

State Department teaches workers how to prevent further security lapses

BY GEORGE GEDDA
ASSOCIATED PRESS

WASHINGTON — Paper shredders, State Department employees are told, must trim classified documents down to slices no larger than 1/32 inches by 1/2 inches. Disposal can also be achieved, they are advised, with machines that can "pulverize" secrets into powder. Safes storing sensitive materials must weigh at least 500 pounds, which are too heavy to be carted off.

James D. Tromatter makes these points tirelessly in briefing after briefing as part of the State Department's intensified efforts to keep employees security conscious.

Since May, about 9,000 employees have heard the message from the amiable, yet no-nonsense Tromatter, who gave up his Army career four years ago to become a security expert at the State Department. Attendance is mandatory.

Secretary of State Madeleine Albright's goal is to end a string of security lapses that have plagued the department, the result, many in Congress believe, of a culture that is inattentive to security requirements.

There was the case of the Russian spy operation a year ago that involved use of a sophisticated eavesdropping device planted in a seventh-floor conference room. The Russian who got caught listening to the device outside the State Department

was sent packing last December. Who planted the device remains a mystery.

More significant is the case of the laptop computer with highly classified information that disappeared around Feb. 1 from a conference room in the Bureau of Intelligence and Research. It was alleged to have contained highly classified information about arms proliferation issues and about sources and methods of U.S. intelligence collection.

The lapses left Albright feeling "humiliated." At a meeting of State Department employees, she dispensed with the ambiguities so common to her trade.

"I don't care how skilled you are as a diplomat, how brilliant you may be at meetings, or how creative you are as an administrator, if you are not a professional about security, you are a failure," she said.

Less than three weeks later, Tromatter began his series of briefings, which consist largely of reminders: Top secret material is always covered by a special sheet that identifies it as such. Use red "secret" labels on computer disks that have been used on classified computers. To hand carry top secret information requires a top secret clearance.

Copying of top secret materials must be carried out by a "top secret control officer." Secret and confidential materials can only be copied on designated machines. Since the briefings began, Tromatter says reports of infractions are down by about 20 percent.

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Tromatter, a native of Williamsburg, Va., says the most common security infraction involves leaving a classified document uncovered on a desk.

He says that of the various threats the Department faces, none is greater than what he calls "sight," or signals intelligence. It involves the intercept by unauthorized persons of classified materials sent by facsimile or telephone.

The security lapses did not go unnoticed on Capitol Hill.

"It is obvious that the Department lacks a professional environment that is sensitive to security concerns," said House International Relations Committee chairman Benjamin Gilman, R-N.Y.

"There is not sufficient awareness, or sufficient attention, to security" at the Department, said Porter Goss, R-Fl., chairman of the House Intelligence Committee.

It hasn't been easy for Albright to overcome these perceptions. Not long after her speech to Department employees, Sen. Rod Grams, R-Minn., a mem-

ber of the Senate Foreign Relations Committee, complained that six foreign service officers nominated for ambassadorships had committed a total of 62 security infractions, including one with 22 on his record.

To Grams, it seemed hard to reconcile Albright's warnings about the need for vigilance with coveted promotions for people not always attentive to security issues.

Grams held up the nominations for months, but then allowed them to clear the Senate after extracting further concessions from the State Department on employee accountability for infractions.

Congress kept up the heat on the administration this week by approving a bill that subjects government employees to up to three years in prison for willfully disclosing nearly any classified information.

The bill was passed despite warnings that it gives the government a blank check to criminalize any leaking it does not like.

U.S. representatives quarreling over record \$40 billion education budget

BY ANJETTA MCQUEEN
ASSOCIATED PRESS

WASHINGTON — The partisan battle over how to spend a record \$40 billion education budget heated up Thursday with President Clinton making a trip to Capitol Hill to boost the Democratic plan and House Republicans portraying the administration as throwing money at unproven programs.

At a rally featuring schoolchildren from North Carolina, Republican leaders said the White House declined offers of \$3 billion to \$6 billion more for education in exchange for giving schools more leeway on spending.

Clinton and the Democrats have insisted money be set aside to hire teachers and build schools. They met increased resistance Thursday.

"I don't know that we can resolve this issue in this Congress," said Rep. John Porter, R-Ill., chairman of the House Appropriations subcommittee that oversees education spending. "This might

have to be sorted out by the American people."

With vetoes and his party's popularity on the issue, Clinton has succeeded in recent years in forcing Republicans to compromise on new teachers and school construction. On Thursday, less than three weeks before national elections, he prepared to rally around Democrats who are faced with cutting a deal with Republicans who have won increased public approval on the issue.

"It's a fight with no fighters," Senate Minority Leader Tom Daschle, D-S.D., said Wednesday, complaining that Republicans are unwilling to discuss compromise.

John Czwartacki, spokesman for Senate Majority Leader Trent Lott, R-Miss., said Clinton and the Democrats have been unwilling to deal: "We could have been out of here Oct. 1."

Black Democrats are accusing their own party leaders of not putting enough attention on improving education for the poor.

The education budget is part of three spending bills being negotiated by lawmakers and the White House for the budget year that began Oct. 1. Leaders planned a fourth temporary spending bill Thursday to keep agencies going.

Democrats are battling for specific money to hire new teachers and repair crumbling schools. Republicans still want to give states the option of spending the money on other programs such as special education and reading lessons.

Clinton and the Democrats could use a showdown to brand the GOP as the foe of popular priorities such as new teachers and after-school programs. Republicans could use a low-key compromise over a big public fight that reminds voters the GOP once advocated abolishing the Education Department.

"The Republican leadership is running out the clock," said Joel Packer, a lobbyist for the National Education Association teachers union.

Bickering over education is hardly new.

Last year's education budget passed only after a deal that allowed new money earmarked for teachers but gave states leeway to spend some money on other programs. A key federal education law, parts of which expired last year, has not been renewed.

The last major education bill Clinton signed, in 1999, expanded an experimental program that exempts states from some federal rules if the states show improved learning by children.

Congress will have to answer for the lack of progress, said Rep. Major Owens, D-N.Y., a member of the Congressional Black Caucus, which wants the debate focused on the poorest schools.

"We are trying to do a get-out-the-vote campaign, and we are empty-handed on education," he said. "In the endgame, very unusual things happen. It's time for them to happen in our favor."

Greenspan says nation's good economy might be affected by rising energy costs

High oil prices could still cause surge in inflation

BY JEANNINE AVERSA
ASSOCIATED PRESS

WASHINGTON — Federal Reserve Chairman Alan Greenspan said policymakers will keep watch on surging energy prices to make sure they don't spoil the nation's economic good times.

On Wall Street Thursday, stocks were recovering some of Wednesday's losses. By late morning, the Dow Jones industrial average had gained 88 points and the Nasdaq index added 172.

While the recent surge in oil prices, which hit a 10-year high of \$37.80 in September, has not produced higher overall inflation, Greenspan cautioned that risks remain, especially given the "political difficulties" in the Middle East.

"Even though the intensity of oil consumption is markedly below where it was 30 years ago, it still has the potential to alter the forces governing economic growth in the United States," Greenspan said Thursday in remarks to a monetary policy conference.

"Policy-makers will need to be on the alert for oil-driven, indeed energy

driven, risks to our expansion," Greenspan said.

When crude-oil prices spiked last month, President Clinton announced he would tap the government's emergency petroleum reserve to help offset soaring prices.

November crude futures, which had pulled back nearly 10 percent this week following a surge sparked by Midwest violence, gained 49 cents to \$33.48 a barrel in trading on the New York Mercantile Exchange Wednesday.

Greenspan said that in the short run, oil prices are heavily influenced by inventory levels. Those levels have dropped significantly since decisions by the Organization of the Petroleum Exporting Countries in 1998 and 1999 to cut production by more than 3 million barrels a day.

Since that time, OPEC has boosted production to what are now record levels, but Greenspan said hoarding by worried distributors and consumers may be limiting the impact of the increased production.

"In the short run, the price of oil, as that of all commodities, inevitably is influenced importantly by inventory levels, especially when stocks become critically short," Greenspan said.

Energy prices shot up 3.8 percent in September, the biggest advance since

June. In the first nine months of the year, gasoline prices rose at an annual rate of 22.4 percent and heating-oil costs at an annual rate of 49.4 percent.

Even with these increases, Greenspan noted, "To date, the spillover from the surge in oil prices has been modest."

The Federal Reserve has raised interest rates six times since June 1999 to slow the economy and stave off inflation. Greenspan did not directly discuss the future course of interest-rate policy in Thursday's speech.

The Fed on Oct. 3 passed up the chance to raise rates for a seventh time, but cautioned that the increase in energy prices "poses a risk of raising inflation expectations."

In a separate speech, Fed board member Laurence Meyer said Thursday that soaring oil prices, while contributing to short-term inflationary pressures, are likely to decline by spring.

"If the expectations in futures prices for oil prove correct, we may soon be treated to an extended period of decline in oil prices," Meyer said.

Despite higher energy prices, consumer spending has remained firm, Greenspan said in his remarks. Generally, when consumers have to shell out more for more expensive gasoline, heating oil and other energy products, they have less to spend on other items.

The U.S. economy is in its longest-ever streak of uninterrupted growth, with unemployment at a 30-year low and inflation largely in check.

Even before last week's escalating violence in the Middle East, oil price pressures had been strong, Greenspan said.

"This largely owed to the possibility of a politically driven removal of a significant part of Iraq's 2.5 million to 3 million barrels a day from global markets at a time when there exists so little available world excess capacity to replace it," Greenspan explained.

Greenspan also said growing federal budget surpluses have been an important source of national savings, reducing upward pressure on long-term interest rates.

He wondered whether that would continue.

"I believe most of us harbor doubts about whether the dynamics of the political process, some of which have been on display in the current budgetary deliberations, will allow the surpluses to continue to grow," he said.

Greenspan also noted the strong surge in productivity growth, which has helped to keep inflation in check. But, as in the past, he cautioned that the strong productivity growth rates experienced in recent years inevitably will slow.

American businessman accused of spying in Russia losing hope

BY NICK WADHAMS
ASSOCIATED PRESS

MOSCOW — An American businessman accused of spying in Russia has lost hope he'll be given a fair trial and probably will limit his testimony to a prepared statement, his lawyer said Thursday.

Edmond Pope, discouraged with the first court session held Wednesday, may read a 40-page statement he has written and then keep silent for the rest of the trial in hopes of getting it over with quickly.

"I think he wants this whole nightmare to end as quickly as possible, and when there is a verdict, to then plan his next move," Pope's lawyer Pavel Astakhov told The Associated Press.

Pope, a retired U.S. Navy officer from State College, Pa., was arrested April 3 by Russia's Federal Security Service on charges that he tried to buy plans for a high-speed Russian torpedo. He faces up to 20 years in prison if convicted.

The court turned down several defense requests Wednesday. It refused Pope's appeal to replace his Federal Security Service translator with an independent one or give him more time to read his indictment. Astakhov said Pope hadn't been able to study the indictment thoroughly, and said Pope told him the document was so poorly translated it was incomprehensible in places.

"How can you prepare for the court trial when you don't know exactly what you are indicted for?" Astakhov said.

Pope says he's innocent, and the United States has called repeatedly for his release from Moscow's Lefortovo prison. Russian officials have accused U.S. officials of meddling in their legal system.

Astakhov said Pope was also furious that his Russian associate, a university professor named Anatoly Babkin, was not on the list of prosecution witnesses. The defense has asked that Babkin testify because he helped Pope

in his search for unclassified naval equipment designs.

"We hoped that the court would be fair, but after it made these decisions, Edmond realized prosecutors wouldn't have to prove his guilt, but he would have to prove his innocence," Astakhov said.

Pope will make a final decision on whether to testify by Friday, when the trial is set to resume and Judge Nina Barkina will read the 26-page indictment against him.

He may be counting on the good will of Russian President Vladimir Putin, who hinted on CNN's Larry King Live last month that Pope could be returned to the United States even if convicted.

The defense's one victory on Wednesday was that Barkina agreed to a medical examination to determine whether Pope, who has suffered from a rare form of bone cancer, is fit to stand trial. It still wasn't known if the judge would agree to Pope's request that he be seen by an American doctor.

Russian doctors already have decided that Pope is fit to stand trial. Astakhov said his client was losing weight and had vision trouble.

"What can I say, he's a sick man in prison, and in my opinion, he's getting sicker," Astakhov said.

Six other prisoners are in Pope's cell at Lefortovo, and Pope is suffering from secondhand cigarette smoke, he said.

Pope worked for the Applied Research Laboratory at Pennsylvania State University. He later founded CERF Technologies International, a company specializing in studying foreign maritime equipment, and traveled to Russia dozens of times.

Pope's supporters and family say he was seeking information on an underwater propulsion system that is at least 10 years old and has already been sold abroad.

Independent counsel issues final report on travel office firings

BY PETE YOST
ASSOCIATED PRESS

WASHINGTON — Independent Counsel Robert Ray challenged Hillary Rodham Clinton's testimony and criticized "uncooperative" presidential aides in a final report on the 7-year-old controversy over mass dismissals in the White House travel office. The report became an instant issue in the first lady's Senate race in New York.

Ray concluded that Clinton gave "factually false" testimony, but he decided not to prosecute her because he could not prove she intended to deceive when she denied having a role in the May 1993 purge of the travel office. Ray said Clinton might not have even known her contacts with presidential aides had instigated the firings.

Bill Powers, chairman of the New York state Republican Party, said the prosecutor's report "once again makes us question" Clinton's believability.

"We believe that character counts in public service," said Clinton's Republican opponent in the Nov. 7 election, Rep. Rick Lazio.

Clinton's lawyer, David Kendall, called the prosecutor's conclusions about factually inaccurate testimony "highly unfair and misleading." The final report "recognizes she may not have even been aware of any influence she may have had on the firing decision," Kendall wrote.

Also, the White House noted Ray's report found evidence of financial irregularities at the time of the firings inside the travel office, which handles travel arrangements for the White House press corps.

"The report recognizes that Mrs. Clinton was rightfully concerned about the financial improprieties in the travel office," White House press secretary Jake Siewert said Wednesday.

Outside auditors in 1993 identified at least \$18,200 in missing checks and improperly recorded or unrecorded petty cash transactions in the travel office.

Locked in a tight race for the

Senate, Mrs. Clinton dismissed the findings during a campaign stop in Syracuse, N.Y. "Most New Yorkers and Americans have made up their minds about this," she said.

Ray singled out a number of former White House aides for engaging in "serious resistance" to investigators' questions about Mrs. Clinton's part in the firings, declaring that "witnesses were uncooperative in this office's investigation."

Ray cited former White House chief of staff Mack McLarty, ex-deputy chief of staff Harold Ickes, Lisa Caputo, Paty Thomasson and Jeff Eller. Caputo is Mrs. Clinton's former press secretary. Thomasson is a former deputy of David Watkins, who fired the travel office employees, and Eller is a former deputy press secretary.

McLarty insisted he had been "completely forthcoming and truthful at all times" with investigators, who asserted that McLarty had given varying accounts of a conversation with Mrs. Clinton.

Ickes told prosecutors he had no memory of a two-hour meeting eight days before the travel office firings with Hollywood producer Harry Thomasson, a key figure in the controversy. At the time, Ickes was a private attorney.

Ickes told Ray's office he had "no idea" where the meeting with Thomasson was held, that he did not "recall who was there, if anyone," what city it was held in or what was discussed.

Prosecutors said Eller claimed a lack of memory more than 200 times in less than two hours of grand jury testimony.

The continuing White House e-mail controversy also played a role in Ray's final report, with the prosecutor saying computer messages received in June this year could have been used to refresh the recollection of Eller had they been available during the investigation. Because of a computer problem that the White House failed to disclose, thousands of e-mails were never turned over to investigators.