muslim fundamentalists. U.S. troops are fighting alongside ruthless Afghan warlords against Al Qaeda holdouts.

Meanwhile, in the Middle East, critics argue that the Bush administration's strong embrace of Israel in fighting its terrorism problem may ultimately harm America's own fight, by sowing more seeds of Muslim hostility toward the United States.

In Asia, the victims of oppressive regimes fear their campaigns for freedom and democracy are being sacrificed to American expediency.

In Russia, human-rights activists perceive a grim bargain in which Washington mutes its protests over the Russian army's actions in Chechnya so long as Moscow maintains its support for America's war on terrorism.

In Europe, old allies bristle at the Bush administration's perceived unilateralism and bullying on such issues as the new international war crimes court, which Washington opposes for fear that U.S. troops would be hauled before it on specious charges.

### Bush Doctrine precedent

What worries critics at home and abroad most of all is that the Bush Doctrine could set a precedent for military strikes, outside the umbrella of United Nations approval, that the rest of the world may all too eagerly decide to follow.

"In declaring such a doctrine, we need to articulate something that we're prepared to have others do as well. This administration doesn't understand that," said Morton Halperin, director of policy planning at the State Department during the Clinton administration. "It's impossible to articulate a doctrine which would not justify an Israeli attack on Iraq—because the Iraqis are much more likely to use weapons of mass destruction against Israel—or an Indian attack on Pakistan."

The man who succeeded Halperin in the Bush administration, Richard Haass, is not insensitive to the concerns.

"We're not looking to turn international relations in 2002 into the Wild West," Haass said. "We understand that restraint and rules still need to be the norm. But there may well need to be a place for exceptions. You have to ask yourself whether rules and norms and principles which have grown up over hundreds of years in one context are adequate to changing circumstances."

Those changing circumstances—a world in which terrorists have a global reach and so-called rogue states are aggressively seeking chemical, biological and nuclear weapons—have left the Bush administration no choice but to make some uncomfortable new alliances, Haass argued.

"I think we have to be careful as a government not to turn our eyes away from unpleasant realities simply in the name of counterterrorism, in the same way that we did during the Cold War, when we did things in the name of 'anti-communism,'" Haass said. "I don't think we are looking the other way, but we are clearly doing some business, particularly in the military area, with some governments that have unattractive dimensions, to be sure."

Congress is pushing the administration to go even further:



AP file photo by Vadim Ghirda

Two Palestinian men look out from the balcony of their damaged Gaza City apartment after an Israeli air strike in July. The Bush administration has been spare in its criticism of Prime Minister Ariel Sharon as Israel pursues its announced war on Palestinian terror, and that has escalated anti-American sentiment in the Mideast.

### To our readers

*This story is part of a Tribune series looking back on the Sept. 11 terrorist attacks and looking ahead at the challenges facing our nation. As part of the coverage, the Tribune will include a commemorative CD-ROM in Sunday's paper and will publish a special section on Sept. 11.*

The House Intelligence Committee recommended in July that the CIA, when recruiting foreign spies, "balance concerns about human-rights behavior and lawbreaking with the need for flexibility." In other words, the CIA could sign up criminals if it will assist the war on terror.

"The idea that for now the priority is on counterterrorism is to me understandable," Haass said. "After Sept. 11, we didn't have the luxury of saying, 'We're not going to have anything to do with you because you're not Jeffersonian democrats.'"

No one would ever confuse Pakistan's military ruler, Gen. Pervez Musharraf, with Thomas Jefferson. Only a few weeks ago, Musharraf, who seized power in a 1999 coup, unilaterally amended Pakistan's constitution to cement his grip and secure the military's role in determining future governments. That followed a referendum he staged in the spring to grant himself another five years as president.

But Musharraf emerged soon after Sept. 11 as America's most important new ally in the war on terrorism, abruptly steering Pakistan's security forces away from their support of the Taliban they helped create in Afghanistan and toward a crackdown on Pakistan's own Islamic fundamentalists. And to the White House, those actions matter the most.

"My reaction about President Musharraf, he's still tight with us on the war against terror, and that's what I appreciate," Bush said when asked what he thought of Musharraf's constitutional amendments.

Then the president added: "Obviously, to the extent that our friends promote democracy, it's important. We will continue to work with our friends and allies to promote democracy, give people a chance to express their opinions the proper way. And so we'll stay in touch with President Musharraf in more ways than one."

### Pressure on Kashmir

Even as Musharraf earns the president's praise, the White House is eager to hold him to his promise to prevent Pakistani militants from staging attacks against India over the disputed province of Kashmir. Tensions between Pakistan and India over Kashmir nearly flared into war twice in the past 10 months, and the nuclear-armed foes still have nearly a million troops faced off against each other.

South Asia experts fear that the next time the Kashmir crisis worsens, either side could muster an argument, along the lines of the Bush Doctrine, to justify a pre-emptive nuclear strike in



AP photo by Aaron Favila

Foreign and Filipino activists march Sunday toward the U.S. Embassy in Manila during a rally to launch an organization called the Asian Peace Alliance in protest of the U.S. war on terror.



AP file photo by Achmad Ibrahim

Gen. Widodo Adi Sucipto, head of Indonesia's military, attends the March trial of officers accused of abuses in East Timor.

the name of self-defense.

Uzbekistan presents another post-Sept. 11 dilemma for the United States. The Central Asian state is ruled by a former Soviet communist strongman, Islam Karimov, who refuses to permit opposition political parties or a free press and has staged a harsh crackdown on Muslim practitioners. Karimov is holding, by American count, at least 6,500 political prisoners he alleges are dangerous Islamic fundamentalists.

But Uzbekistan is strategically situated and has provided crucial air bases the United States needs for the anti-terrorism war in neighboring Afghanistan. The U.S. has more than 1,000 troops stationed there.

The Bush administration argues that it is making a political virtue of military necessity: By engaging Karimov instead of spurning him, it is furnishing an incentive for the regime to launch political and human-rights reforms.

promises to implement democratic and economic reforms.

"Ask yourself: Have the Uzbeks done more in the last 12 months on human rights than in the year before?" the diplomat said. "Isn't that progress?"

### Indonesian sanctuary?

In Indonesia, the Bush administration makes a similar argument about the benefits of engagement, but it seems less sure of the results.

Indonesia is the world's most populous Muslim nation, where moderate forms of Islam hold sway and the government has made strides in recent years to democratize after decades of repression. But evidence has surfaced that Al Qaeda operatives are spreading into Southeast Asia, and the Bush administration fears that the vast Indonesian archipelago of 17,000 islands, some of them home to separatist insurrections, could provide sanctuary to Islamic terrorists.

Thus, the White House has promised Jakarta \$50 million in new aid to train security forces in counterterrorist techniques. Some of that training money will go to the Indonesian army, which the U.S. has long shunned because of the widespread human-rights abuses soldiers committed while trying to suppress East Timor's quest

for independence in the 1990s.

At the same time, the State Department is urging a U.S. judge to dismiss a lawsuit brought by human-rights activists against ExxonMobil over its operations in a troubled Indonesian province. The lawsuit alleges that the oil company was complicit in human-rights abuses committed by the Indonesian military while protecting Exxon Mobil's operations; the State Department is arguing that the case could upset Indonesia and diminish its willingness to help in the war against terrorism.

Indonesia's counterterrorism efforts, the State Department contends in a legal brief, could be "imperiled in numerous ways if Indonesia and its officials curtailed cooperation in response to perceived disrespect for its sovereign interests."

Not roiling the waters has long been the rule of U.S. foreign policy toward moderate Arab regimes in Egypt, Jordan and Saudi Arabia, where Washington has for years turned a blind eye to internal corruption and political repression in exchange for stability and cooperation in the Middle East.

But there are some recent signs that approach may be changing.

In August, Bush abruptly announced that he would not seek additional aid for Egypt—the second-largest recipient of U.S. aid, after Israel—until the government of President Hosni Mubarak freed a prominent democracy advocate jailed on specious charges.

Though largely symbolic—the president's decision did not imperil the bulk of annual U.S. aid to Cairo—it was the first time Washington has tried to use its aid leverage to promote human rights in Egypt, where Mubarak has clamped down on political freedoms and closed the nation's contracting economy to reforms.

Administration officials say the Egypt decision represents a new understanding of the roots of terrorism: that much of it grows out of the political and economic frustration spawned by repressive Arab regimes.

"There's always been a sense

we should care about these things for normative reasons—democracy is good, human rights are good," said the State Department's Haass. "But I think what the last year has really brought home is that we can be dramatically affected through terrorism by what happens to individuals in these societies. ... [It's] no longer simply a humanitarian concern, it's now a strategic concern as well."

In fact, next week at the United Nations, Secretary of State Colin Powell is expected to announce a new U.S. program to support democracy and human rights in the Middle East, including \$25 million for pilot projects to train political activists, journalists and labor union leaders.

That program would be in addition to the administration's renewed efforts at public diplomacy in the Arab world, which include a new Arabic-language FM radio station intended to give younger Muslims a more positive image of the United States.

### Support of Sharon indelible

But in the Muslim world, no amount of pro-American propaganda seems able so far to counteract the effects of Bush's strong embrace of Israeli Prime Minister Ariel Sharon in his crackdown against the Palestinians.

During this year's repeated Israeli military offensives in the West Bank, ubiquitous satellite dishes perched on millions of rooftops and balconies throughout the Middle East broadcast non-stop images of Palestinian suffering, inflaming popular passions in ways that would have been impossible only a decade ago.

"We don't see in this country anything compared to what the people in the region see," said Edward Walker Jr., president of the Middle East Institute and a veteran Mideast ambassador to Israel and Egypt.

"This is something that America has been very reluctant to look at: Why Sept. 11? Why do young men and some young women strap bombs on themselves?" Walker added. "There's a fear that we might come to the conclusion that Israel's actions vis-a-vis the Palestinians encourage hopelessness, which leads to terrorism, which therefore then impacts us."

Human-rights activists note one other anti-terror expediency that could come back to haunt U.S. foreign policy: the ongoing detention of terrorism suspects.

"I'm beginning to think the most damaging thing this administration is doing to the cause of human rights globally is the compromises that it's making in the assertion of an unchecked power to detain people, without judicial review, in secrecy," said Tom Malinowski, Washington spokesman for Human Rights Watch.

"The arguments the administration is making to justify the secrecy," he added, "are precisely the arguments that dictatorships make in response to American criticism of their human-rights records."