

President Bill Clinton meets with the Vice Chairman of the North Korean Defense Commission, Jo Myong Rok, at the White House on Tuesday. Jo is the highest ranking North Korean official to visit Washington since the beginning of the Korean War.



Newsmakers photo

Leaders work to end hostility

THE ASSOCIATED PRESS

WASHINGTON — In historic talks, American and North Korean officials searched Wednesday for ways to end five decades of hostility in a relationship burdened by bitter memories of war and an ever-present fear of renewed conflict along the most heavily armed border in the world.

Vice Marshal Jo Myong Rok, the highest-level North Korean official ever to visit Washington, met with Secretary of State Madeleine Albright and the department's top adviser on North Korea after talks with President Clinton on Tuesday.

Jo also met with Defense Secretary William Cohen.

Among the topics was Washington's strong desire for North Korea to abandon its program of developing and exporting ballistic missiles, and to lessen its military buildup along the Demilitarized Zone that separated the communist North from the democratic South since the end of the Korean War in 1953.

Also on the agenda was the Pentagon's bid to expand its search in North Korea for the remains of U.S. servicemen killed in the Korean War. Teams of U.S. forensics experts have recovered 35 sets of remains in North Korea so far this year, but North Korea has not agreed

to extend the work beyond November.

"I'm optimistic," Robert Jones, the Pentagon's chief of POW/MIA affairs, said before Wednesday's talks.

State Department spokesman Richard Boucher described Wednesday's talks as productive, but he was reluctant to discuss specifics, including details of a letter Jo delivered to Clinton on behalf of Kim Jong Il, the North Korean leader whose father, Kim Il Sung, founded the communist nation in 1945.

"We continue on both sides to look forward to ways to end the hostility between our two nations and to develop a better relationship," Boucher said, adding that he expected to say more after Jo leaves today.

In a toast Tuesday night at a State Department dinner, Jo said he foresees a bright future for U.S.-North Korean relations but only if the United States offers concrete assurances for his country's security and territorial integrity.

Jo did not spell out what steps the United States must take, but private U.S. experts on Korea said Wednesday they believe Jo was indicating that his government is ready for improved ties with the United States, but not at the cost of losing control of the communist regime that has ruled for five decades.

"Their greatest fear is that we want to undo their socialist system," Robert A.

"We continue on both sides to look forward to ways to end the hostility between our two nations ..."

Richard Boucher
State Department spokesman

Manning, director of Asia studies at the Council on Foreign Relations, said.

North Korea historically has strongly opposed the presence in South Korea of 37,000 American troops, but William Taylor of the Center for Strategic and International Studies, said he does not believe the North Koreans think there is any realistic chance of removing the U.S. military forces in the near future.

"U.S. troops off the Korean Peninsula is not anything we're looking at any time soon," Taylor said.

In a recent report to Congress, the Pentagon said that despite the positive outcome of a North-South meeting in June, it remains impossible to know whether North Korea is committed to a permanent peace on the peninsula.

"North Korea's leaders cannot totally abandon their hostility toward (South Korea) and the United States, nor can they fix their economy, without taking significant risks to regime survival," the report stated.

Site thrives when others fail

■ The online business sells inventory other retailers want off their hands.

THE ASSOCIATED PRESS

SALT LAKE CITY — Overstock.com's business plan isn't complicated. When it hears the thud of another dead e-retailer hitting the ground, it tries to drag the body away and rifle the pockets for valuables.

The Salt Lake City-based online retailer has embraced an idea that brick-and-mortar types have long known, but never bragged about — there's lots of money to be made relieving manufacturers of inventory that, for one reason or another, just hasn't moved.

Discount chains such as Tuesday Morning and Macys.com do it in the traditional way. Overstock.com says it's a couple of months away from turning a profit doing it online.

Among its bottomfeeding successes was ToyTime.com, a Web toy site that went under in June. Now ToyTime's entire inventory is on its way to Overstock's cavernous warehouse near Salt Lake City International Airport. Overstock even bought the shelves from ToyTime's storage center.

The deal brought in about \$12 million worth of merchandise at retail prices. Overstock paid \$3.75 million for the toys.

Overstock also buys inventory from viable manufacturers that can't sell their

stuff.

Maybe a new model of VCR is replacing an old one; Overstock will scoop up the dated models and put them on its Web site. Maybe a big retailer has told an appliance maker that it doesn't want the last 1,000 Mickey Mouse waffle makers; Overstock buys them.

The company offers the name-brand goods at deep discounts, usually even below wholesale, said Patrick Byrne, chief executive and majority owner of the privately held company.

It's the simplicity, and the apparent lack of competition, that has analysts thinking Overstock may have hit on a winning formula.

While the real world has yet to supply a competitor to run Overstock off the road, the comic strip "Doonesbury" came close this spring.

A series of strips detailed the exploits of two college students who wanted to create myVulture.com, a site that would — surprise, surprise — liquidate the assets of belly-up e-retailers.

There's a subtler point working in Overstock's favor, says Tom Wyman, analyst with J.P. Morgan. Manufacturers don't want anyone to know that they have products they can't sell through normal channels.

So what they need, and what Overstock provides, is a way for that stuff to disappear into the marketplace.

"The reason you don't read much about it, and why we don't have the figures for this business, is that the manu-

facturers want it that way," Wyman said.

Karla Bourland, Overstock's president and chief operating officer, is all nervous energy as she shows visitors around the warehouse.

The company's operations now occupy 100,000 square feet, about half the space, but they soon could fill the entire warehouse, she says.

All depends on how the Christmas season goes. But mentioning Christmas to an online retailer is like discussing the bar exam with a law student — they get all nervous thinking about the repercussions if they fail.

Last Christmas season was generally good for e-retailers, but when they failed to please customers, it was usually because they couldn't deliver good on time or couldn't handle returns.

Bourland hopes to avoid that trouble and is planning to use the 60 employees in the downtown headquarters to augment a warehouse staff of about 45.

"If copy writers have to come down here and pack boxes, then they will," she said.

The company moved its warehouse operation from Portland, Ore., to Salt Lake City in July so it could better manage growth. It is struggling to set up its operation even while it continues to grow.

Byrne, 37, says weekly sales have gone from a few thousand dollars a year ago to about \$600,000 now.

Byrne bought a majority stake in Overstock a year ago through his personal investment fund, High Plains. Published reports have estimated his net worth at more than \$100 million, but Byrne declines to discuss his wealth.

He says he jumped at the chance to buy Overstock because he saw a company with a pile of potential that needed a new direction.

Testing error victims get diplomas

■ High school students who received failing grades because of an error made by a private testing firm were honored at a ceremony with certificates signed by Gov. Jesse Ventura.

THE ASSOCIATED PRESS

ST. PAUL, Minn. — Classmates by misfortune, 17 people who were denied high school diplomas because of a test-scoring error that affected thousands of students were honored Wednesday with a special ceremony at the Capitol.

It was a graduation in every sense, with a brass band, flashing cameras and tearful parents. Officials called the 25-minute event a "recognition ceremony" because most students received their diplomas soon after the mistakes were announced in July.

Instead of diplomas, Gov. Jesse Ventura issued personally signed certificates for students he called "innocent victims."

"Get stronger from it," he told them. Minnesota education officials say 54 high school seniors were denied their diplomas because of a mistake a private testing firm made on 47,000 math exams. In all, 7,989 students in eighth through 12th grades incorrectly received failing grades because National Computer Systems Inc. used the wrong "correct" answers in grading six questions.

Boeun Chhoun flew to Minnesota from Seattle, where he attends a community college for computer programming. Another wrongly failed student, Brian Benjamin, made the three-hour drive from Brainerd.

"I'm glad it's going to be over after this," he said. For months, he said, the thought that he had failed was humiliating, and the error itself kept him from filling out financial aid forms on time.

Abdirashid Mohamed, a Somali immigrant who attended Eden Prairie Senior High School, seemed equally eager to put the error behind him.

"I encourage all of you to look forward to the future. Don't let this mistake keep you from accomplishing your dreams," he said in his address to fellow members of the Class of 2000.

The testing company, now called NCS Pearson, has promised to reimburse the families of students for unneeded tutoring and offered \$1,000 tuition vouchers to high school seniors who did not receive a diploma because of the error. NCS still faces several lawsuits.

Study finds anthrax to be cause for loss of pilots, aircrew

THE ASSOCIATED PRESS

WASHINGTON — Countering military assertions that refusals to take the anthrax vaccine are having little impact, a congressional study finds it is the leading cause cited by pilots and aircrew members for leaving National Guard and reserve units.

The Pentagon questioned the results Wednesday, saying guard and reserve strength and readiness is unaffected.

But officers acknowledged they have no data of their own on how many reservists are leaving rather than taking the shots.

Combined with congressional testimony from former and present reservists claiming persecution for refusing the vaccine, the General Accounting Office survey adds to congressional pressure on the Pentagon to give up its beleaguered vaccination program.

In a House Government Reform Committee hearing Wednesday, commercial pilot Tom Heemstra estimated that 2,100 pilots from the Air National Guard and Air Force Reserves would be lost if the vaccination program continues.

A year ago, Heemstra had also complained in congressional testimony about having to take the anthrax vaccine as a squadron commander in the Indiana Air National Guard.

Heemstra, of Lexington, Ky., who said he was forced to retire for his refusal, said anthrax has caused more than 200 resignations so far at several bases around the country. He provided the committee with a list of coded names of some pilots who have left, saying military authorities are falsely reporting the numbers of departures linked to the vaccine.

Accusing Pentagon officers of abusing their power, he said, "They coerced, intimidated, threatened and punished in order to enforce this program."

Committee Chairman Dan Burton, R-Ind., holding his second anthrax hearing this month, accused the director of the Air National Guard of lying about the effect of the vaccine on departures from the guard, and suggested Maj. Gen. Paul A. Weaver Jr. should face court-martial.

"The Defense Department has insulted the honor and integrity of anyone who has dared question the anthrax vaccine program," Burton said.

Weaver responded at the hearing by saying he never meant to mislead Congress or guard members during a closed-circuit briefing on anthrax at which he defended a previous declaration that only one guardsman had refused the vaccine. Weaver said this did not include those who had made no formal commitment to the guard and simply left, since guard service is entirely voluntary.

In the GAO survey, 25 percent of those who left their units, either through requested transfer or resignation, cited the mandatory anthrax immunization as the No. 1 factor in their decision. No other factor ranked higher, it said.

World/Nation

The Associated Press

Washington Senate passes bill to strengthen auto safety

A bill aimed at strengthening auto safety in the aftermath of the recall of Firestone tires linked to 101 deaths was passed Wednesday night by the Senate and sent to President Clinton.

The bill prescribes jail terms for officials of automakers and parts suppliers who withhold information about safety defects from government regulators, requires government testing of vehicles for their rollover risk and requires that new vehicles sold in the near future have systems to warn motorists about under-inflated tires.

"Tragically, I fear there will be more deaths and injuries on America's highways before we make it much safer," said Sen. John McCain, R-Ariz., who had sponsored a stronger bill but supported the House version as an acceptable alternative. "But I think we've taken a major step forward and one that I think will save lives and prevent injuries."

Washington Company fined for selling flammable sweaters

A California company has agreed to pay a \$75,000 fine to settle charges that it sold previously recalled sweaters that were so flammable, they burned faster than newspaper, the Consumer Product Safety Commission said Wednesday.

In November 1996, AZ3 Inc., doing business as the Vernon, Calif.-based BCBG Max Azria, recalled about 3,000 women's chenille sweaters made of 65 percent rayon and 35 percent nylon.

The company should have disposed of the recalled sweaters, but it instead kept some and sold about 185 of them in its employee store in the summer of 1999.

South Africa Fifteen penguins rescued from oil spill released

CAPE TOWN, South Africa — After pausing briefly on a Cape Town beach, 15 newly released African penguins plunged into the chilly Atlantic Ocean on Wednesday, their dives marking the end of the world's largest penguin rescue operation.

The 15 birds were the last of 19,000 penguins smeared by oil spilled from a tanker that sank June 23 off Cape Town's coast. Volunteers and experts cleaned and fed the birds until they gained enough strength to return home.

A further 19,500 soiled penguins were captured, driven about eight hours up the coast to the town of Port Elizabeth and released to swim home, which gave authorities time to clean up the spill.

France French parliament alleges U.S. electronic spy ring

PARIS — A parliamentary report published Wednesday urged France to protect itself from an alleged U.S.-led eavesdropping network, which it claims Washington is using to snoop on the businesses of its European allies.

The 80-page report by the National Assembly's defense commission alleged that no form of communication, from fax to e-mail to cable, is safe from the so-called Echelon spy network.

It said that businesses, particularly European companies with American competitors, were the principal targets of the alleged electronic snooping ring.

In February, a European Parliament set up a special probe into Echelon. In July, Denmark, like France, set up a national inquiry. The network allegedly includes Britain, Canada, Australia and New Zealand.

Last month, an EU committee said it wants U.S. intelligence chiefs to testify on whether Echelon spies on the businesses of its European allies.

Daily Nebraskan

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Questions? Comments?
Ask for the appropriate section editor at
(402) 472-2588
or e-mail: dn@unl.edu

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Fax Number: (402) 472-1761
World Wide Web: www.dailynebr.com
The Daily Nebraskan (USPS 144-080) is published by the UNL Publications Board, 20 Nebraska Union, 1400 R St., Lincoln, NE 68588-0448, Monday through Friday during the academic year, weekly during the summer sessions. The public has access to the Publications Board. Readers are encouraged to submit story ideas and comments to the Daily Nebraskan by calling (402) 472-2588.
Subscriptions are \$60 for one year.
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