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**History of the  
Department of State  
During the Clinton Presidency  
1993-2001**

**DOCUMENTARY ANNEX  
Part 1**

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## Documentary Annexes

### I. Principles and Objectives of the Department Leadership

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- I-1        Secretary-Designate Warren Christopher's Statement before the Senate Foreign Relations Committee at his Confirmation Hearing, Washington, January 13, 1993; 5 pp.
  
- I-2        Secretary Christopher's Remarks on "Building the Structures of Peace and Prosperity in the New Middle East," Casablanca, Morocco, October 30, 1994; 4 pp.

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### II. Management and Organizational Change

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- II-1 Secretary Albright Remarks on signing an Memorandum of Understanding with Small Business Administrator Alvarez. Washington, March 15, 1999;
- II-2 Statement of the Inspector General of the Department of State, Arms Control and Disarmament Agency, and United States Information Agency before the Special Committee on the Year 2000 Technology Problem of the United States Senate: The Year 2000 Computer Problem: Global Readiness. Washington, March 5, 1999; 18 pp.
- II-3 Statement of the Inspector General of the Department of State, Arms Control and Disarmament Agency, and United States Information Agency before the Committee on International Relations of the U.S. House of Representatives: The Year 2000 Computer Problem: Global Readiness. Washington, October 21, 1999; 12 pp.
- II-4 American Law Institute/American Bar Association Program on Y2K Legal Issues. Washington, December 2, 1999; 5 pp.
- II-5 Presentation of the Inspector General of the Department of State at the ALI-ABA Conference on Y2K Legal Issues. Washington, December 2, 1999; 52 pp.
- II-6 Information memorandum from the Inspector General of the Department of State to the Acting Under Secretary of State for Management, with attachments. Washington, undated. 18 pp.
- II-7 Semiannual report to Congress of the Office of the Inspector General, Washington, April 1-September 30, 1998, and October 1, 1998-March 31, 1999. 8 pp.
- II-8 Program from A global Forum on Fighting Corruption, Washington, February 24, 1999; 33 pp.
- II-9 Memorandum of Understanding on Internal Auditing Standards and Policies between the Governments of the United States and Chile. Santiago, April 16, 1998; 7 pp.
- II-10 Memorandum of Understanding on Efficiency and Transparency in Government Matters between the Governments of the United States and the Argentine Republic, Washington, June 14, 2000; 5 pp.
- II-11 Statement of the Department of State Deputy Inspector General before the U.S. Senate Committee on Governmental Affairs, June 23, 1999, Washington; 10 pp.
- II-12 Foreign Affairs and Restructuring Act of 1998, Washington, December 30, 1998; 29 pp.
- II-13 Reorganization Plan and Report: 84 pp.

new world. Together with our friends and allies, we will work to shape change lest it engulf us. When our vital interests are challenged or the will and conscience of the international community is defied, we will act—with peaceful diplomacy whenever possible, with force when necessary.

The brave Americans serving our nation today in the Persian Gulf, in Somalia, and wherever else they stand are testament to our resolve. But our greatest strength is the power of our ideas, which are still new in many lands. Across the world, we see them embraced, and we rejoice. Our hopes, our hearts, our hands are with those on every continent who are building democracy and freedom. Their cause is America's cause. . . . ■

receding, and I want to congratulate President Bush and [Russian] President Yeltsin on their successful negotiation of the START II Treaty [Strategic Arms Reduction Treaty]. We now have the opportunity to create a new strategy that directs America's resources at something other than superpower confrontation.

#### Perils of the New Era

Neither President-elect Clinton nor I have any illusions about the perils that lurk in many of this era's changes. The end of the Cold War has lifted the lid on many cauldrons of long-simmering conflict. The bloody results are evident in the former Yugoslavia and elsewhere. Nor will this era lack for ruthless and expansionist despots; [Iraqi President] Saddam Hussein confirmed that fact. Yet it is also true that we are now relatively more powerful and physically more secure. So while we are alert to this era's dangers, we nonetheless approach it with an underlying sense of optimism.

Not since the late 1940s has our nation faced the challenge of shaping an entirely new foreign policy for a world that has fundamentally changed. Like our counterparts then, we need to design a new strategy for protecting American interests by laying the

## Statement at Senate Confirmation Hearing

### Secretary-Designate Christopher

Statement before the Senate Foreign Relations Committee, Washington, DC, January 13, 1993

**M**r. Chairman: It is a great honor to appear before you as President-elect Clinton's nominee for Secretary of State. This hearing room is a long way from Scranton, North Dakota, population 300, where I was born and raised, and I am deeply moved by being here in these circumstances.

You and the members of this committee have contributed much leadership and wisdom to our nation's foreign policy over the past decade. Let me say at the outset that I look forward to a close and cooperative relationship with you. I also look forward to your questions and will try to answer them with the ruthless candor for which diplomats are famous.

In the 3 weeks since President-elect Clinton asked me to serve as his Secretary of State, I have received

about as much commiseration as congratulation. Friends point to this new world's raw conflicts and stress our own limited resources. They tell me I have drawn an important but unpleasant assignment.

I appreciate their concern. But I dispute their assessment. I believe we have arrived at a uniquely promising moment. The signature of this era is change, and I believe many of the changes work in our favor. The Cold War is over. Forty years of sustained effort on behalf of collective security and human dignity have been rewarded. Millions who lived under the stultifying yoke of communism are free. The tide of democratic aspirations is rising from Tibet to Central America. Freer markets are expanding the reach of prosperity. The nuclear nightmare is

foundations for a more just and stable world. That strategy must reflect the fundamental changes that characterize this era:

- The surfacing of long-suppressed ethnic, religious, and sectional conflicts, especially in the former Soviet bloc;
- The globalization of commerce and capital;
- A worldwide democratic revolution, fueled by new information technologies that amplify the power of ideas;
- New and old human rights challenges, including protecting ethnic minorities as well as political dissidents;
- The rise of new security threats, especially terrorism and the spread of advanced weaponry and weapons of mass destruction; and
- Global challenges including overpopulation, famine, drought, refugees, AIDS [acquired immunodeficiency syndrome], drug-trafficking, and threats to the earth's environment.

To adapt our foreign policy goals and institutions to these changes, President-elect Clinton has stressed that our effort must rest on three pillars:

**First**, we must elevate America's economic security as a primary goal of our foreign policy.

**Second**, we must preserve our military strength as we adapt our forces to new security challenges.

**Third**, we must organize our foreign policy around the goal of promoting the spread of democracy and markets abroad.

As we adapt to new conditions, it is worth underscoring the essential continuity in American foreign policy. Despite a change in administrations, our policy in many specific instances will remain constant and will seek to build upon the accomplishments of our predecessors. Examples include the Middle East peace process, firm enforcement of the UN sanctions against Iraq, ratification and implementation of the START II Treaty, and the continuing need for US power to play a role in promoting stability in Europe and the Pacific.

Nevertheless, our Administration inherits the task of defining a strategy for US leadership after the Cold War.

We cannot afford to careen from crisis to crisis. We must have a new diplomacy that seeks to anticipate and prevent crises, like those in Iraq, Bosnia, and Somalia, rather than simply to manage them. Our support for democratic institutions and human rights can help defuse political conflicts. And our support for sustainable development and global environmental protection can help prevent human suffering on a scale that demands our intervention. We cannot foresee every crisis. But preventive diplomacy can free us to devote more time and effort to problems facing us at home.

It is not enough to articulate a new strategy; we must also justify it to the American people. Today, foreign policy makers cannot afford to ignore the public, for there is a real danger that the public will ignore foreign policy. The unitary goal of containing Soviet power will have to be replaced by more complex justifications to fit the new era. We need to show that, in this era, foreign policy is no longer foreign.

Practitioners of statecraft sometimes forget [that] their ultimate purpose is to improve the daily lives of the American people. They assume foreign policy is too complex for the public to be involved in its formation. That is a costly conceit. From Vietnam to Iran-contra, we have too often witnessed the disastrous effects of foreign policies hatched by the experts without proper candor or consultation with the public and their representatives in Congress.

More than ever before, the State Department cannot afford to have "clientitis," a malady characterized by undue deference to the potential reactions of other countries. I have long thought the State Department needs an "America Desk." This Administration will have one—and I'll be sitting behind it.

### Guiding Principles For Foreign Policy

I will not attempt today to fit the foreign policy of the next 4 years into the straightjacket of some neatly tailored doctrine. Yet, America's actions in the world must be guided by

consistent principles. As I have noted, I believe there are three that should guide foreign policy in this new era.

**First**, we must advance America's economic security with the same energy and resourcefulness we devoted to waging the Cold War. The new Administration will shortly propose an economic program to empower American firms and workers to win in world markets, reduce our reliance on foreign borrowing, and increase our ability to sustain foreign commitments. Despite our economic woes, we remain the world's greatest trading nation, its largest market, and its leading exporter. That is why we must utilize all the tools at our disposal, including a new GATT [General Agreement on Tariffs and Trade] agreement and a North American Free Trade Agreement that serves the interests of American firms, workers, and communities.

In an era in which economic competition is eclipsing ideological rivalry, it is time for diplomacy that seeks to assure access for US businesses to expanding global markets. This does not mean that our commercial goals will trump other important concerns, such as non-proliferation, human rights, and sustainable development in the Third World. But for too long, we have made economics the poor cousin of our foreign policy. For example, in nearly all the countries of the former Eastern bloc—nations whose economies and markets are on the threshold of growth—we have for years assigned only one Foreign Service officer to assist US companies. In the case of Russia, that means one commercial officer for a nation of 150 million people. Other economic powers, such as Germany and Japan, devote far more personnel to promoting their firms, industries, and economic concerns.

The Clinton Administration intends to harness our diplomacy to the needs and opportunities of American industries and workers. We will not be bashful about linking our high diplomacy with our economic goals. We will ask our foreign missions to do more to gather crucial information about market opportunities and barriers and actively assist American companies seeking to do business abroad.

**Second**, we must maintain a strong defense as we adapt our forces to new and enduring security challenges. As a result of efforts begun in the late 1970s by President Carter and continued under Presidents Reagan and Bush, our Administration inherits the best fighting force in the world. But the world has changed.

We face a paradox. The collapse of the Soviet Union enables us to reduce our Cold War military forces. But it also leaves American power as the main ballast for an unstable world. Our ability to manage the transition to a more stable system of international relations will depend on tenacious diplomacy backed by credible strength. The President-elect and Secretary [of Defense]-designate Aspin have described how we must adapt our armed forces to new missions. And I agree with President-elect Clinton's statement that we will resolve constantly to deter, sometimes to fight, and always to win.

I have spent a good portion of my life practicing various forms of diplomacy, negotiation, and problem solving—from the effort to secure the release of the American hostages in Iran, to responses to urban unrest and police brutality, to the practice of law over 4 decades. I have argued and still believe that diplomacy is a neglected imperative. I believe we must apply new dispute resolution techniques and forms of international arbitration to the conflicts that plague the world.

I also know from experience that nations do not negotiate on the basis of goodwill alone; they negotiate on the basis of interests and, therefore, on calculations of power. As I reflect on our experience in the Cold War, it is clear that our success flowed from our ability to harness diplomacy and power together—both the modernization of our forces and negotiations for arms control; both advocacy for human rights and covert and overt opposition to Soviet expansionism.

In the years to come, Americans will be confronted with vexing questions about the use of force—decisions about whether to intervene in border disputes, civil wars, outright invasions, and in cases of possible genocide; about whether to intervene for purposes that

are quite different from the traditional missions of our armed forces—purposes such as peace-keeping, peace-making, humanitarian assistance, evacuation of Americans abroad, and efforts to combat drug smuggling and terrorism. While there is no magic formula to guide such decisions, I do believe that the discreet and careful use of force in certain circumstances—and its credible threat in general—will be essential to the success of our diplomacy and foreign policy. Although there will always be differences at the margin, I believe we can—and must—craft a bipartisan consensus in which these questions concerning the use of force will no longer divide our nation as they once did.

However, we cannot respond to every alarm. I want to assure the American people that we will not turn their blood and treasure into an open account for use by the rest of the world. We cannot let every crisis become a choice between inaction or American intervention. It will be this Administration's policy to encourage other nations and the institutions of collective security, especially the United Nations, to do more of the world's work to deter aggression, relieve suffering, and keep the peace. In that regard, we will work with [UN] Secretary General Boutros-Ghali and the members of the Security Council to ensure [that] the United Nations has the means to carry out such tasks.

The United Nations has recently shown great promise in mediating disputes and fulfilling its promise of collective security—in Namibia, Cambodia, El Salvador, and elsewhere. But the United Nations cannot be an effective instrument for sharing our global burdens unless we share the burden of supporting it. I will work to ensure that we pay our outstanding obligations.

Ultimately, when our vital interests are at stake, we will always reserve our option to act alone. As the President-elect has said, our motto in this era should be: Together where we can; on our own where we must.

One of the main security problems of this era will be the proliferation of very deadly weapons—nuclear, chemical, biological, and enhanced conventional weapons—as well as their delivery systems. The [Persian] Gulf

war highlighted the problem of a fanatical aggressor developing or using weapons of mass destruction. We must work assiduously with other nations to discourage proliferation through improved intelligence, export controls, incentives, sanctions, and even force when necessary. Overall, this Administration will give high priority to the prevention of proliferation as we enter a new and exceedingly dangerous period.

**Third**, our new diplomacy will encourage the global revolution for democracy that is transforming our world. Promoting democracy does not imply a crusade to remake the world in our image. Rather, support for democracy and human rights abroad can and should be a central strategic tenet in improving our own security. Democratic movements and governments are not only more likely to protect human and minority rights, they are also more likely to resolve ethnic, religious, and territorial disputes in a peaceful manner and to be reliable partners in diplomacy, trade, arms accords, and global environmental protection.

A strategic approach to promoting democracy requires that we coordinate all of our leverage, including trade, economic and security assistance, and debt relief. By enlisting international and regional institutions in the work of promoting democracy, the United States can leverage our own limited resources and avoid the appearance of trying to dominate others. In the information age, public diplomacy takes on special importance—and that is why we will support the creation of a Radio Free Asia to ensure that the people of all Asian nations have access to uncensored information about their societies and about the world.

Democracy cannot be imposed from the top down but must be built from the bottom up. Our policy should encourage patient, sustained efforts to help others build the institutions that make democracy possible: political parties, free media, laws that protect property and individual rights, an impartial judiciary, labor unions, and voluntary associations that stand between the individual and the state. American private and civic groups are particularly well suited to help. In this

rd, we will move swiftly to establish the Democracy Corps, to put experienced Americans in contact with foreign grassroots democratic leaders, and to strengthen the bipartisan National Endowment for Democracy.

We must also improve our institutional capacity to provide timely and effective aid to people struggling to establish democracy and free markets. To that end, we need to overhaul the US Agency for International Development (USAID). The agency needs to take on fewer missions, narrow the scope of its operations, and make itself less bureaucratic. As a matter of enlightened self-interest as well as compassion, we need to extract lessons from USAID's past successes and failures to make its future efforts stronger.

In all this work, we must ensure that the people who carry out our nation's foreign policy have the resources they need to do the job. I want to work with you to ensure they have adequate facilities, training, information systems, and security. We also need to take a new look at the way our State Department is organized and our policy is formulated. In the coming weeks, I intend to streamline the Department of State to enhance our capabilities to deal with issues that transcend national boundaries and to improve the international competitiveness of American business.

The Clinton Administration will put America back in the forefront of global efforts to achieve sustainable development and, in the process, leave our children a better world. We believe that sound environmental policies are a precondition of economic growth, not a brake on it.

These three pillars for our foreign policy—economic growth, military strength, and support for democracy—are mutually re-enforcing. A vibrant economy will strengthen America's hand abroad, while permitting us to maintain a strong military without sacrificing domestic needs. And by helping others to forge democracy out of the ruins of dictatorship, we can pacify old threats, prevent new ones, and create new markets for US trade and investment.

## Principal Challenges To US Security

Let me take a few moments to consider how this strategic approach applies to the principal security challenges that America faces in the 1990s. None is more important than helping Russia demilitarize, privatize, invigorate its economy, and develop representative political institutions. President Yeltsin's courageous economic and political reforms stand as our best hope for reducing the still-formidable arsenal of nuclear and conventional arms in Russia and other states of the former Soviet Union, and this, in turn, permits reductions in our own defense spending. A collapse of the Russian economy, which contracted by 20% last year, could fatally discredit democracy, not only in the eyes of the Russians but in the eyes of their neighbors as well. Our Administration will join with our G-7 (Group of Seven leading industrialized nations) partners to increase support for Russia's economic reforms. That aid must be conditioned on the willingness of Russia to continue the difficult but essential steps necessary to move from a command economy to a more market-oriented one.

We shall also place high priority on direct and technical assistance for Russia's efforts to dismantle its weapons and properly dispose of its nuclear materials, to provide civilian employment for defense technicians, and to house its demobilized forces. We must say to the democratic reformers in Russia that the democratic nations stand with them and that the world's experience in coping with similar problems is available to them. We should also orchestrate similar international action to help Ukraine, the other Commonwealth [of Independent] States, the Baltics, and the nations of Eastern and Central Europe.

In Europe, we remain committed to NATO, history's most successful military and political alliance, even as we support the evolution of new security arrangements that incorporate the emerging democracies to the east. Our Administration will support efforts by the Conference on Security and Cooperation in Europe to promote human rights, democracy, free elections, and the historic re-integration of the nations of Eastern and Western

Europe. I can also assure you that this Administration will vigorously pursue concerted action with our European allies and international bodies to end the slaughter in Bosnia—a slaughter that has claimed tens of thousands of lives and that threatens to spread throughout the Balkans. Europe and the world community in general must bring real pressures, economic and military, to bear on the Serbian leadership to halt its savage policy of ethnic cleansing.

In Asia, we confront many challenges and opportunities. In particular, as President-elect Clinton stressed during the campaign, a complex blend of new and old forces requires us to rethink our policy toward China. On the one hand, there is a booming economy based increasingly on free market principles, which is giving hundreds of millions of Chinese citizens an unprecedented degree of prosperity and a thirst for economic as well as political reform. On the other hand, we cannot ignore continuing reports of Chinese exports of sensitive military technology to troubled areas, widespread violations of human rights, or abusive practices that have contributed to a \$17-billion trade imbalance between our two nations. Our policy will seek to facilitate a peaceful evolution of China from communism to democracy by encouraging the forces of economic and political liberalization in that great country.

Elsewhere in Asia, the countries of the Pacific Rim are becoming a global center of economic dynamism. In 1991, our trans-Pacific trade exceeded \$316 billion, dwarfing our \$221-billion trade with Western Europe. We must devote particular attention to Japan. Japan has recently taken important steps to meet more of its international security responsibilities, such as assisting in peace-keeping efforts from Cambodia to Somalia. Now it must do more to meet its economic responsibilities as well—to lower trade barriers more quickly and to open its economy to competition. Together, Japan and the United States account for a third or more of the global economy. That obligates us both to steer clear of the reefs of recrimination and the rise of regional trading blocs that could sink

prospects for global growth. But we also have an obligation to America's firms and workers to ensure [that] they are able to benefit from the growth of Japan's economy, just as the strength and openness of the US economy has helped fuel Japan's prosperity over many decades.

In South Korea, we will continue to maintain our military presence as long as North Korea poses a threat to that nation. And on Asia's subcontinent, our interests include combating nuclear proliferation; restoring peace to Afghanistan; seeing an end to communal strife that threatens India's democracy; and promoting human rights and free elections in Burma, Pakistan, and elsewhere.

In the Middle East, we must maintain the momentum behind the current negotiations over peace and regional issues. President Bush and [former] Secretary of State Baker deserve great credit for bringing Arabs and Israelis to the bargaining table, and the Clinton Administration is committed to building on that historic breakthrough. Our democracy-oriented policy underscores our special relationship with Israel, the region's only democracy, with whom we are committed to maintaining a strong and vibrant strategic relationship. We also believe that America's unwavering commitment to Israel's right to exist behind secure borders is essential to a just and lasting peace. We will continue our efforts with both Israel and our Arab friends to address the full range of that region's challenges.

Throughout the Middle East and the Persian Gulf, we will work toward new arms control agreements, particularly concerning weapons of mass destruction. We will assume a vigilant stance toward both Iraq and Iran, which seem determined to sow violence and disorder throughout the region and even beyond. In this region, as well, we will champion economic reform, more accountable governance, and increased respect for human rights. And following a decade during which over 1,000 Americans were killed, injured, or kidnaped by perpetrators of international terrorism, we will give no quarter to terrorists or the states that sponsor their crimes against humanity.

Nowhere has the march against dictators and toward democracy been more dramatic than in our own hemisphere. It is in our self-interest to help Latin America consolidate a decade of hard-won progress. In the past several years, as democracy has spread in the region and market economies have been liberalized, our exports to Latin America have doubled. In close partnership with our hemispheric partners, Canada and Mexico, we should explore ways to extend free trade agreements to Latin American nations that are opening their economies and political systems. At the same time, we expect to complete understandings regarding the North American Free Trade Agreement as outlined by President-elect Clinton. We also need to make the Organization of American States (OAS) a more effective forum for addressing our region's problems. In Haiti, we strongly support the international effort by the UN and the OAS to restore democracy. In Cuba, we will maintain the embargo to keep pressure on the Castro regime. We will strongly support national reconciliation and the full implementation of peace accords in El Salvador and Nicaragua. And in the Andean countries, the power of the drug lords must be broken to free their people and ours from the corrupting influence of the narcotics trade.

In Africa, as well, a new generation is demanding the opportunities that flow from multi-party democracy and open economies. They deserve our understanding and support. We need to assist their efforts to build institutions that can empower Africa's people to husband and benefit from the continent's vast resources; deal with its economic, social, and environmental problems; and address its underlying causes of political instability. We will be equally committed to working with Congress to redirect our foreign assistance programs to promote sustainable development and private enterprise in Africa. In South Africa, we shall work actively to support those, black and white, who are striving to dismantle the hateful machinery of apartheid and working with determination to build a multi-racial democracy.

## The Triumph of Freedom

As I said on the day President-elect Clinton nominated me to be Secretary of State, back when I was in law school, two of my heroes were [former Secretaries of State] Gen. George Marshall and Dean Acheson. And I am enormously honored by the opportunity to occupy the post held by them and by many of the most revered names in our nation's history. Marshall and Acheson were visionaries who recognized at the dawn of the Cold War that America could not remain safe by standing aloof from the world. And the triumph of freedom in that great struggle is the legacy of the activist foreign policy they shaped to project our values and protect our interests.

Now, as in their day, we face a new era and the challenge of developing a new foreign policy. Its activism must be grounded in America's enduring interests. It must be informed by a realistic estimate of the dangers we face. It must be shaped by the democratic convictions we share. And, to command respect abroad, it must rest on a sturdy, bipartisan consensus here at home.

The ultimate test of the security strategy I have outlined today will be in the benefits it delivers to the American people. Its worth will be measured not by its theoretical elegance but by its results. If it makes our people more prosperous and increases their safety abroad; if it helps expand the stabilizing and ennobling reach of democratic institutions and freer markets; if it helps protect the global environment for our children—if it achieves these kinds of benefits, then we will have discharged our responsibilities to our generation as Marshall, Acheson, and the other architects of the post-war world discharged theirs.

They have given us a high standard to emulate as we define anew the requirements of US global leadership. I look forward to working with both parties in Congress to construct a new framework for that leadership, a framework within which healthy debate will occur but within which we can also build a strong consensus that will help us cooperatively pursue the national interest at home and abroad. ■

## Building the Structures of Peace and Prosperity in the New Middle East

Secretary Christopher

Remarks at the Royal Palace, Casablanca, Morocco, October 30, 1994

**E**xcellencies, ladies and gentlemen: On behalf of President Clinton and the American people, I am delighted to attend this historic Middle East/North Africa Economic Summit. We all owe King Hassan our deepest gratitude for hosting this unique event. Building on his vision of Middle East peace, the King has brought us together to remove walls and build bridges between the people of the Middle East and the world.

President Clinton and the United States are pleased to be co-sponsoring this summit together with President Yeltsin and the Russian Federation. Let me express our appreciation to Les Gelb and the Council on Foreign Relations and to Klaus Schwab and the World Economic Forum for their outstanding efforts to structure and organize this important gathering.

This summit convenes at an extraordinary time. I have just accompanied President Clinton on his recent trip to the Middle East. Let me share with you our assessment. The Middle East is undergoing a remarkable transformation:

- Jordan and Israel have signed a peace treaty;
- The Israeli-PLO Declaration is being implemented;
- Morocco and Tunisia have established ties with Israel;
- Israel and Syria are engaged in serious negotiations; and
- Arab nations are taking steps to end the boycott of Israel.

These monumental events mean that the Arab-Israeli conflict is coming to an end. The forces of the future can, they must, they will succeed. The peacemakers will prevail.

Securing the future is what brings us here today. Our mission is clear: We must transform the peace being made between governments into a peace between people. Governments can make the peace. Governments can create the climate for economic growth. But only the people of the private sector can marshal the resources necessary for sustained growth and development. Only the private sector can produce a peace that will endure.

Three years ago to the day, nations gathered in Madrid for a conference whose significance grows with each passing month. As we realize now, Madrid opened the pathway to peace. Here, this week, let us declare that the Casablanca conference will open the pathway to economic ties and growth. Madrid shattered taboos on political contacts between Israel and its Arab neighbors. Let us ensure that Casablanca shatters taboos on private sector cooperation.

Let this summit send a message to the world: The Middle East and North Africa are now open for business.

Over the course of the 20th century, the world has learned a powerful lesson: Peace cannot be sustained when there is widespread suffering and misery. Following World War II, wise leaders applied this lesson to the reconstruction and integration of Western Europe. They built structures of cooperation, beginning with economic ties, to lessen the likelihood of conflict among nations. Our purpose in Casablanca is to apply that same lesson to this region, as we work to create a more peaceful and secure Middle East.

On Wednesday night in Jordan, President Clinton became the first American President to address an Arab

parliament. There, he underscored the importance of generating the economic benefits of peace. As he said:

If people do not feel these benefits, if poverty persists in breeding despair and killing hope, then the purveyors of fear will find fertile ground. Our goal must be to spread prosperity and security to all.

The Madrid conference of 1991 started us on the way. It not only launched a series of bilateral negotiations to resolve the region's political disputes; it also created a framework of meaningful multilateral talks among some 40 nations to promote Arab-Israeli cooperation on a region-wide scale. Joint projects are already underway to check the spread of the desert, to quench the region's thirst for water, and to protect the environment from oil spills. Under the leadership of the European Union, the working group on economic development has drawn up a list identifying priority sectors for economic cooperation.

Israel, Jordan, and the United States are working together to create opportunities for private sector investment in areas that were unthinkable only months ago. An ambitious master plan for the development of the Jordan Rift Valley has been completed. Joint efforts to promote tourism in the Red Sea ports of Aqaba and Eilat are already attracting millions of dollars of investment in hotels, infrastructure, and tourist facilities.

Progress toward Arab-Israeli peace has opened the door to economic cooperation in support of peace. Now, together, we must take a bold step through that door. We must form a public sector-private sector partnership for government and business to bring their political and economic power jointly to bear.

I have seen the situation from both sides—from the private sector, where I have spent most of my career, and from the public sector during my three tours in government. I have also been heavily involved in the affairs of the Middle East for the past two years. Let me offer a challenge and a prediction: If the forces of peace prevail and

if governments here adopt free market reforms, the Middle East and North Africa will enjoy an era of economic growth that exceeds anything they have seen in this century. There is no reason why the economic miracles that are transforming parts of Asia, Eastern Europe, and Latin America cannot also transform this region. I can foresee a day when the 300 million people of the Middle East and North Africa, so long held back by strife and hatred, can finally join the mainstream of international commerce.

The presence here in Casablanca of almost 1,000 of the world's business leaders is proof that you understand the vast potential of this region. I salute your vision. But I also know that you are hard-nosed realists. The new Middle East holds no monopoly on attracting your attention or your capital.

That is why the Middle East, even a Middle East at peace, cannot be complacent; it must compete. The world must know that the Middle East is not only at peace but committed to long-term reform if world-class companies are to invest in this region.

At least 150 American firms are here in Casablanca. They are well-poised to take advantage of the opportunities this region presents. American companies do not fear risk; they thrive on it. But like serious companies everywhere, they need confidence—confidence in a business environment that makes it possible to do business.

To create a climate for economic growth and development, we need commitment and action by governments inside the region as well as those outside. For decades, governments dominated economic development here, building infrastructure and national industries. In the process, they incurred massive foreign debts. Since 1970, the countries of the Middle East have borrowed more than \$90 billion from abroad. Over 90% of this borrowing was absorbed by the public sector, where it was too often steered toward the military or inefficient state enterprises.

Not surprisingly, private capital and the private entrepreneurs that were with it fled the region. In the last 20 years, capital outflows from the

Middle East and North Africa have exceeded \$180 billion. This capital flight has had enormous practical consequences.

We must work to reverse this destructive trend. It is time for the region's private sectors to invest in their nations, in their peoples, and in their futures. They must bring their capital home. But if they are to do so, governments must take steps to create a favorable economic environment. How can you expect foreigners to invest here when citizens of the Middle East do not invest?

Governments here must undertake serious economic reform. Morocco has begun that process. Privatization is proceeding, stock market capitalization is rising, foreign investment is expanding, and growth is taking off. Other countries in the region, such as Tunisia, Israel, Egypt, and Jordan, have also begun to take similar steps.

But more must be done. Governments need to end trade restrictions and overcome other barriers to trade and investment. They must reform and modernize their tax systems and commercial dispute mechanisms. They need to ensure predictable, transparent, and fair legal systems and business practices. They need private financial markets. They must lift the heavy hand of government regulation that stifles entrepreneurs.

An important political step to make the region's environment more attractive to global companies must be taken as well. The last remnants of the boycott aimed against Israel must be eliminated. Last month, Saudi Arabia and its partners in the Gulf Cooperation Council announced an end to the secondary and tertiary boycotts. This means enormous opportunities for investment and trade. Now it is time for other Arab leaders to follow the GCC's example. Indeed, it is time for the Arab League to dismantle the boycott entirely.

Governments outside the Middle East and North Africa must also do their part to create a climate conducive to economic growth. They can take steps to encourage their companies to invest in the joint ventures that will become the stuff of Middle East peace. They can provide incentives and reduce

risks for foreign investors. They can encourage trade by reducing barriers. They can create the financial mechanisms that will help mobilize capital for regional projects.

The United States is already taking concrete steps in all these areas:

- Through our Overseas Private Investment Corporation, we have established a \$75 million Regional Investment Fund to encourage investment in regional projects like those envisaged in the Jordan Rift Valley development plan.

- We have also used OPIC guarantees to help a group of American business leaders from the Arab and Jewish communities foster Palestinian economic development. These builders for peace have already launched five OPIC-backed private sector projects in the West Bank and Gaza.

- We are exploring practical means of expanding trade and investment opportunities, including initiatives to lessen barriers to trade and bilateral investment treaties.

- President Clinton, in consultation with interested governments, has decided that the U.S. will take the lead in supporting a Middle East and North Africa Bank for Cooperation and Development.

Other governments outside the region are engaged in similar efforts to support the involvement of their private sectors in the development of the Middle East and North Africa. But we all need to do more. This is the opportunity presented by the Casablanca summit. We must seize it.

Here in Casablanca, our focus must be practical. Our work must not be limited to exhortation. We must generate specific outcomes, with mechanisms to act on our proposals.

Specifically, in this conference the United States will call for the following:

**First**, adoption of principles leading to the free movement of goods, capital, ideas, and labor across the borders of the Middle East and North Africa.

**Second**, the establishment of a Middle East and North Africa Bank for Cooperation and Development. A bank, properly structured, can serve as a financing mechanism for viable regional projects. It should be available

the private sector as well as the public sector, and should facilitate a real economic dialogue.

**Third**, the creation of a regional tourism board. Tourism is one of the clearest and quickest ways to generate hard currency revenues. The Middle East and North Africa abound with incredible archeological and religious sites. Millions of tourists will flock to visit as package tours across previously closed borders become available.

**Fourth**, the development of a regional business council—a chamber of commerce, if you will. This entity will promote intraregional trade relations and commercial opportunities.

To move expeditiously on each of these proposals, this conference must establish two on-going bodies: first, a steering committee, to meet within one month; second, an executive secretariat, located in Morocco, that will serve as a clearing house of information. It will be an "address" for the private sector by sharing data, promoting contracts, and furnishing project information.

**Finally**, the United States will call a follow-on conference in Amman in 1995. Casablanca represents the launching of a process to promote regional economic development and cooperation. Amman will represent the next milestone and point all of us to seeking very tangible accomplishments by the 1995 conference.

In a golden age over a millennium ago, the Middle East was the commercial and cultural crossroads of the world. Harkening back to the glorious economic and cultural history of the old Middle East, this summit heralds a new Middle East in the heart of the global economy once again. We have the opportunity—and the responsibility—to build a more peaceful, more prosperous, and more integrated Middle East and world. Working together in a public-private endeavor, let us dedicate ourselves to making that vision a reality.

If I may borrow the famous Humphrey Bogart line, this conference could be the beginning of a beautiful friendship.

Thank you very much. ■

## Casablanca Declaration

*Released at the Middle East/North Africa Economic Summit, Casablanca, Morocco, October 30-November 1, 1994.*

**1.** At the invitation of His Majesty King Hassan II of Morocco and with the support and endorsement of Presidents Bill Clinton of the United States and Boris Yeltsin of the Russian Federation, the representatives of 61 countries and 1114 business leaders from all regions of the world, gathered for a Middle East/North Africa Economic Summit in Casablanca from October 30 to November 1, 1994. The participants paid tribute to His Majesty, King Hassan II, in his capacity as President and Host of the Conference and praised His role in promoting dialogue and understanding between the parties in the Middle East conflict. They also expressed their appreciation to the Government and people of Morocco for their hospitality and efforts to ensure the success of the Summit.

**2.** The Summit leaders feel united behind the vision that brought them to Casablanca, that of a comprehensive peace and a new partnership of business and government dedicated to furthering peace between Arabs and Israelis.

**3.** Government and business leaders entered into this new partnership with a deeper understanding of their mutual dependence and common goals. Business leaders recognized that governments should continue to forge peace Agreements and create foundations and incentives for trade and investment. They further recognize the responsibility of the private sector to apply its new international influence to advance the diplomacy of peace in the Middle East and beyond. Governments affirmed the indispensability of the private sector in marshalling, quickly, adequate resources to demonstrate the tangible benefits of peace. Together, they pledged to show that business can do business and contribute to peace as well; indeed, to prove that

profitability contributes mightily to the economic scaffolding for a durable peace.

**4.** The Summit commended the historic political transformation of the Region as a consequence of significant steps towards a just, lasting and comprehensive peace, based on U.N. Security Council Resolutions 242 and 338, a process that began with the 1979 Treaty of Peace between Egypt and Israel and enlarged dramatically by the Madrid Peace Conference, three years ago. That process has born fruit in Israel-Palestine Liberation Organization Declaration of Principles. The recent signing of the Treaty of Peace between Israel and Jordan gave a new dimension to the process. The decisions of Morocco and Tunisia to establish, respectively, liaison offices and liaison channels with Israel constituted another new positive development. These accomplishments and the next stages of rapid movement toward a comprehensive peace in the region, including Syria and Lebanon, need to be powerfully reinforced by solid economic growth and palpable improvement of the life and security of the peoples of this region. The Summit stressed that Syria and Lebanon have an important role to play in the development of the region. The Summit expressed a strong hope that they will soon be able to join the regional economic effort.

**5.** In this connection, the participants noted that the urgent need for economic development of the West Bank and Gaza Strip requires special attention from the international community, both public and private, in order to support the Israel-Palestine Liberation Organization Declaration of Principles and subsequent implementing agreements to enable the Palestinian people to participate on equal bases in the regional development and cooperation. They stressed the equal importance of moving ahead on Jordanian-Israeli projects as well as

of cooperative projects between Israel and the Palestinian Authority in order to advance the Jordanian-Israeli Treaty of Peace.

6. The participants recognized the economic potential of the Middle East and North Africa and explored how best to accelerate the development of the Region and overcome, as soon as possible, obstacles, including boycotts and all barriers to trade and investment. All agreed that there is a need to promote increased investment from inside and outside the Region. They noted that such investment requires free movement of goods, capital and labour across borders in accordance with market forces, technical cooperation based on mutual interest, openness to the international economy and appropriate institutions to promote economic interaction. They also noted that the free flow of ideas and increased dialogue, especially among the business communities in the Region, will strengthen economic activity. In this context, the participants noted favourably the decision of the Council for Cooperation of the Gulf States regarding the lifting of the secondary and tertiary aspects of the boycott of the Region.

7. Based on the agreements between Israel and the PLO, it is important that the borders of the Palestinian Territories be kept open for labor, tourism and trade to allow the Palestinian Authority, in partnership with its neighbours, the opportunity to build a viable economy in peace.

8. The participants paid tribute to the multilateral negotiations initiated in Moscow in 1992 which have significantly advanced the objectives of the peace process. The governments represented at Casablanca will examine ways to enhance the role and activities of the multilateral negotiations, including examining regional institutions which address economic, humanitarian and security issues. The participants noted that the progress made in the peace process should go along with a serious consideration of the socio-economic disparities in the Region and require to address the idea of security in the Region in all its dimensions: social, economic and political. In this context, they agreed that these issues need to be addressed within the framework of a global

approach encompassing socio-economic dimensions, safety and welfare of Individuals and Nations of the Region.

9. The participants recognized that there must be an ongoing process to translate the deliberations of Casablanca into concrete steps to advance the twin goals of peace and economic development and to institutionalize the new partnership between governments and the business community. To this end:

a) The governments represented at Casablanca and private sector representatives stated their intention to take the following steps:

—Build the foundations for a Middle East and North Africa Economic Community which involves, at a determined stage, the free flow of goods, capital and labour throughout the Region.

—Taking into account the recommendations of the regional parties during the meeting of the sub-committee on finances of the REDWG monitoring committee, the Casablanca Summit calls for a group of experts to examine the different options for funding mechanisms including the creation of a Middle East and North Africa Development Bank. This group of experts will report on its progress and conclusions within six months in the light of the follow on Summit to the Casablanca Conference.

—The funding mechanism would include appropriate bodies to promote dialogue on economic reform, regional cooperation, technical assistance and long-term development planning.

—Establish a regional Tourist Board to facilitate tourism and promote the Middle East and North Africa as a unique and attractive tourist destination.

—Encourage the establishment of a private sector Regional Chamber of Commerce and Business Council to facilitate intra-regional trade relations. Such organizations will be instrumental in solidifying ties between the private and public sectors of the various economies.

b) The participants also intend to create the following mechanisms to implement these understandings and embody the new public-private collaboration:

—A Steering Committee, comprised of government representatives, including those represented in the Steering Committee of the multilateral group of the peace process, will be entrusted with the task of following up all issues arising out of the Summit and coordinating with existing multilateral structures such as the REDWG and other multilateral working groups. The Steering Committee will meet within one month following the Casablanca Summit to consider follow on mechanisms. The Committee will consult widely and regularly with the private sector.

—An executive Secretariat to assist the Steering Committee, located in Morocco, will work for the enhancement of the new economic development pattern, thus, contributing to the consolidation of the global security in the Region. The Secretariat will assist in the organization of a Regional Chamber of Commerce and a Business Council. It will work to advance the public-private partnership by promoting projects, sharing data, promoting contacts and fostering private sector investment in the Region. The Secretariat will assist in the implementation of the various bodies referred to in the present Declaration. The Steering Committee will be responsible for the funding arrangements, with the support of the private sector.

10. The participants welcomed the establishment of a Middle East/North Africa Economic Strategy Group by the Council on Foreign Relations. This private sector group will recommend strategies for regional economic cooperation and ways to overcome obstacles to trade and private investment. It will operate in close association with the Secretariat and submit its recommendations to the Steering Committee.

11. The participants also welcomed the intention of the World Economic Forum to form a business interaction group that will foster increased contacts and exchanges among business communities and submit its recommendations to the Steering Committee.

12. The participants in the Casablanca Summit pledged to transform this event into lasting institutional and individual ties that will

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**Secretary of State Madeleine K. Albright**  
Remarks at signing of Memorandum of Understanding with Small  
Business Administration  
Washington, D.C., March 15, 1999  
As released by the Office of the Spokesman  
U.S. Department of State

**SECRETARY ALBRIGHT:** Let me welcome you to the State Department. It's a great pleasure for me because it's not often that I get a chance to appear with my good friend, Aida Alvarez. It's a pleasure. We see each other at meetings, but we haven't done this kind of thing. And it's not often enough that I have the chance to spotlight the contributions women are making in all areas of American diplomacy.

There was a time not long ago when the State Department was an entirely male bastion. The first woman with ambassadorial rank was not appointed until 1949, and until 1972 female foreign service officers had to resign when they got married. Until 1977 there were no women assistant secretaries of state. Shortly after I became Secretary, I was congratulated by Henry Kissinger, who welcomed me to the fraternity.

(Laughter.)

I had to tell him, Henry, it's not a fraternity anymore. That applies not only to the Secretary's office, but to the entire Department of State and to those with whom we do business.

Today's senior diplomat may sit in a conference room designed and built by a female architectural engineer. She may read mail delivered thanks to the woman whose company supports our diplomatic pouch program. If the pipes burst or the roof leaks, she will be looking for support from the woman whose firm holds the State Department contract for worldwide maintenance; and she will get it.

This Memorandum of Understanding builds on the good work women entrepreneurs are already doing at the Department of State. It reflects our conviction that supporting women's small businesses will help the Department do business better around the world. It will also promote one of our most cherished goals, which is to help women be full and equal participants in the economic and political life of this and every society.

This Memorandum commits us to awarding 5 percent of our federal procurement dollars to women-owned small businesses. We believe that we met that goal last year, and we intend to take this agreement as a challenge to do even better. That shouldn't be difficult. Women-owned small businesses are the fastest growing segment of the American economy, and they already hold some of the most critical contracts this Department awards.

Supporting them is clearly the smart thing to do, but it is also the right thing. It's right because when we encourage women to go into business, we are helping to create growth and dynamism for the economy as a whole. It's right because when we treat women as valued participants, they gain the confidence they need to be full and valuable partners. Or to put it better, we gain the confidence we need to be full and valuable partners.

It's right because when we show young women they can do anything they want to be, they will go out and help America be all the things that it needs to be.

So I'm proud that the State Department is among the first government agencies to make this commitment, and I'm grateful to everyone who has worked so hard to get us this far. I'm confident that the results will be good for women entrepreneurs, good for our diplomacy and good for America.

Thank you.

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STATEMENT OF  
JACQUELYN L. WILLIAMS-BRIDGERS  
INSPECTOR GENERAL OF THE  
DEPARTMENT OF STATE,  
ARMS CONTROL AND DISARMAMENT AGENCY, AND  
UNITED STATES INFORMATION AGENCY, INCLUDING  
THE BROADCASTING BOARD OF GOVERNORS

THE YEAR 2000  
COMPUTER PROBLEM:  
GLOBAL READINESS

BEFORE THE  
SPECIAL COMMITTEE ON THE YEAR 2000 TECHNOLOGY PROBLEM  
UNITED STATES SENATE

March 5, 1999

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to testify before your committee on the international implications of the Year 2000 (Y2K) computer problem. The Y2K problem is one of the most challenging project management and systems conversion efforts ever faced by the world community. As you know, the Department's challenge in addressing Y2K extends well beyond its Washington headquarters, because failure of systems in countries hosting U.S. Government organizations has the potential to disrupt this country's ability to carry out our foreign affairs agenda and protect U.S. interests abroad in the year 2000.

### SUMMARY

My office has been actively engaged with the Department of State and our embassies overseas to assist them in meeting the millennium challenge. Of particular interest to your Committee, my office is also assessing the Y2K readiness of host countries where the United States maintains a diplomatic presence. Our work to date assessing host country readiness has revealed some key themes:

- Industrialized countries are well ahead of the developing world; however, some of those locations are at risk of having Y2K-related failures because they were late in establishing Y2K programs at the national level, and because they are heavily reliant on computer technology in key sectors;
- Developing countries generally are lagging behind and are struggling to find the financial and technical resources needed to resolve their Y2K problems; still, the relatively low level of computerization in key sectors (utilities, telecommunications, and transportation) may reduce the risk of prolonged infrastructure failures;
- Former Eastern bloc countries are late in getting started and are generally unable to provide detailed information on their Y2K remediation programs;
- Problems related to Y2K readiness in the health care sector are apparent in the majority of countries evaluated; and,
- An effective Y2K policy framework is needed to ensure that U.S. strategic interests are not adversely affected by Y2K-related failures on January 1, 2000.

This statement will address OIG's oversight of Y2K remediation efforts by countries that host our embassies and consulates and by the U.S. Department of State and the United States Information Agency (USIA).

## BACKGROUND

On January 1, 2000, many computer systems may malfunction or produce inaccurate information simply because the date has changed. Unless prevented, these failures will adversely affect organizations and individuals around the world. Failure to resolve the Y2K problem or to create adequate contingency plans could create havoc in the foreign affairs community by disrupting messaging systems, hindering visa and passport processing at embassies and consulates, and shutting down administrative functions such as payroll and personnel actions processing. Good contingency planning backed by adequate resources may overcome most of these problems.

The Department's global presence at more than 260 locations worldwide increases its challenge to continue functioning effectively in the year 2000. The Department's posts, U.S. businesses, and millions of Americans living and working abroad rely on their respective host countries' infrastructures to provide essential power, water, and telecommunications services. In many countries, these services could be disrupted if critical components and control systems of their infrastructure are not made Y2K compliant.

Efforts to solve Y2K problems generally should follow a phased methodology with each phase representing a major Y2K segment, as described below.

- Awareness — Define the Y2K problem, obtain executive support for a Y2K program, establish a program team, and develop an overall Y2K strategy. Ensure that everyone in the organization is fully aware of the issue.
- Assessment — Assess the potential impact of Y2K on the enterprise. Inventory and analyze systems supporting core business areas and processes and establish priorities and contingency plans for their conversion or replacement. Secure the resources needed for renovation, validation, and implementation.
- Renovation — Convert, replace, or eliminate systems or components that are not Y2K compliant. Modify interfaces as necessary.
- Validation — Test and verify the performance, functionality, and integration of converted or replaced systems or components in operational environments.
- Implementation — Put the validated systems or components into production. Implement necessary contingency plans.

According to this methodology, the assessment phase should have been completed by mid-1997 to allow sufficient time for renovation, validation and implementation. Further, testing will account for around 50 percent of the time needed to correct a Y2K problem.

In addition, a Presidential Executive Order, dated February 4, 1998, requires agency heads to ensure that the Y2K efforts of their agencies get the highest priority, that

critical Federal programs are not disrupted because of the Y2K problem, that their agencies cooperate with operators of critical national systems in addressing the Y2K problem, and that they communicate with their foreign counterparts to raise awareness and generate cooperative international arrangements to address the Y2K problem.

### State Department International Y2K Efforts

The State Department has recognized that the potential for Y2K vulnerability is not restricted to its domestic operations and has implemented measures to assess the Y2K readiness of all countries where the United States has a diplomatic presence. In November 1998, the Department sent a cable to all of its embassies instructing them to complete a Y2K survey of their respective host country's Y2K efforts. With the survey instrument, the posts were expected to collect information on a wide array of subjects, including the effectiveness of the countries' Y2K program, vulnerability to short-term economic and social turmoil, reliance on technology in key infrastructure sectors, and the status of Y2K correctional activities.

As of February 18, 1999, the Department had received responses from posts in 132 countries. The information from this survey, as well as from other sources, such as the World Bank, USIA, and this office as well, is being analyzed by staff under the direction of the National Intelligence Council (NIC). The NIC is providing its analysis to staff in the State Department's Intelligence and Research Bureau. Based on these analyses the Department will determine whether it needs to issue travel warnings concerning particular countries or develop drawdown or evacuation plans for areas where the Y2K problem may pose a risk to Americans living abroad.

Toward that end, on January 29, 1999, the Department issued a worldwide public announcement on the Y2K problem to inform U.S. citizens of the potential for problems throughout the world because of the millennium "bug." The notice cited specific areas of concern, including transportation systems, financial institutions, and medical care, as activities that may be disrupted by Y2K-related failures. This announcement further warns that all U.S. citizens planning to be abroad in late 1999 or early 2000 should be aware of the potential for problems and stay informed about Y2K preparedness in the location where they will be traveling.

### OIG Year 2000 Oversight Efforts

#### **International Y2K Efforts: Host Country Preparedness**

OIG has been active in international Y2K issues through our efforts to engage host country representatives and to establish venues for information sharing and cooperation, as well as through work performed by OIG staff to collect information on the Y2K readiness of countries where the U.S. Government maintains a presence. We analyzed Y2K host country assessments submitted over the past two months by U.S. embassies in 74 countries: 42 in the developing world, 11 from developing/former Eastern bloc, and 21 from industrial countries. In addition, since September 1998, OIG

has conducted an aggressive effort to collect and analyze information on Y2K efforts in 20 of the countries cited above. See Appendix I for a complete list of the 74 countries assessed for this statement.

In addition to consulting with embassy personnel, OIG met with host country Y2K program managers; representatives from key infrastructure sectors, such as utilities, telecommunications, and transportation; and private sector officials to discuss their respective Y2K programs and to share information. A summary of OIG international Y2K site visits is provided in Table 1.

The information we collected about host country readiness provides general insight into a host country's efforts to reduce the impact that Y2K-related failures might have. However, I caution that this information represents the situation at a particular point in time. OIG visits began 5 months ago, and the situation in some of those locations may have changed. Generally, embassies' host country Y2K assessments were completed from December 1998 through January 1999.

**Table 1: Summary of OIG International Y2K Site Assessments**

Date of Visit	Locations Visited
September 1998	Mexico City & Monterrey, Mexico Santiago, Chile Panama City, Panama
October 1998	Pretoria & Cape Town, South Africa Libreville, Gabon Yaounde, Cameroon Addis Ababa, Ethiopia
October/November 1998	Hong Kong Bangkok, Thailand Singapore Manila, Philippines
December 1998	Mumbai & New Delhi, India
January 1999	London, United Kingdom Moscow, Russia Kiev, Ukraine Warsaw, Poland Paris, France Rome, Italy Athens, Greece Frankfurt, Bonn, & Berlin, Germany

OIG has provided information summaries on each of these countries to appropriate State Department staff, the President's Year 2000 Conversion Council, USIA, Congressional committees, and to other foreign affairs organizations. Generally, the information we've collected about specific countries is considered to be sensitive, with disclosure of such information intended to be made only to other governments, international organizations, and other entities which the Department determines may benefit in connection with their own Y2K activities.

OIG is also engaged in other international Y2K efforts. In accordance with a Memorandum of Understanding signed by the Secretary of State and Chile's Minister of Foreign Affairs, OIG has begun a cooperative effort to work with the Chilean Government on a number of internal audit issues. In September 1998, OIG auditors met with Chilean Government representatives to exchange ideas on addressing and enhancing Y2K-related audit methodologies.

Also, in coordination with the Organization of American States (OAS) and USIA, OIG has initiated a series of USIA Worldnet Interactives with Latin America and Canada to provide a high-technology forum for information sharing on timely contingency planning and Y2K compliance in the sectors of energy and financial institutions. In coordination with OAS and USIA, these interactive programs have been broadcast live throughout this hemisphere and worldwide via the Internet. The programs have explored problems, strategies, and solutions in Y2K readiness and have been widely viewed and well received.

### **Results of OIG International Assessments**

Based on our work in the countries cited above and on our assessment of other information provided by the State Department, a number of themes have emerged relating to the potential impact the Y2K problem may have in the global arena. We are basing our assessment of host country efforts to solve Y2K problems on the countries' compliance with the phased approach discussed earlier. The phases include awareness of the problem at the highest levels, assessment of the impact of the Y2K problem, renovation/replacement of noncompliant systems, validation of renovated/replaced systems, and finally, implementation of the revised system.

It is critical to note that, in terms of measuring the timeliness of different Y2K stages, the assessment phase should have been completed by mid-1997 to allow sufficient time for renovation, validation and implementation. Further, testing will account for around 50 percent of the time needed to correct a Y2K problem. As discussed below, however, many countries, especially in the developing world, remain in the assessment phase for Y2K and face increasing risk from Y2K-related failures on January 1, 2000.

Generally, because of the sensitive nature of the information collected, this statement does not identify specific countries, except where information has previously been discussed in the press or other public venues. Our work has resulted in the following findings:

Inconsistent Progress in Industrialized Countries

Most of the 21 industrialized countries we evaluated (7 of which we visited) were making good progress in their Y2K remediation programs. For example, as the table below shows, only 5 countries were still in the assessment phase for the electricity sector, and just a scattered few remained in the assessment phase in the other critical sectors. However, a few countries were not consistently focused or effective in their Y2K efforts. Governments in several countries, for example, had started Y2K programs in mid-1998, but some of those programs were making only minimal progress. Because countries in the industrial world are highly dependent on computer technology in every sector, the potential impact of Y2K-related failures is much higher in these countries than in the developing world. Some examples of problems found in our evaluation of industrialized countries' Y2K programs are as follows:

- In one European country, the government did not recognize the serious nature of the Y2K problem and had yet to establish a formal Y2K budget. In addition, government officials in this country were not willing to provide detailed information on their Y2K efforts.
- In another European country, which expects a huge influx of tourists for Y2K-related events, the government had established a Y2K committee in August 1998 but did not hold the first meeting on Y2K until January 1999.
- In yet another European country, the Y2K issue was viewed as a technical problem by the government and was given low priority. Public apathy was widespread, according to the embassy's report, as no government leaders were willing to take up the issue.

According to embassy reports, a number of middle eastern countries are at risk—not only because of possible disruptions in the oil industry—but because of possible Y2K problems in their desalinization plants. These countries receive all of their fresh water from desalinization plants and would face grave health problems if they were to shut down because of power or plant system failures.

Table 2: Y2K Status in Key Sectors in Industrialized Countries

Y2K Phase\Sector	Electricity	Banking	Telecommunications	Air Travel
Assessment	5	1	2	1
Renovation/Validation	12	15	13	17
Implementation	4	5	6	3

See Chart 1 in appendix II for a visual depiction of Y2K status in key sectors in 21 industrialized countries.

### Many Developing Countries Lack Adequate Resources

Developing countries were struggling to make headway in solving their Y2K problems. These countries were generally in the assessment phase toward the end of 1998, as they endeavored to develop effective remediation plans and to address the difficult task of finding adequate financial and technical resources to resolve Y2K issues or to develop contingency plans. The governments of some developing countries did not regard Y2K as a priority and thus had not established committees or task forces to address Y2K on a national basis. In these locations, the risk of failure in such key sectors as utilities and telecommunications will depend on the extent to which they rely on computers and embedded devices. In addition, these countries are generally experienced in dealing with short-term power and telecommunications outages. The question remains, however, as to how well they can handle long-term disruptions in numerous sectors that may concurrently occur because of Y2K-related failures. Examples of some specific problems facing developing countries are as follows:

- A country in Africa established a Y2K committee in September 1998, to conduct an overall assessment and increase public awareness, but allocated only \$126,000 for its Y2K budget. A local newspaper headline read "**One Benefit of Being a Backward Country: No Y2K Disaster Expected (here)**", which oversimplifies the issue. In fact, in this country, critical services such as power, telecommunications, and aviation are at risk.
- Officials in another African country told us that their power generation system was Y2K compliant; however, they noted that the automated systems used by the municipalities for power distribution and billing were not compliant, and that there was little money available to fix them. The power company has threatened to cut off power to those municipalities whose distribution and billing systems have not been fixed.
- In one African country, where one-third of the workforce was employed by the government, as of January 1999 there was still no Y2K committee or point person to marshal government efforts. There were increasing concerns that social unrest could occur should the government be unable to pay government workers. In an effort to persuade the government to focus attention on the Y2K problem, the U.S. Ambassador there met with the country's President to explain the Y2K problem.
- One Asian country we visited in late 1998 was just beginning a national Y2K program at the governmental level. Government officials told us that, although their country possessed significant software development expertise, this talent was largely being used for off-shore Y2K projects. They lamented that they could not afford the Y2K services of software companies in their own country.

- Officials in another Asian country told us they'd gotten off to such a late start last year that they'd decided to go directly into contingency planning. These same officials informed us that efforts to remediate air traffic control systems were not progressing well and that they were developing plans to shut down the country's main airport on December 31, 1999, should the situation warrant such a move.
- Both the Panama and Suez Canals face the risk of disrupted operations should their traffic management systems fail because of Y2K, or should ships traversing either canal fail because of Y2K problems in their engines and/or steering systems. Panama Canal officials told us they will not allow any ships into the Canal's locks on December 31, 1999; they further asserted that, while they were making progress toward fixing their automated ship traffic management system, they can revert to manual traffic management operations should it be necessary. According to Suez Canal authorities, their traffic management system is not Y2K ready; however, the vendor, a Norwegian firm, is working on the system, and plans to have it fixed by August 1999. We are not aware of any other plans by the Suez Canal Authority to address Y2K-related contingencies.

Table 3: Y2K Status in Key Sectors in 42 Developing Countries

Y2K Phase\Sector	Electricity	Banking	Telecommunications	Air Travel
Assessment	23	9	20	19
Renovation/Validation	14	27	14	19
Implementation	5	6	8	4

See Chart 2 in appendix II for a visual depiction of Y2K status in key sectors in 42 developing countries.

#### Difficulty in Assessing Eastern Bloc Progress

Developing countries that were part of the "Eastern bloc" (including countries that were part of the former Soviet Union) were also late in getting started and generally were still in the assessment phase at the end of 1998. Nearly all of the Eastern bloc countries evaluated are at least partially dependent on computers for such key sectors as finance, telecommunications, utilities, and transportation. Further, because the governments of these countries had not completed their Y2K assessments, we found it difficult to obtain detailed information about the Y2K programs in these countries, thus hindering our ability to effectively analyze the progress being made. Still, we were able to obtain some key information concerning telecommunications in Russia and power generation in both Russia and Ukraine. Specifically,

- Information technology experts in Russia told us they believe the telecommunications sector there is a major risk. Specifically, they told us that most of the local telephone

exchanges use non-Y2K-compliant switches that were made in a former Soviet factory that is now defunct. Without replacement with Y2K-compliant switches, there likely will be disruptions in local telecommunications capabilities.

- During our visit to Russia, officials told us that the safety systems used in their nuclear power plants were based on analog electronic components and thus were not susceptible to the Y2K problem. They stated that other management information systems used by the plants might be affected, but they were still running tests; still, they indicated that these systems were not essential to continued plant operations. These officials were not sure whether there were any embedded devices in the nuclear power plants that would affect operations.
- According to embassy reports and our discussions with the Ministry of Energy and other experts, Ukraine's power sector may be at serious risk as a result of Y2K. Ukraine's power grid is currently fragile due to, among other things, a lack of funds to purchase much needed and expensive fossil fuel to power old and inefficient thermal heat and electricity plants. One weakness in the power grid is obsolete hardware and software systems: only two of the eight electricity management computer systems are Y2K compliant. Further, the Government of Ukraine does not at this point seem prepared to handle a long-term power outage during the middle of winter, if the electricity grid collapses. Another concern is whether or not the nuclear power plants will have enough fuel reserves to sustain a safe shut-down mode of operation during a long-term power outage caused by a power grid collapse.

In addition, assessing the Y2K progress of Eastern bloc countries is difficult because of apparent widespread use of pirated software, often the result of a lack of adequate financial resources. For example, officials from the energy ministry of one country told us they used mainly pirated software applications and thus could not receive Y2K remediation services from the software manufacturers. Further confusing the situation is the lack of information on when and where computer equipment and software were obtained in the first place.

Table 4: Y2K Status in Key Sectors in 11 Developing/Eastern Bloc Countries

Y2K Phase\Sector	Electricity	Banking	Telecommunications	Air Travel
Assessment	10	6	6	7
Renovation/Validation	1	4	4	4
Implementation	0	1	1	0

See Chart 3 in appendix II for a visual depiction of Y2K status in key sectors in 11 developing/eastern bloc countries.



### Overall Lack of Y2K Readiness in the Health Care Sector

Y2K readiness in the health care sector appeared to be at risk in nearly every location evaluated. The failure of an information system or a medical device in a clinic or a hospital can put lives at risk. For example, it is conceivable that a computer might cut off important life support systems after the date change because it assumes the maintenance interval has been exceeded by one hundred years. In most of the countries we visited, efforts to assess the impact of Y2K on hospital systems and medical devices did not get under way until mid-1998, leaving very little time to remediate and/or replace noncompliant software and devices. As Table 5 shows, the majority of 74 countries evaluated were still in the assessment phase for the health care sector.

Table 5: Y2K Status in Health Care Sector in 74 Countries

Y2K Phase\Country Category	Industrialized	Developing	Developing/ Eastern Bloc
Assessment	14	36	11
Renovation/Validation	6	4	0
Implementation	1	2	0

See Chart 4 in appendix II for a visual depiction of Y2K status in the health care sector in 74 countries.

### Cohesive U.S. Policy Framework for Global Y2K

#### Efforts Not Yet Established

Over the past year, different elements of the U.S. foreign affairs community have taken the initiative to promote Y2K awareness and establish venues for information sharing and cooperation. For example,

- In August 1998, the United States Information Service (USIS) sent a team of Russian officials to the United States to be briefed on U.S. Y2K efforts, obtain information on remediation strategies, and discuss issues of mutual interest.
- The United Nations sponsored a global conference on Y2K in December 1998, attracting delegates from 120 countries, including representatives from USIA and the State Department.
- In February 1999, National Year 2000 Coordinators from the United States, Canada, and Mexico met here in Washington, to discuss cross-border issues related to the transition.
- Also last month, following an OIG site visit, the U.S. Embassy in Paris reported on a proposed series of bilateral Y2K efforts with the French Government, including an

exchange of Y2K experts between the two countries, initiation of discussions on Y2K health care issues, and development of policy proposals to support an international Y2K effort in Africa.

- Finally, also in February 1999, National Year 2000 Coordinators representing over 120 countries established the International Y2K Cooperation Center, an organization of senior executives that will support regional and sectoral efforts to address the Y2K computer problem. The Center will be funded through voluntary contributions to the World Bank and supported by in-kind contributions from other nations.

Despite these efforts, it is clear that a more cohesive framework is needed for the development and implementation of U.S. policy concerning the Y2K problem. In our visits to developing countries we were repeatedly questioned about whether the United States would be making funds available to support individual countries' Y2K remediation programs and for developing contingency plans. The primary arena for funding Y2K projects has been the World Bank, which has millions of dollars in grants and loans available for developing countries. However, the World Bank itself has stated that its funding is insufficient and that the industrialized countries will need to step in with financial and/or technical assistance.

Presently, there is no official U.S. policy on providing international financial and technical support for Y2K. The Department is moving in that direction, however, by establishing a Y2K policy planning group, which will be responsible for assessing the global Y2K situation and recommending any policy actions deemed vital to U.S. strategic interests. The first meeting of this planning group is scheduled to occur in early March.

From our standpoint, and from the standpoint of many countries that are looking for U.S. leadership on the Y2K problem, this Y2K planning group needs to move quickly in making any policy determinations of where resources should be applied. It is becoming increasingly clear that there will be Y2K-related failures in every corner of the globe, some of which could prove harmful to U.S. interests. As such, it would be prudent for the United States to decide what actions will be necessary to prevent Y2K-related problems before December 31, 1999.

#### **OIG work within the Department of State and USIA**

OIG is also playing a significant role in assisting the Department and USIA to meet the millennium challenge facing their respective information technology infrastructures, including computer software, hardware, and embedded devices. The Department has recognized that it is vulnerable to the Y2K problem and, over the past two years, has taken steps to remediate its systems and infrastructure to prevent disruptions to its critical business processes.

The Department has established a Program Management Office, which is responsible for the overall management of the Y2K program within the Department. The office's responsibilities include tracking and reporting on the progress being made by Department bureaus in remediating systems, providing technical advice and assistance.

issuing contingency planning guidance, and certifying systems for Y2K compliancy. As of March 1, 1999, the Department reported that 66 percent of its 59 mission-critical systems had been implemented, and it expects that 90 percent will have been implemented by March 31, 1999.

OIG's first series of reviews focused on assessing internal aspects of the Department's program to ensure that its systems and devices are Y2K compliant, and we highlighted a number of key Y2K issues. These included the need for better tracking of applications, greater focus on the computer networks that support Department operations, more specific attention to the vulnerabilities of the Department's overseas computer networks, and more timely issuance of critical Y2K guidance.

In addition, my office has assisted in establishing a process through which the Department can certify the Y2K compliancy of its mission-critical systems. The purpose of this process, which we understand is one of the most rigorous in the Federal Government, is to provide the Department's senior management with assurance that every feasible step has been taken to prevent Y2K-related failures on January 1, 2000. We assisted in writing detailed guidelines that each bureau must use in developing application certification packages for submission to the Y2K Project Management Office. In addition, through an agreement with the Under Secretary of State for Management, OIG is reviewing the adequacy of all certification packages for mission-critical systems before they are provided to the Y2K certification panel. Thus far, we have evaluated and provided our comments to the Department on seven application certification packages, and two of those have been officially certified.

\* \* \* \*

In summary, Mr. Chairman, our assessments of Y2K efforts in 74 countries over the past 5 months have provided a mixed picture of international Y2K readiness. In some places, we found convincing evidence that effective programs were in place in both the public and private sectors. In other places, however, the picture was either grim with no program in place and little progress being made, or inconclusive because the information provided did not contain sufficient detail to develop a reliable assessment.

Faced with a relentless and unforgiving deadline, countries have to make difficult decisions concerning the use of scarce resources to fix a problem that has not yet occurred. As such, over the coming months, the State Department and other U.S. Government agencies will need to revisit the information and the issues presented here in order to gain a better understanding of the potential global impact of Y2K. Only a concerted and consistent effort to collect and analyze the best information available will allow the U.S. Government and its overseas partners to adequately predict and prepare for those Y2K-related failures that occur after December 31, 1999, and to take the actions needed to protect global U.S. interests.

This concludes my statement. I would be pleased to answer any questions you may have.

## APPENDIX I

### Y2K Host Country Assessments: List of Countries

#### Africa

Algeria, Cameroon, Cote d'Ivoire, Egypt, Ethiopia, Gabon, Ghana, Kenya, Madagascar, Morocco, Namibia, Senegal, South Africa, Tunisia, Zambia

#### Asia/Pacific

Australia, Bahrain, Bangladesh, China, Hong Kong, India, Indonesia, Jordan, Kazakhstan, Kuwait, Lebanon, Malaysia, New Zealand, Oman, Pakistan, Philippines, Saudi Arabia, Singapore, South Korea, Thailand, Turkmenistan, Uzbekistan, Vietnam, Yemen

#### Europe

Austria, Belarus, Belgium, Bulgaria, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Poland, Portugal, Romania, Russia, Serbia-Montenegro, Spain, Sweden, Turkey, Ukraine, United Kingdom

#### Central/South America

Argentina, Bolivia, Brazil, Chile, Columbia, Ecuador, Guatemala, Panama, Peru, Venezuela

#### North America

Canada, Jamaica, Mexico

APPENDIX II

Charts 1 & 2

APPENDIX II

Charts 3 & 4

**STATEMENT OF  
JACQUELYN L. WILLIAMS-BRIDGERS  
INSPECTOR GENERAL OF THE  
DEPARTMENT OF STATE AND  
INTERNATIONAL BROADCASTING**

**THE YEAR 2000  
COMPUTER PROBLEM: GLOBAL READINESS**

**BEFORE THE  
COMMITTEE ON INTERNATIONAL RELATIONS  
U.S. HOUSE OF REPRESENTATIVES**

**October 21, 1999**

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to testify before your committee on the results of our most recent analysis of global Year 2000 (Y2K) preparedness and the potential impact Y2K failures may have in the international arena. The Y2K problem is one of the most challenging project management and systems conversions efforts ever faced by the world community. Although no one can accurately predict what will happen over the date change, we must recognize the potential for disruption both here in the United States and abroad. As you know, failures of systems in countries hosting our embassies and consulates, non-government organizations, and U.S. businesses have the potential to affect the U.S. Government's ability to carry out its foreign affairs agenda and protect U.S. interests abroad in the year 2000. This statement will address OIG's oversight of Y2K remediation efforts by countries that host our embassies and consulates and by the U.S. Department of State.

### SUMMARY

My office has been actively engaged with the Department of State and our embassies overseas to assist them in meeting the Y2K challenge for the last year and a half. Of particular interest my office has been assessing the Y2K readiness of host countries where the United States maintains a diplomatic presence. Our work to date has revealed some key themes:

- Industrialized countries are well ahead of the developing world; however some of those locations are at risk of having Y2K related failures because they were late in establishing Y2K leadership at the national level, and because they are heavily reliant on computer technology sectors;
- Developing countries are generally lagging behind and are struggling to find the financial and technical resources needed to solve their Y2K problems;
- Similar to the developing world, key sectors in the Newly Independent States and other former Eastern bloc nations, are a concern because of the relatively high probability of Y2K related failures; and
- Problems related to Y2K readiness in the health sector are apparent in the majority of countries evaluated.

Our assessment suggests that the global community will likely experience varying degrees of Y2K related failures in various sectors, in any region, at any economic level. At this point with less than 80 days to go before the transition, the Department and the global community need to guard against complacency. Although much progress has been made and the risk of major failures appears to diminish every day, much work remains to be done in contingency planning, and identifying foreign locations of high risk. The Department must continue its leadership role with other federal agencies such as the

Departments of Commerce, Energy, Transportation, and the Federal Emergency Management Agency, and continue working closely with international organizations, industry, consumer organizations and other groups that have active Y2K outreach activities.

## **BACKGROUND**

On January 1, 2000 many computer systems may malfunction or produce inaccurate information simply because of the date change. Unless prevented, these failures will adversely affect organizations and individuals around the world. Failure of host countries to resolve the Y2K problem or to create adequate contingency plans could affect the foreign affairs community if critical components and control systems of their infrastructure are not made Y2K compliant.

Efforts to solve Y2K problems generally have followed a phased methodology with each phrase representing a major Y2K segment as described below:

- Awareness – Define the Y2K problem, obtain executive support for a Y2K program, establish a program team, and develop an overall Y2K strategy. Ensure that everyone in the organization is fully aware of the issue.
- Assessment – Assess the potential impact of Y2K on the enterprise. Inventory and analyze systems supporting core business areas and processes and establish priorities and contingency plans for their conversion or replacement. Secure the resources needed for renovation, validation, and implementation.
- Renovation – Convert, replace, or eliminate systems or components that are not Y2K compliant. Modify interfaces as necessary.
- Validation – Test and verify the performance, functionality, and integration of converted or replaced systems or components in operational environments.
- Implementation – Put the validated systems or components into production. Implement necessary contingency plans.

Under this methodology, the earliest phase, assessment, should have been completed two years ago, allowing sufficient time for renovation, validation, and implementation to prevent disruptions to critical business processes.

### **Department of State International Y2K Efforts**

The Department has recognized that the potential for Y2K vulnerability is not restricted to its domestic operations and has implemented measures to assess the Y2K readiness of all countries where the United States has a diplomatic presence. These measures include the following:

- In November and December 1998, the Department's embassies and consulates used a standard survey to collect information on the effectiveness of the host country's Y2K program, vulnerability to short-term economic and social turmoil, reliance on technology in key infrastructure sectors, and the status of Y2K correctional activities.

Staff under the direction of the National Intelligence Council analyzed the information from this survey, as well as from other sources, such as the World Bank, the United States Information Agency, and OIG.

- On January 29, 1999, the Department issued a Worldwide Public Announcement on the Y2K problem to inform U.S. citizens of the potential for problems throughout the world because of the millennium "bug." The notice cited specific areas of concern, including transportation systems, financial institutions, and medical care, as activities that may be disrupted by Y2K-related failures. Further, this announcement warned all U.S. citizens planning to be abroad in late 1999 or early 2000 to be aware of the potential for problems and to stay informed about Y2K preparedness in the location where they will be traveling. In addition, the Department established a special Y2K website for American citizens traveling or residing abroad with links to Y2K websites for foreign governments, international organizations, private organizations, and commercial enterprises at <http://travel.state.gov/cay2k>.
- In February 1999, the Department provided all of its embassies and consulates with a Contingency Planning Toolkit. The posts were instructed to use the toolkit to assess the probability that Y2K-related failures might occur in key infrastructure sectors, including finance, telecommunications, transportation, energy, and water/wastewater treatment. Based on this assessment, posts were to develop contingency plans and identify the resources (generators, radios, etc) needed to handle Y2K-related emergencies. As of the end of June 1999, nearly all of the Department's posts had completed their host country infrastructure assessments and developed draft contingency plans.
- In June 1999, the Department provided instructions to its embassies and consulates on how they should approach host governments concerning Y2K issues. Posts were asked to discuss with the host government its assessment of Y2K readiness in the country; gain a deeper understanding of the local authority's remedial actions and contingency plans; and inform the host government that the Department has a responsibility to notify American citizens if it is aware of credible and specific threats to their safety and security, including Y2K problems in critical sectors. The Department hopes that approaching all countries now with this information will spur them to either correct the problems or develop contingency plans.
- On July 26, 1999, the Department issued a revised Worldwide Public Announcement on Y2K highlighting the need for personal preparedness on the part of private Americans and noting the inability of embassies and consulates to directly provide food, water, and shelter to the millions of U.S. citizens abroad. The Public Announcement also apprised the public of the measures the Department was taking to keep embassies and consulates functioning.
- On September 9, 1999, the Department conducted a worldwide test of its host country Y2K reporting system. The Department used this date because of the potential that computer systems might fail if they interpreted the 9/9/99 date as an error or as the

end of a file. The test was very successful; as all posts scheduled to report did so. Further, approximately 75% of posts reported on this within an hour of their assigned reporting time. The Department plans to use this reporting system during the critical Year 2000 transition at the end of December.

- On September 14, 1999, the Department released updated consular information sheets containing Y2K information for 196 countries. These sheets provide the Department's official assessment of the potential disruption, if any, Y2K might cause.

### OIG Year 2000 Oversight Efforts

#### **International Y2K Efforts: Host Country Preparedness**

##### Results of Recent OIG Y2K Visits

My office has continued its efforts in international Y2K issues by engaging host country representatives in discussions and establishing venues for information sharing and cooperation. Over the past year, we have visited 31 countries, held meetings with host country Y2K program managers, representatives from key infrastructure sectors, and private sector officials to discuss their respective Y2K programs and shared information. I will summarize below the results of our most recent visits to Indonesia, China, Saudi Arabia, Egypt, Nigeria, South Africa, Brazil, and Venezuela.

- **Indonesia:** Indonesia is generally not heavily reliant on computerized systems; however, some urban centers are dependent on information technology for telecommunications and banking. Overall, the country got a late start on Y2K remediation and does not appear to be fully prepared to deal with the Y2K problem. Consequently, there is a moderate risk of Y2K disruptions across Indonesia, specifically in the key sectors of telecommunications and banking and finance. Telecommunications appears to be the sector most vulnerable to potential Y2K disruptions. Further, the banking sector's heavy reliance on telecommunications increases the risk that it may face Y2K-related disruptions. The state electrical utility has taken steps to effectively address Y2K issues; according to utility officials, they have nearly 80 percent excess power generation capacity, thus making a power grid failure unlikely. Finally, the government has established a separate entity that will provide Y2K certification/verification assessments to systems owners.
- **China:** Major cities in the most developed region of the People's Republic of China (essentially a strip running 100 miles or so deep along the coast) are moderately reliant on computerized systems. Chinese Y2K remediation and contingency planning efforts have focused on critical infrastructure systems in these cities, which are generally well prepared to deal with the Y2K problem. Ninety percent of U.S. citizens in China live in these major cities. Little information is available concerning the Y2K readiness of China's interior provinces; still, we were told that reliance on computerized systems is much lower in these areas, and thus Y2K will likely have a low impact. China's power grid passed a Y2K test in early September, 1999, during

which power generating and transmission companies rolled through all the Y2K critical dates. Chinese authorities expect that any potential disruptions will be concentrated in small- and medium-sized enterprises, and that there is a moderate risk of disruption in freight-forwarding and distribution networks.

- **Saudi Arabia:** The Kingdom of Saudi Arabia has implemented a comprehensive Y2K effort across all of its ministries. According to the July 1999, assessment by the Saudi Arabian Y2K National Committee, 100 percent of systems in the financial services, clearing/settlement, and government sectors were Y2K compliant. Basic utilities were 96 percent compliant, transportation systems were at 95 percent, and telecommunications at 90 percent. The Saudi petroleum sector began its Y2K efforts in 1994, and has since completed remediation, testing, and certification of its systems, except for a few medical devices used in its hospitals. The electric power utility is nearly 100 percent compliant, and in any event will have 25 percent excess capacity in January 2000 because of lower usage. In the water sector, the Saline Water Conversion Corporation has 25 plants at 15 locations around the country, producing 700 million gallons of water a day. Most of the process control devices used in these plants are analog, some nearly 30 years old, and which do not have Y2K issues. Saudi Arabia has one of the most advanced telecommunications systems in the world, and it will be 100 percent compliant by October 31, 1999. Finally, according to officials at the National Committee, the health care sector has the most significant Y2K-related problems, with the government-run hospitals being the furthest behind. They are currently concentrating on contingency planning.
- **Egypt:** The Government of Egypt has implemented a centrally directed, well-organized and comprehensive Y2K effort across all civilian ministries. The ministries of Interior and Defense have separate programs. The Central Bank of Egypt and the country's 54 commercial banks have completed their remediation and testing for all critical dates, including international clearing. The Egyptian Electric Authority states that it has a high level of confidence in its Y2K readiness because it has fixed and tested all critical systems and embedded devices. Public hospitals, which do not expect to be compliant, are implementing a thorough risk management and staff training initiative to prepare for contingencies. The telecommunications sector is 85 to 90 percent Y2K-ready and is pursuing an ongoing Y2K program. Water and sewage treatment appear to be mostly manual operations; the embassy in Cairo is continuing to assess these and other sectors, such as natural gas and hazardous materials. In addition, our embassy in Cairo is strongly supporting the Egyptian Government's Y2K program. This effort includes \$15.75 million in U.S. assistance targeting, among others, the power, telecommunications, health, water, wastewater, and civil aviation sectors. Finally, the Suez Canal Authority states that it will keep the Canal clear of ships from around 11:00 p.m. on December 31, 1999, through the early morning hours of January 1, 2000. During this transition period, canal pilots will inspect shipboard navigation and other systems of transiting vessels. The Suez Canal Authority will also be checking the status of its own systems.

- Nigeria:** Generally, the Nigerian infrastructure is not heavily dependent on computers, and thus is not at risk of failure due to Y2K. For example, except for the Ministry of Finance, the Government of Nigeria generally uses manual systems for day-to-day activities. Much of the emphasis on Y2K remediation in Nigeria has centered on the banking and petroleum sectors. The Central Bank of Nigeria has taken some actions to assure banks continue to operate on and after December 31, 1999. It has issued guidelines on Y2K compliance, hired inspectors and independent auditors to review bank Y2K preparations, check compliance and certify the banks as Y2K compliant. However, the Central Bank is reported not to have a contingency plan but will maintain extra treasury bills during the period for liquidity purposes. The petroleum sector appears to be the most well-prepared. The major oil companies—Mobil, Chevron and Shell—operate completely separate from the Nigerian infrastructure, and each of these companies has implemented vigorous Y2K remediation programs. For example, Chevron Nigeria's infrastructure includes two hospitals, three clinics, water/sewage plants, power facilities, office and housing compounds, drilling, pumping and docking facilities and other structures located generally on the Nigerian coast line. Chevron's entire infrastructure was checked for Y2K compliance, and system-wide testing was completed on September 9, 1999. Mobil Oil representatives told us that they have tested all of their systems and replacement of non-Y2K compliant systems has taken place within the last year. They also stated that all of the plant equipment and embedded systems in each of their Nigerian locations has been tested and systems not meeting Y2K compliance requirements have been replaced. Other key sectors, such as electricity, telecommunications, and air traffic control are routinely plagued with technical glitches and failures, and Y2K may only exacerbate those problems.
- South Africa:** South Africa is the most developed nation on the African continent and relies on computers and other automation in nearly every aspect of daily life. It is spending an estimated \$4 billion on its year 2000 program and related contingency measures. Under the auspices of the National Y2K Decision Support Center, South Africa is focused on six potentially high-risk areas: Electricity, Water, Telecommunications, Health Services, Transportation and Emergency Services. Currently, based on the reported progress made so far, the government reports the risk factor in all six areas as "low to extremely low", and as a result South Africa should experience only limited disruptions through the rollover event. In the power sector, for example, Eskom, South Africa's electrical producer, generates more than sixty percent of Africa's power. Failure due to Y2K is unlikely for the following reasons: 1) the Y2K rollover occurs during the summer season in South Africa - traditionally a low demand season; 2) most of the unit control systems at main base-load stations, as well as the country's one nuclear power station utilize analogue controls; and 3) local distribution systems are electro-mechanical and do not use embedded logic systems. In addition, the financial sector should continue operations without any major disruptions. The country's sixty registered banks are required to make regular progress reports to the South African Reserve Bank's (SARB) Bank Supervision Department, which has been monitoring Y2K preparations since September 1996.

SARB has cautioned that non-Y2K compliant banks could be removed from the payment and settlement system so that they do not affect other participants. Finally, SARB plans to release an extra 7.6 billion Rand banknotes into the banking system to meet expected increased cash demand. The health sector is lagging behind, with remediation programs expected to run through February 2000. As a result, contingency plans in this sector include the suspension of outpatient services from December 1999 through January 2000. Finally, the greatest risk to South Africa is external, in that Y2K-related disruptions in neighboring countries, such as Zimbabwe, Botswana and Mozambique might result in a situation where mass immigrations and border control problems place a severe strain on the South African infrastructure.

- Brazil:
- Venezuela:

#### **Host Country Y2K Information Flow Needs to Continue**

As discussed earlier, the Department's embassies and consulates have been reporting on their respective host countries' Y2K readiness since late 1998. This information has been used to develop contingency plans for post staff, and to inform the public of where Y2K-related failures might occur. Further, the Department, including my office, has used this information to develop worldwide assessments of the potential impact of the Y2K problem on key infrastructure sectors (energy, transportation, communications, etc.). At the Committee's July 1999 hearing on Y2K Readiness and Global Trade, based on embassy information and our own visits, we discussed the relative risk that Y2K-related failures might occur in key sectors of the world's industrial, developing, and eastern bloc countries.

Because the Y2K global landscape is constantly changing, it is essential that the Department continue to collect Y2K readiness information from its overseas posts and other sources. Posts are continually providing updated country assessments, and these are provided to other U.S. government agencies and to the National Intelligence Council, which is responsible for maintaining a global Y2K database. As we enter the final 90 days of 1999, it is critical that the National Intelligence Council keep this information updated in order to facilitate decision-making on Y2K issues by U.S. government officials both here and abroad, and in order to keep the public informed of potential global Y2K problems.

#### **More Detailed Y2K Readiness Information Needs to be Released**

As discussed earlier, the Department has issued Consular Information Sheets for 196 countries describing Y2K readiness and the potential for Y2K-related disruptions. This ambitious and noteworthy effort to inform the public about potential disruptions abroad has focused public attention on a worldwide problem. However, based on a

review of 29 information sheets, we have concerns about their adequacy. Thirteen of the 29 contained adequate Y2K information that was correct and specific enough to enable someone to make an informed decision about whether to travel to those countries. The other 16 Consular Information Sheets did not contain adequate assessments because the Y2K information provided was too vague. The Department, in its on-going process of updating consular Y2K information, is continuously reviewing Y2K information for all countries. In particular, the Department is now focusing on possible revision of current consular information for some countries.

Some specific examples of consular information sheets that can be improved are as follows:

**Czech Republic:** The information sheet on the Czech Republic notes that "greater progress in remediation efforts and contingency planning in rail service, electricity generation, water supply, and health care will help lower the risk of potential disruption." It would be more useful if the Department stated whether there was any evidence that such progress was being made, and whether it would be made in a timely manner.

**Indonesia:** The Department's advisory notes that there is a moderate risk of Y2K disruptions across Indonesia, specifically in the key sectors of health, telecommunications, and banking and finance. However, the sheet goes on to warn, "A long-term disruption of electrical power in Jakarta and other major cities is a potentially serious Y2K problem." This sentence is inconsistent with information collected during our visit with Indonesian power industry officials in August 1999, where we were briefed on their extensive efforts to remediate Y2K problems in the power sector.

**Italy:** The information sheet is largely boilerplate and provides vague information. It should be updated to reflect more specifics regarding the current state of Y2K remediation and contingency planning to ensure that millions of travelers considering a visit to Italy for any of the planned millennium celebrations have timely, comprehensive information.

**Russia and Ukraine:** The information sheets on these two countries contain strong language about the high risk of potential Y2K problems, which is generally consistent with the information contained in the embassy assessments. However, despite this recognized high risk, the Department only provides a vague warning to travelers, suggesting that they "take into account fully the information in this document in planning their travel and its timing."

Over the past year the Department's embassies and consulates have provided thousands of reports to Washington concerning Y2K efforts in their respective host countries. A number of embassies, such as the U.S. Embassy in Beijing, China, have made their Y2K reporting available to the public through their public web sites. These are linked to the Department's Y2K website at <http://travel.state.gov.y2k>. The British Foreign and Commonwealth Office's travel website contains detailed, sector-specific

(energy, water, etc.) Y2K information collected by British embassies in dozens of countries. These assessments and other analyses by host governments are also available via the Department of State's website links.

Some of the Department's recently issued Consular Information Sheets do not fully capture the scope and content of the Y2K information collected by its overseas staff, and may not, in all cases, be as useful to the American public as they could be. While country-specific Consular Information Sheet Y2K language was approved by the respective U.S. embassy, in some cases it reflected more recent, updated information than that contained in the post's formal assessment reports. In such cases, posts' Y2K country assessments should be revised to reflect the changes made during the final information sheet drafting process.

We recognize that in many countries information concerning the level of Y2K readiness is sensitive, given the potential impact that Y2K might have on the country's economy, its reputation, or even its internal political stability. Nonetheless, so Americans can make reasoned, informed decisions about where they plan to be on December 31, 1999, we recommend that the Department release additional information as it becomes available on international Y2K readiness.

#### **OIG Work within the Department of State**

OIG is also assisting the Department to meet the millennium challenge facing its respective information technology infrastructures, including computer software, hardware, and embedded devices. The Department has recognized that it is vulnerable to the Y2K problem, and over the past 2 years has taken steps to remediate its systems and infrastructure to prevent disruptions to its critical business processes.

The Department has established a Program Management Office (PMO) that is responsible for the overall management of the Department's Y2K program. The PMO's responsibilities include tracking and reporting on the progress being made by the bureaus in remediating systems, providing technical advice and assistance, issuing contingency planning guidance, and certifying systems for Y2K compliancy. As of May 15, 1999, the Department reported that 100 percent of its mission-critical systems had been implemented.

My office has assisted in establishing a process through which the Department can certify the Y2K compliancy of its mission-critical systems. The purpose of this process, which we understand is one of the most rigorous in the Federal Government, is to provide the Department's senior management with assurance that every feasible step has been taken to prevent Y2K-related failures on January 1, 2000. We assisted in writing detailed guidelines that each bureau must use in developing application certification packages for submission to the Y2K Project Management Office. In addition, through an agreement with the Under Secretary of State for Management, OIG is reviewing the adequacy of all certification packages for mission-critical systems before they are provided to the Y2K certification panel. Thus far, we have evaluated and provided our comments to the Department on 27 application certification packages, and

14 of those have been officially certified. Another nine certification packages are in the pipeline, and we expect to review them shortly.

Finally, in April 1999, the Department initiated planning for end-to-end testing of its core business functions. The purpose of end-to-end testing is to ensure that the Department can maintain its core business functions on and beyond the rollover to the Year 2000. The Department's end-to-end test is a test of the critical transaction flows through the organization across the major business functions, applications, and vendor products that support these transactions. State has organized its end-to-end testing around five clusters, each of which combines a number of related business functions. For example, the Business Management Cluster includes such processes as personnel actions, financial management, and logistics. The other four clusters are Consular, E-mail, Command and Control Communications, and Security. As of September 30, 1999, the Department had completed end-to-end testing of four clusters, and plans to complete testing on the fifth cluster (Business Management) by October 31, 1999.

#### After Y2K: What Have We Learned?

Before closing, I'd like to turn the committee's attention to the matter of what happens after Y2K, assuming the worst case scenarios do not come to pass. By January 1, 2000, organizations around the world will have spent hundreds of billions of dollars to resolve the Y2K problem. Further, organizations will spend billions more in the year 2000 and beyond on systems that were not fixed in time or on systems that were thought to be fixed, but still failed. There will also be the cost of post-Y2K clean up, for conducting repairs in countries that experience major outages—which we expect to be few and far between.

Some experts estimate that the total worldwide cost for Y2K, excluding litigation, will exceed \$1 trillion. Given this cost, and the disruption that Y2K has produced over the past 2 years, the question that naturally arises is, what have we gained from this investment, aside from the ability to continue operations as usual? The other question is how can we avoid the next Y2K-like technology glitch?

I would suggest that we have much to learn from the Y2K experience. According to the Gartner Group, leading organizations encourage a post hoc analysis of projects in order to establish lessons and to modify the organization's future behavior. Indeed, the collective efforts of both public and private sector organizations worldwide to resolve the Y2K problem may provide some important lessons, including best practices that may be applicable to government agencies and to private sector organizations as well. For example, the Department's project management approach to Y2K may be useful in addressing other agency-wide issues, such as information security. In addition, through the laborious Y2K assessment process, the Department now has a detailed inventory of its information technology infrastructure, information that is needed for effective information resources management. Further, there are potential uses for the information collected by the Department, my office, and others on global Y2K readiness; in

particular, we now have more information than ever on the extent to which countries around the world are becoming reliant on information technology.

Taking a retrospective look at Y2K may provide valuable information on what went right, what went wrong, and what we need to do in the future to either prevent another Y2K-like glitch from happening, or to be better prepared when it does happen. My office is planning to address these issues over the coming year, and we would welcome any suggestions or ideas from the committee as we proceed.

\* \* \* \*

In conclusion, over the next 75 days or so, the Department faces the difficult challenge of maintaining the momentum it has developed, and keeping the world focused on the Y2K problem. While much progress has been made by a large part of the international community to prepare for Y2K and to develop contingency plans, much of this effort will be for naught if complacency is allowed to take hold. The Department has a clear and unequivocal role to play over the next two months, through its efforts to continue to fine tune its own contingency plans, to collect information on host country Y2K activities, and to assure the American public is adequately informed about global Y2K readiness.



**Where Do We Stand on the  
Eve of the New Millennium?**

Thursday-Friday  
December 2-3, 1999  
Wyndham Washington Hotel  
Washington, D.C.

**SCOPE AND PURPOSE**

January 1, 2000, is coming, and the deadline cannot be extended. Whatever remediation, testing, and contingency planning that is going to be done has been done. At this point, there is little to do except anticipate what may go wrong. When things go wrong in America, legal problems ensue. The purpose of this course of study is to help attorneys and others with legal responsibilities understand how to advise clients and companies when the inevitable Y2K (Year 2000) problems hit.

This timely course addresses issues such as likely defendants, breach of warranty and professional liability claims and defenses, securities disclosure claims, and insurance. The course also provides an overview of the Y2K problem and the current status of efforts to deal with it, to help practitioners anticipate last-minute questions and subsequent developments.

Time is reserved throughout the program to address registrants' written questions.



American Law Institute - American Bar Association  
Committee on Continuing Professional Education

# PLANNING CHAIRS

Richard P. Swanson, Thelen Reid & Priest LLP, New York  
Dean A. Morehous, Jr., Thelen Reid & Priest LLP, San Francisco

## FACULTY

Steven Brower, Ginsburg, Stephan, Oringher & Richman, P.C.,  
Costa Mesa, California  
Steven L. Hock, Triaxsys Research LLC, San Francisco  
Jeff Jinnett, LeBoeuf, Lamb, Greene & MacRae LLP, New York  
Reed R. Kathrein, Millberg Weiss Bershad Hynes & Lerach LLP,  
San Francisco  
Kerry A. Kearney, Reed Smith Shaw & McClay LLP, Pittsburgh  
Joseph P. Monteleone, Senior Vice President and Claims Counsel,  
Reliance National, New York  
Mark Montgomery, Director for Critical Infrastructure, National  
Security Council, Washington, D.C.  
Scott J. Nathan, Nathan & Voltz, P.A., Franklin, Massachusetts  
Howard L. Nations, Howard L. Nations P.C., Houston  
Rhonda D. Orin, Anderson Kill & Olick, L.L.P., Washington, D.C.  
John L. Reed, Blank Rome Comisky & McCauley LLP, Wilmington,  
Delaware  
Broc M. Romanek, Lockheed Martin Corp., Bethesda, Maryland  
David A. Stampley, Thelen Reid & Priest LLP, New York  
Jacquelyn Williams-Bridgers, Inspector-General, U.S. Department of  
State, Washington, D.C.

## PROGRAM

Thursday, December 2, 1999

8:00 a.m. Registration and Continental Breakfast

9:00 a.m. **Y2K: Where Do We Stand on the Eve of the New Millennium?**—*Mr. Morehous*

9:30 a.m. **Y2K Status Update**—*Mr. Hock*

An interdisciplinary overview of the legal, organizational, technical, and economic dimensions of the problem, including a summary of U.S. industry and worldwide progress and challenges

10:15 a.m. Coffee Break

10:30 a.m. **Legislation Update**—*Mr. Stampley*

What has been the effect of the Federal Information Readiness and Disclosure Act and the Year 2000 Readiness and Responsibility Act? What state legislation may affect you?

11:00 a.m. **Current Y2K Litigation**—*Mr. Stampley*

What has developed in the past year, and what are the principal liability theories?

11:30 a.m. **Panel on Y2K "Defect" Litigation: Theories of Liability, Defenses, and Discovery Objectives in Y2K Defect, Warranty, and Consumer Litigation**—*Moderator: Mr. Swanson; Panelists: Messrs. Brower, Morehous, and Nations and Ms. Orin*

What are the new developments in who is being sued, such as hardware and software manufacturers, systems maintenance

(Continued)

PROGRAM (Continued)

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companies, subsidiary companies, and Y2K "fix-it" consultants?  
What issues will practitioners face in asserting new defenses created by Federal and state legislation?

12 noon Lunch Break

1:30 p.m. Litigation Issues (continued)

2:30 p.m. International Issues

—The Honorable Jacquelyn Williams-Bridgers

What are the international implications of the Y2K problem?

3:00 p.m. Coffee Break

3:15 p.m. Insurance and Y2K Liability Coverage Issues—Messrs. Monteleone and Nathan and Ms. Ocin

What are the new developments in policies? What do we learn from recent litigation about a party's ability to recover insurance benefits for Y2K compliance costs, the "sue and labor" lawsuits, and various defenses that insurers are asserting?

4:15 p.m. Questions and Answers

4:30 p.m. Adjournment for the Day; Reception for Registrants and Faculty

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Friday, December 3, 1999

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8:00 a.m. Continental Breakfast

8:30 a.m. SEC Developments and Securities Disclosure Litigation—Ms. Kearney and Messrs. Reed, Romanek, and Swanson

What has the past year shown about filing requirements and how companies fulfill them, the usefulness of Y2K disclosures, shareholder actions for nondisclosure, and board fiduciary issues?

10:00 a.m. Risk Management and Creating a Summary Due Diligence Document—Mr. Jinnett

How to create a summary due diligence document that can be annotated to regulatory agency standards, trade association guidelines, industry expert white papers, and other "external validators" in order to establish that a Y2K project follows industry standards and "best practices"

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10:45 a.m. Coffee Break

11:00 a.m. The Plaintiff's Perspective on Y2K Litigation—Mr. Kathrein

How does the final countdown affect individual and class action claims?

11:30 a.m. Hacking and Cyberterrorism—Mr. Montgomery

How is the date change an open window of opportunity for cybercriminals and cyberterrorists? How might your company be affected, even if not directly hit?

12 noon Strategies in Advising the Unprepared Company—Mr. Stampley

Last-minute advice on risk management and liability containment for lawyers advising clearly unprepared clients

12:30 p.m. The Ongoing Challenge

What are the key operational issues that will persist even after the century date change? What residual contingency planning and business resumption issues will companies face?

1:00 p.m. Adjournment

Total 60-minute hours of instruction: 9.75

## **STUDY MATERIALS**

A book of specially prepared study outlines and related material will be distributed at the course site. To ensure that study materials are as timely as possible, books generally are not printed until immediately before the program, and thus are not usually available in advance of the course for which they are prepared.

## **REGISTRATION—800-CLE-NEWS**

Tuition for this course is \$695. Tuition entitles registrants to admission to all sessions, a set of study materials, Continental breakfasts daily, and a reception. To register, simply return the form provided, with payment or register with a valid credit card by:

- Phone: 800-CLE-NEWS (800-253-6397)
- FAX: 215-243-1664
- Internet: [www.ali-aba.org](http://www.ali-aba.org)

Registrations will be accepted at the door if space is available, but please call in advance to avoid disappointment. All course accounts must be settled by the first session of the course to assure admittance to the classroom.

*Services for Persons with Disabilities:* If special arrangements are required for an individual with a disability to attend this program, please inform ALI-ABA of any special needs at least two weeks in advance. Write Alexander Hart, ALI-ABA, 4025 Chestnut Street, Philadelphia, PA 19104-3099, or call (215) 243-1630 or (800) CLE-NEWS (253-6397), extension 1630 (toll-free, U.S. and Canada).

## **CANCELLATIONS**

Cancellations received no later than November 29 will be honored and tuitions refunded, less a \$25 cancellation fee. Cancellations received by noon December 1 also will be honored and tuitions refunded, minus, however, a \$75 cancellation fee. Telephone cancellations (215-243-1631) will be honored under the above time limits and terms, but must be confirmed by letter; all requests for refunds must be received in writing and must be postmarked no later than December 6.

## **HOTEL ACCOMMODATIONS**

A limited block of rooms has been reserved at the Wyndham Washington Hotel. Room rate: \$165 per night, single or double occupancy. These rooms will be held as a block, unless exhausted, until November 10, at which time they will be released to the general public. Registrants must make their own hotel reservations and indicate that they are attending the ALI-ABA Course of Study to qualify for rooms in the block.

Room reservations may be made by calling or writing to the Wyndham Washington Hotel, 1400 M Street, N.W., Washington, DC 20005; phone (202) 429-1700; FAX (202) 872-1506. Confirmations will be sent by the hotel. Please read the cancellation policy carefully. Note that most hotels will not hold reservations beyond 4 p.m. without an advance deposit. Registrants planning a late arrival should guarantee their reservations with the hotel.

## **DISCOUNTED AIRFARES**

For ALI-ABA discounted airfares, please call: DELTA 1-800-241-6760, re: File #122470A; UNITED 1-800-521-4041, re: File #535DG. Restrictions may apply.

## **TUITION ASSISTANCE**

Tuition assistance for ALI-ABA courses, based on need, is available on application. We are particularly interested in applications from minority lawyers, public interest lawyers, government lawyers, and recently admitted solo practitioners. To apply, please request application form: Tuition Assistance, Alexander Hart, ALI-ABA, 4025 Chestnut Street, Philadelphia, PA 19104-3099, or call (215) 243-1630 or (800) CLE-NEWS (253-6397), extension 1630. All applications must be received no later than three weeks before the course begins. FAX copies are not acceptable. Applications must be accompanied by a \$25 nonrefundable processing fee (waived for law students).

## **MANDATORY CLE AND CPE CREDIT**

Virtually all ALI-ABA Courses of Study are fully accredited in mandatory continuing legal education (MCLE) jurisdictions for varying numbers of credit hours. Some ALI-ABA courses also qualify for CPE credit granted by state Boards of Accountancy. To obtain specific information on CLE, CPE, or other professional accreditation of this course, please write to: Mandatory CLE Credit, ALI-ABA, 4025 Chestnut Street, Philadelphia, PA 19104-3099.

## **ADDITIONAL INFORMATION**

For further information write Alexander Hart, Director, Courses of Study, ALI-ABA, 4025 Chestnut Street, Philadelphia, PA 19104-3099, or telephone (215) 243-1630 or (800) CLE-NEWS (253-6397), extension 1630 (toll free, U.S. and Canada).

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**Suggested Prerequisite:** Limited experience in general legal practice or completion of CLE Orientation Course

**Educational Objectives:** Acquisition of knowledge and skills to develop proficiency as a practitioner; provision of information on recent legal developments

**AUDIOCASSETTE TAPES** of this course (*December 1998 presentation*), including the 1998 course materials, are available for \$275. To order, please see the form.

## ALI-ABA ON THE INTERNET—[www.ali-aba.org](http://www.ali-aba.org)

ALI-ABA's Web site includes our current course calendar, our publications and cassette catalogs, and information about our magazines, study materials, in-house programs, and the American Law Network. Complete brochures of our offerings are posted as they become available. Also visit our new **Online CLE Library**—**preview and download for a fee the materials you select.** To register, order, request information, or save on our **Internet Warehouse Sale**, visit our Web site at [www.ali-aba.org](http://www.ali-aba.org).

## OTHER ALI-ABA COURSES OF STUDY

**Civil Practice and Litigation Techniques in Federal and State Courts**

December 9-11, 1999, Philadelphia

**Insurance Coverage in the New Millennium**

January 13-14, 2000, Washington, D.C.

**Biotech 2000 (Biotechnology Law)**

April 13-14, 2000, Boston

**Conference on Life Insurance Litigation**

May 11-12, 2000, New York

**Securities Litigation: Planning and Strategies for the New Millennium**

May 11-12, 2000, Boston

**21st Century Litigation: Trial and Pretrial**

June 1-2, 2000, New York

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# ALL-ARM CONFERENCES ON Y2K LEAD ISSUES

## The Year 2000 Computer Problem: Global Readiness December 2, 1999

Jacquelyn Williams-Bridgers  
Inspector General  
U.S. Department of State

# **INTRODUCTION**

- **US State Department, Office of Inspector General**
- **Y2K Audit Role Focused on Assessing the Department's Y2K Readiness, Including Washington Headquarters & 260 Embassies and Consulates Worldwide**

# INTRODUCTION

- **In Mid-1998, We Expanded Our Role to Include Engagement with Host Country Representatives on Y2K Issues**
- **Set in Motion a Series of Efforts to Collect Information on Global Y2K Readiness**

# GLOBAL ECONOMY & TRADE

- **In 1998, World Trade Totaled Over \$5 Trillion**
- **The Global Trading System Consists of a Complex Network of:**
  - **Suppliers**
  - **Distributors**
  - **Service Providers**
  - **Customers**

# GLOBAL ECONOMY & Y2K

## • Infrastructure Supporting Global Trade

### Includes:

- Energy
- Supplies
- Transportation Systems
- Telecommunications Networks
- Financial Organizations

# GLOBAL ECONOMY & Y2K

- **Disruptions in this infrastructure, and the relationships among suppliers and customers, will negatively affect:**

- **Individuals**
- **Firms**
- **Industries**
- **Governments**
- **National and regional economies around the world.**

# **PRESENTATION OVERVIEW**

- **Y2K Readiness from a Worldwide Perspective**
- **Y2K Readiness of Countries Based on 3 Categories: Industrial, Developing, and Eastern Bloc**

# PRESENTATION OVERVIEW

- Regional Y2K Readiness
- Y2K Final Preparations/Rollover Monitoring
- Y2K Precautions

# GLOBAL Y2K HANDBOOK

• **"Yes, We Have Heard About the Millennium Bug...and Not to Worry My Friend, We Will Spray Everywhere."**

— TOPHAT FOR BUS COMPANIES STAFF UNIONS WHOSE ASSEMBLIES  
ANNOUNCED Y2K CERTIFICATES FOR ANCE COMMUNITIES

## **Y2K READINESS: SUMMARY**

- **Global Community Likely to Experience Varying Degrees of Y2K-Related Failures in Every Sector, in Every Region, and at Every Economic Level**
- **Risk of Disruption Extends to the International Trade Arena, Because of Y2K's Potential Impact on the Supply Chain**

## **Y2K READINESS: THE GLOBAL VIEW**

- **Of 161 Countries Assessed, More Than Half Are at Medium to High Risk of Y2k-related Failures in Telecom, Energy And/or Transportation Sectors**
  - **Industrialized Countries Generally at Low Risk, Particularly in Finance**
-

## **Y2K READINESS: THE GLOBAL VIEW**

- **Much of the Developing World is at Medium and/or High Risk in Telecom, Transportation, & Energy Sectors**
- **Eastern Bloc Countries (Including Former Soviet Union) are a Concern, Because of High Probability of Y2K-Related Failures**

# INTERNATIONAL Y2K EFFORTS: HOST COUNTRY PREPAREDNESS

- **Analyzed Y2K Host Country Infrastructure Assessments submitted by U.S. Embassies in 161 Countries.**

# INTERNATIONAL Y2K EFFORTS: HOST COUNTRY PREPAREDNESS

- **Infrastructure Assessments:**

- **Energy**
- **Telecommunications**
- **Transportation**
- **Financial**
- **HealthCare**
- **Water**

# **INTERNATIONAL Y2K EFFORTS: HOST COUNTRY PREPAREDNESS**

- **The 161 countries analyzed were grouped as follows:**
  - **39 Industrialized Countries**
  - **98 Developing Countries**
  - **24 Eastern Bloc & Newly Independent States**

# INTERNATIONAL Y2K EFFORTS: HOST COUNTRY PREPAREDNESS

- **Met with host country:**
  - **Y2K Program Managers**
  - **Host Country Representatives**
  - **Private Sector**

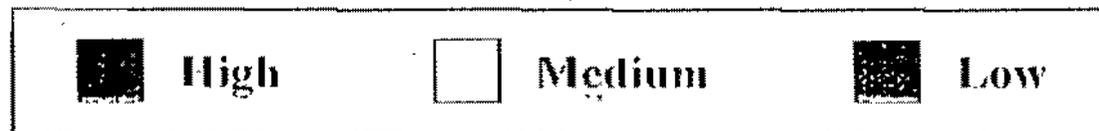
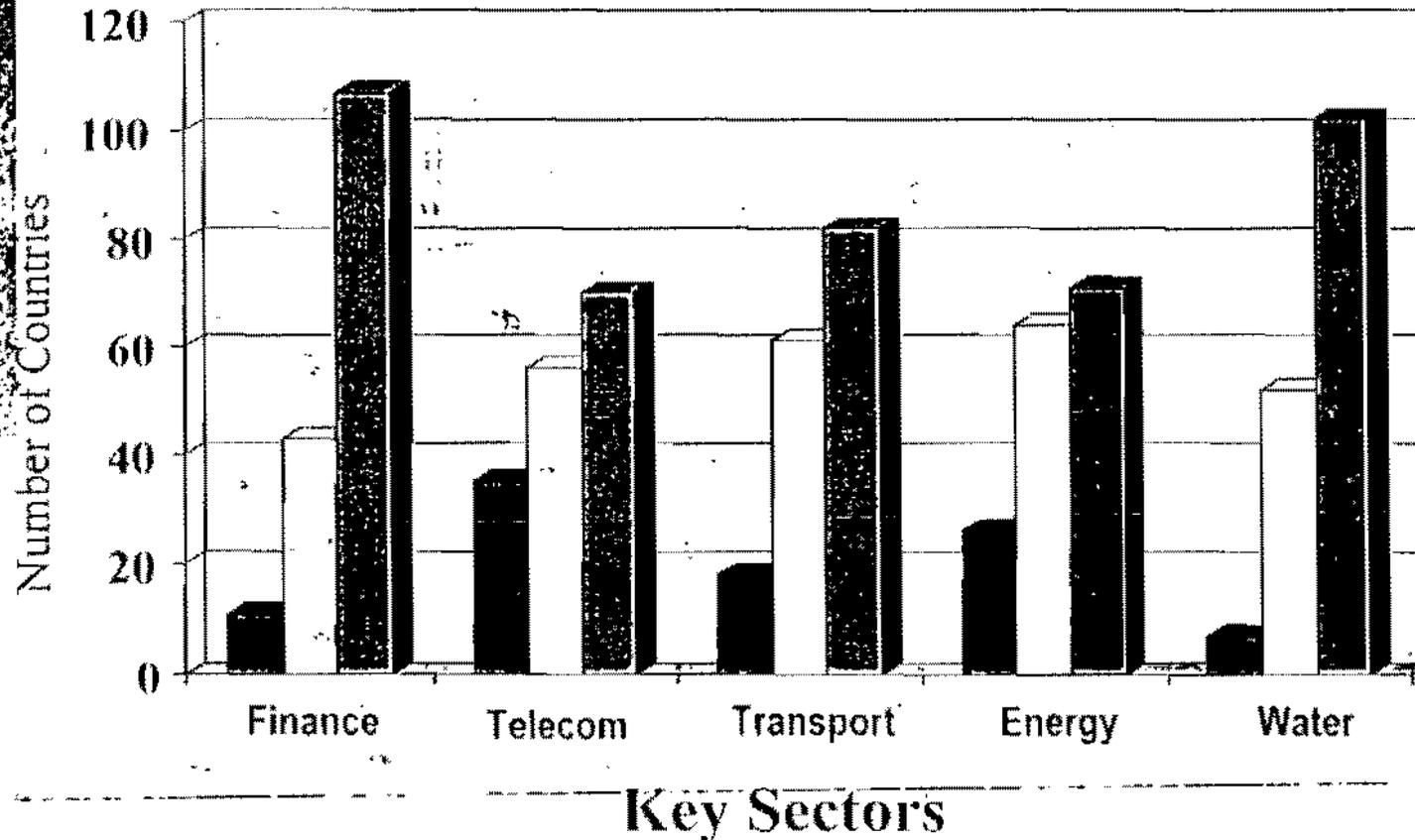
# COUNTRIES VISITED BY OIG

- Brazil
- Chile
- Mexico
- Panama
- Venezuela
- Cameroon
- Gabon
- Ethiopia
- Nigeria
- South Africa
- Egypt
- India
- Saudi Arabia
- China
- Indonesia
- Japan
- Malaysia
- Philippines
- Singapore
- S. Korea
- Taiwan
- Thailand
- Vietnam
- France
- Germany
- Greece
- Italy
- Poland
- Russia
- Ukraine
- United Kingdom

# RESULTS OF OIG INTERNATIONAL Y2K RISK ASSESSMENTS

- **In July 99, Approximately Half of the World's Countries Were Reported to Be at Medium to High Risk of Having Y2K-related Failures in Their Telecommunication, Energy, And/or Transportation Sectors**

# RISK OF Y2K-RELATED FAILURES IN KEY SECTORS WORLDWIDE



# Y2K RISK ASSESSMENT: INDUSTRIAL COUNTRIES

- **Low risk of Y2K-Related Failures in Most Industrialized Countries**
- **However, Heavy Reliance on Information Technology Increases the Vulnerability of These Countries to Y2k-related Problems**

## **JAPAN**

- **Subject to Much Bad Press in 1998 on Y2K**
- **Quiet Progress was Being Made Across the Board: Lack of English Language PR**
- **Japanese Acknowledge a Late Start, and This May Hinder a Thorough Effort.**

## Italy

- **Italian Government Got a Late Start with Y2K**
- **Finance, Electric Utilities, Telecommunications, & Transportation Sectors Appear to Be Ready**
- **Water, Health Sectors Questionable**
- **Millennium Celebrations and Y2K May Tax Key Sectors**

## Saudi Arabia

- **Good Progress in Key Sectors, Including Finance, Telecommunications, Transportation, and Utilities**
- **Oil Production Sector Began Efforts in 1994, and Appears Safe**
- **Health Care Remains a Concern**

# Y2K Risk Assessment: Developing Countries

- **Higher risk of Y2K-Related Failures in Developing Countries.**
- **Impact of Late Start, Lack of Funds, Lack of Leadership.**
- **Y2K Impact Mitigated by Far Less Reliance on Computers**

## **NIGERIA**

- **Unreliable Infrastructure Negates Y2K Impact**
- **Government Approved \$500 Million for Y2K But Money Likely Diverted**
- **No Viable Air Traffic Control System**
- **Petroleum Sector is Self-Reliant, and Most Advanced (Chevron, Shell, & Mobil)**

## **SOUTH AFRICA**

- **Most Developed and Heavily Automated in Africa**
- **Effective Y2K Efforts Focused on Key Sectors (Telecom, Transport, etc)**
- **Some Concern About Potential Impact of Y2K Failures in Neighboring Countries**

## **BRAZIL**

- **Moderately Dependent on Computers in Infrastructure/Economy**
- **Good Progress Addressing Y2K Banking, Finance, Electricity, Telecommunications**
- **Small/Medium-sized Businesses Started Y2K Efforts Late and are at Risk**

## **CHINA**

- **Now Cautious Optimism, Compared to the Situation a Few Months Ago.**
- **Chinese Government Conducting Y2K Triage, Focusing Resources on Critical Public Utilities**
- **Coastal Areas (Beijing/Shanghai) Appear Less at Risk vs. Inland Provinces**

# PANAMA CANAL

- **Likely to Remain Open on December 31/January 1**
- **Ships Entering Will Have to Provide Documentation Showing How Their Systems Have Been Made Compliant.**
- **Ships May Be Kept Out of the Locks During the New Year Transition**

## **SUEZ CANAL**

- **Canal Clear of Ships From Around 11:00 P.M. On December 31, 1999, Through the Early Morning Hours of January 1, 2000**
- **During Transition Period, Canal Pilots Will Inspect Shipboard Navigation and Other Systems of Transiting Vessels**

# Y2K RISK ASSESSMENT EASTERN BLOC COUNTRIES

- Eastern bloc including countries that were part of the former Soviet Union have a relatively high probability of Y2K-related failures.

# Y2K RISK ASSESSMENTS EASTERN BRIDGECOUNTIES

- 14/24: Medium or High Risk in Telecom
- 15/24: Medium or High Risk in Transport
- 17/24: Medium or High Risk in Energy

## EASTERN BLOC

- **Russia Remains a Concern, Despite Recent Efforts by the Government Making Y2K a Priority**
- **Nuclear Power Plant Safety Systems in Russia and Ukraine Appear to Be Compliant**
- **US Citizens Warned to Defer Travel to Russia, Ukraine, Moldova, & Belarus**

# A REGIONAL LOOK AT THE KEY SECTORS

- **Western Hemisphere**
- **African**
- **North Africa / Middle Eastern**
- **European**
- **New Independent States**
- **Asiatic**

## **Regional Y2K: Energy Sector**

- **Africa: 32/42 countries (76%) at medium/high risk of failure**
- **Eastern Bloc: 7/11 countries (64%) at medium/high risk of failure**
- **Western Hemisphere: 17/30 countries (57%) medium/high risk of failure**

## **Regional Y2K: Energy Sector**

- **North Africa/Middle East: 8/15 countries (53%) at medium/high risk of failure**
- **Regional assessment demonstrates the generally higher risk and higher potential for humanitarian crises in the developing world**

# GLOBAL Y2K THREAT

- **Disruptions in the international flow of goods and services are likely, but no one knows exactly where, when, and to what extent.**

# Y2K FINAL PREPARATIONS

- **Work is underway around the world developing contingency plans to ensure continued functioning of:**
  - **Governments**
  - **Infrastructures**
  - **Businesses**
  - **Supporting Organizations**

## Y2K FINAL PREPARATIONS

- **At State, Host Country Assessments are Continuing, and Information Has Been Provided to the Public Through Consular Information Sheets in September 1999**
- **Y2K Updates are Being Produced (Travel Warnings for Russia, Ukraine, etc)**

## Y2K ROLLOVER MONITORING

- **State Department's Operations Center in Washington is Gearing Up for 24 Hour/Day Global Y2K Monitoring**
- **First Snapshot Reports Due by 8:00 a.m. on December 31, 1999 (EST), from Embassies in Fiji, Marshall Islands, & New Zealand, So-called Weathervane Reports**

## **Y2K BOLLOVER MONITORING**

- **As Y2K Transition Moves East, Weathervane Reporting Volume Will Increase**
  - **Peaking at 7 P.M. EST on December 31, 38 Posts Scheduled to Report (Mainly Europe)**
  - **Followed by Detailed Reporting From All Posts Through 6:00 P.M. On January 1, 2000**

## Y2K ROLLOVER MONITORING

- **Policymakers Will Use Embassy Reporting and Other Information to Determine What Actions, If Any, Are Necessary to Protect U.S. Interests**
- **Possible Actions Range From Technical SWAT Teams to Full-fledged Humanitarian Assistance**

## Y2K ROLLOVER MONITORING

- **Monitoring Should Continue Through the First Two Weeks of January 2000, As People Return to Work, and Computer Systems Reach Normal Operating Level**
- **Next Critical Rollover Will Be February 28-29, and February 29-March 1, Requiring Another Round of Monitoring**

## W2K PRECAUTIONS

- **New Year's Eve: World Appears at a Standstill**
- **French Railways Stop Running before Midnight for 30 Minutes, the Paris Metro May Stop as Well**
- **Minimal Ship Traffic in Suez/Panama Canals**

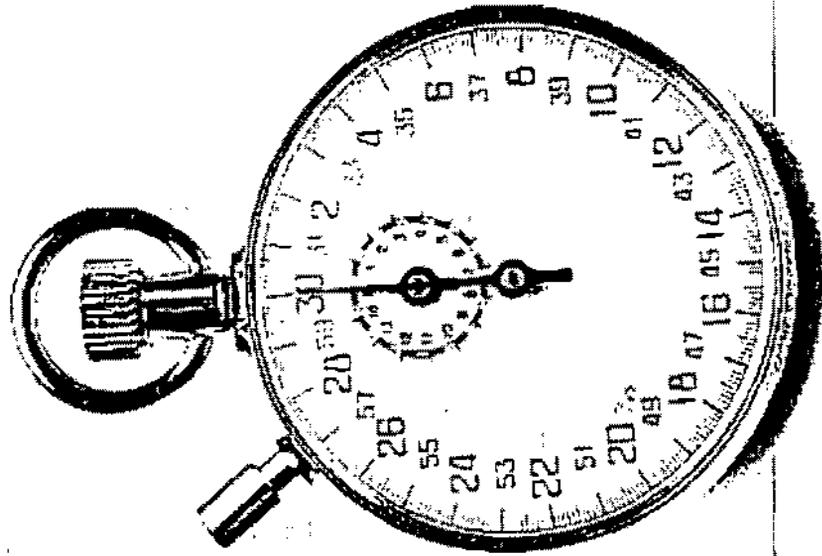
## Y2K PRECAUTIONS

- **Many Flights Canceled/Grounded (Japan Airlines Has Canceled all Flights to Europe)**
- **Some Japanese Banks will halt ATM Transactions at 5PM on 31st**
- **Venezuela Will Halt Oil Tanker Loading for 10 Hours Starting Before Midnite 12/31**

# **Conclusion**

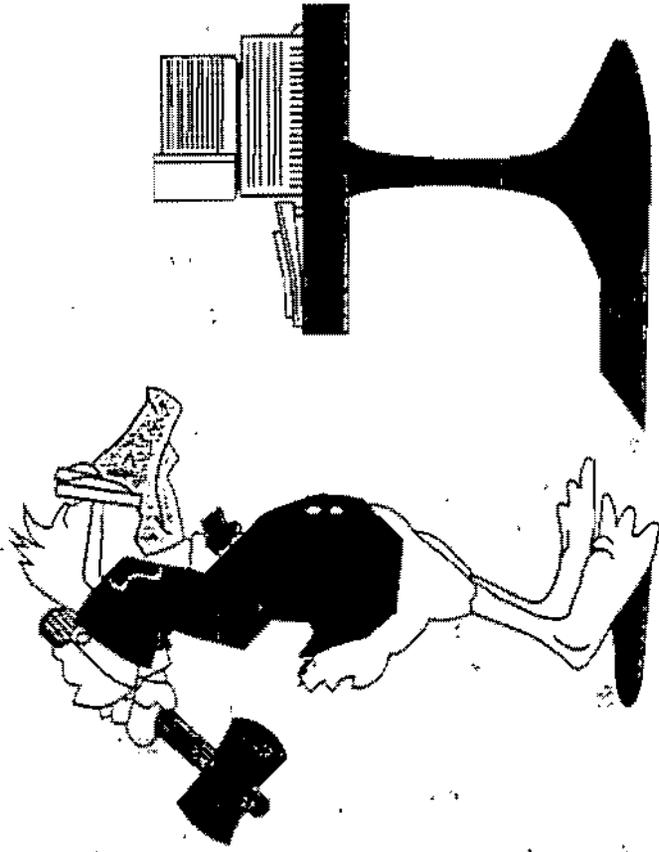
- **With less than a month to go, the global Y2K picture remains a cause for concern -**
- **Impact will vary--from mere annoyances (credit card terminal) to full-fledged power outages**
- **Two Different Challenges: Complacency vs. Preventing Panic**

TIME IS RUNNING OUT



# What will happen on January 1,

# 2000?



# WHAT WILL HAPPEN ON JANUARY 1, 2000?



# What Will Happen on January 1,

# 2000?



# GLOBAL YEAR 2000 READINESS

• Questions...

# **Information: Global Y2K Readiness**

- **State Department Web Site: [www.state.gov](http://www.state.gov)**
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