A Brookings Briefing

PROTECTING THE AMERICAN HOMELAND: A SECOND LOOK AT HOW WE'RE MEETING THE CHALLENGE

The Brookings Institution
January 23, 2003

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THIS IS AN UNCORRECTED TRANSCRIPT

MR. JAMES B. STEINBERG: Good morning an welcome to Brookings. Today we have a star-studded all-Brookings panel to talk about homeland security. This is a fitting occasion to have this meeting. It's not a coincidence that yesterday Tom Ridge was confirmed as the new and first Secretary of the Department of Homeland Security and tomorrow the department will officially open its doors, and we now learn that it will be up at the Naval Security Facility out in upper Northwest Washington.

As most of you know, a number of have been working on the issues of homeland security for some time and last spring issued a book-length report, a preliminary analysis of the homeland security problem. Last July we also did an analysis of the proposal for the new department. Today we're issuing a report which is in the form of a new preface to what will be a new printing of our book on homeland security looking at how far we've come over the last year and some of the challenges, particularly the challenges of putting the department up and running and also some of the issues that remain to be addressed that are not addressed by the creation of the department itself.

So this morning we're going to discuss a number of the issues that are outlined in this report beginning with Michael O'Hanlon who will talk about the overall strategic direction of the choices and how far we've come. Then Peter Orszag from Economic Studies here will talk about some of the budgetary and economic dimensions of this including some of the public/private issues which we continue to believe are being inadequately addressed by the Administration and the Congress. Then Ivo Daalder will talk about the organization of administrative challenges. Then I'll say a word a little bit at the end about the broader question of information and intelligence as part of the overall homeland security effort.

So Mike, if you want to pick it up.

MR. MICHAEL E. O'HANLON: Thanks Jim, and thanks everybody for being here.

I guess to start since I'm talking about strategy, a little bit of an overview, I'll try to set a little bit of the tone for how I would view the last 16 months or so of progress. You might hear different nuances from some of us on this but I think overall it's fair to say a lot has been accomplished but a lot remains to be done. I think it's also fair to say, at least in my judgment, the performance of Washington after 9/11 was fairly impressive for the first few months but it really bogged down in 2002. One of the concerns you'll hear from our panel is that the excessive focus on organizational issues was really a setback to getting this country ready for preparedness against future terrorist attacks. And as we're on the verge of possible war against Saddam Hussein, this is really a major concern, that we have squandered a good deal of time that should have been used largely to address vulnerabilities, not just to debate who should be sitting in what office to think about addressing them somewhere in the future.

So a big concern I think from our study is that organizational issues do not make America safer per se. Even if you get the department right, and Ivo will talk a lot more about that soon. Even if you get it right you're not going to see results in terms of actual preparations against attack and safeguards

against attack for some time. We don't have a lot of time to lose.

To add one more sort of broad comment, I think the military offensive in Afghanistan and a lot of the international legal offensive and law enforcement offensive against al Qaeda has really given us a bit of a hiatus. There have obviously been attacks throughout 2002 and the Bali attacks were certainly terrible, but in the scheme of things we have not had to face another 9/11 style attack and we can't assume that's going to be the situation forever. We may have just bought temporary disruption through these offensive military missions and we have to have a certain sense of urgency that I think Washington lost in 2002 about preparing ourselves.

Having said all of that let me now quickly say a couple of words about the strategy and then pass things along to Peter and Ivo.

The strategy in broad terms, the document that came out last summer, to us I think it looks reasonably fine. It's got similar broad categories for thinking about how to protect the homeland to what we came up with in our May book, and our framework was fairly straightforward. You want to keep bad people and things out of the country. If they get in you want to try to find them as soon as you can before they attack. So the first tier is border protection and security. The second tier is sort of preemptive domestic law enforcement and other measures to try to keep terrorists from preparing any attacks once they get inside if we can't stop them at the border, or if they're domestic in origin.

The third tier of protection is sort of final defense. Defending the actual sites that are most likely to be attacked. Whether this is protecting the air transportation system, protecting places where people congregate, protecting critical infrastructure. Sort of the final line of attack if your first two tiers of defense don't work. If bad people and bad things get into the country anyway and you can't go out and find them before they get to the final stages of their preparation, you want to be able to defend the specific sites that might be attacked.

Then finally, you want to respond if necessary to any attacks that occur and that you're not able to prevent.

That's our basic strategy. The Administration's strategy is relatively similar. I won't get into a lot of the specifics and you can read our report for more. But that part we have no particular problem with I think it's fair to say.

But there are certain oversights in the strategy and we again think that you have to get back to the debate about which vulnerabilities we're not paying enough attention to right now and not have the whole debate be about whether Governor Ridge is going to be sitting up on Nebraska Avenue for a few weeks or out in Virginia or whether he's going to have 500 people with him or 2,000. There's been a little too much attention to that kind of thing, not enough to which national dangers and vulnerabilities still persist.

If I could just mention a couple of things. Our framework, in addition to having these four tiers of defense we also said you really have to focus on catastrophic threats to the nation -- to its economy, to its population in terms of possible casualties from attack, or to its government and basic symbols of national power and prestige. These are the things you really want to focus on most intently.

The Administration was not quite as explicit about focusing on catastrophic threats and maybe not quite as systematic in thinking that through. As a result I think they missed some things. Even though their broad framework is acceptable, I think they missed a few things and let me just tick off a few and that hopefully will set Peter up for a more detailed discussion of their specific budget and specific programs that are now in the works.

For one thing they have not beefed up a number of institutions and agencies that simply need more people and need more resources. This is sort of the no-brainer. If the Coast Guard used to spend five percent of its time doing essentially protection against attack and now it's spending 25, 30, 35 percent of its time doing the protection against terrorist attacks, it probably needs to be bigger than it was before because the other missions that are performed have not gone away -- law enforcement, prevention of drug smuggling, boater safety, search and rescue, a lot of things like this have not gone away. The Coast Guard was probably too small even before 9/11 for the challenges of that world. It's still too small.

Likewise Customs. There's been a lot of very innovative thinking at Customs and I salute the people there -- Mr. Bonner and others -- who have been trying to get American officials overseas to monitor what's going on as ships are loaded, as containers are loaded for destinations in the United States. A very smart way to think proactively about trying to monitor cargo more rigorously.

However there's no resources to back up any expansion of our actual capability. So there are some good ideas but no resources. Again I think the Senate Republicans this month, the first brush at least, as far as I can tell, are being unwisely frugal or just flat out unwise in their efforts to penny-pinch on some of these homeland security efforts. We need more resources for agencies that are overburdened now like the Coast Guard and Customs, not to mention the FBI, not to mention the INS and many others. So we need more resources for agencies and efforts that have already been underway but simply are not strong enough.

A second area, we need to use information technology much more assertively. Jim's worked on this through the Marshall Foundation in a report recently as well.

But the federal government again in an effort to maybe be falsely frugal, I think, is not spending much money trying to network different agencies together, trying to share information with local law enforcement, trying to get hardware and software compatible. There has been an effort to create and share terrorist watch lists but to connect dots, to look for patterns of illicit activity, to try to anticipate what might happen, what terrorists might do in the future, to do more than just keep track of 100 suspicious characters, but to look for flight school sorts of illicit activity or different kinds of patterns of

behavior that require a lot more data processing and a lot more data sharing. The infrastructure is not available to do that and the Administration appears to be in no hurry to construct it. So that's a second major oversight.

Let me just wrap up here very quickly by saying that the thing that Peter is now going to talk about is my third major area of concern and I'll just mention it and turn it over to him. There is a lot of private infrastructure in this country -- chemical facilities, trucking companies that carry toxic materials, skyscrapers that house thousands of people each whose air circulation systems could be attacked or used as distribution mechanisms for anthrax. These kinds of infrastructure are not being protected. The Administration has done very very little in most of these areas, seemingly wanting to trust the private sector to take care of these sorts of problems on its own.

Now I'll ask Peter, and I think he's done some of the most innovative work in the country on thinking through the public/private interface and how government can prod along the private sector to better protect its own assets so they cannot be used in a terrorist strike or attacked and cause mass casualties in new and innovative ways we haven't yet seen terrorists carry out.

So in summary, there's been a lot of progress, but most of the progress was really in the first few months after 9/11. A lot of the progress in the year 2002 was less impressive than it should have been. An excessive focus on organizational matters led us to ignore a lot of vulnerabilities that are still there even as we may be losing time in the hiatus that the offensive operation in Afghanistan may have bought us.

The strategy is fine in theory but it's not being implemented rigorously enough and it's not being implemented quickly enough or systematically enough.

MR. PETER R. ORSZAG: Thanks, Mike.

I'd like to talk about two areas. The first was one that Mike had already mentioned which has to do with interactions with the private sector, and then also talk a bit about the budget.

First on the private sector, it's important to emphasize as we did in our volume, that this is perhaps the hardest area of homeland security. Having the government intervene in a private sector setting like a chemical facility or an athletic stadium or a trucking firm could, if it's done in a poor way, impose excessive economic costs essentially for very little improvement in security. You can imagine highly restrictive and inefficient government regulations imposing lots of costs on the private sector for very little return in terms of improved security.

At the other extreme, however, if you have a completely hands-off approach and you just say private firms will take care of themselves, you wind up with an inadequate level of protection against security because for a variety of reasons that we delineate in the volume, private firms do not have an adequate incentive from society's perspective as a whole to protect against attacks from terrorists.

So what you need is a combined approach that has some level of government intervention, but recognizes that excessive government regulation and an inefficient mechanism for regulation can impose undue economic costs.

What that led us to was a model of performance-oriented regulation combined with creating incentives for going beyond a minimum level of meeting regulations.

So for example with chemical facilities. One can imagine a set of performance-printed regulations for chemical facilities that were set at relatively modest levels, and then an insurance requirement that chemical firms be insured against terrorist attacks.

The insurance firms would then have incentives to make sure that the chemical facilities were adopting innovative mechanisms to protect against attack. And in fact you would even go one step further and set up a set of third party auditors that the insurance firms would hire to go in and surprise the chemical facilities, test them in unexpected ways, see where there vulnerabilities were, and also share best practices information from other chemical facilities. And in fact those third party auditors could then relieve some of the burden on the government for maintaining compliance with a relatively moderate level of regulations, i.e. obviating the need for thousands and thousands of government inspectors.

That kind of mixed model is one that we think offers a lot of promise in a variety of different settings. And unfortunately there's been insufficient progress towards it. While the Office of Homeland Security and the Administration in general seems to be enthusiastic about parts of that mixed strategy which I'll come to in a moment, in general basically nothing has happened. Let me turn to a couple of specific areas.

I had already mentioned chemical facilities. In the United States there are more than 100 chemical facilities that contain materials that if released would harm more than a million Americans. So you're talking about very very dangerous facilities.

In the late summer of 2002 the Environmental Protection Agency was on the verge of coming forward with new regulations to ensure security at these facilities, to ensure security at these facilities against terrorist attacks, but because of some internal squabbling that did not occur.

Following press reports about the failure of the Administration to regulate chemical facilities, both at that point Director Ridge and EPA Administrator Whitman co-signed a letter in the Washington Post stating explicitly that the Administration favored a mandatory approach to chemical facilities because the debate at that time was perhaps we can just leave it up to the firms themselves or an industry group to ensure safety and the Administration has now come out explicitly with something that is closer to where we are which is that you do need the stick of government regulation in addition to the carrot of market-based incentives to make this whole thing work. But despite that, there's been no action. So this letter was several months ago. There's been no action since then.

Senator Corzine has introduced legislation which he had introduced last year. He's reintroduced it this year, that would provide that kind of mandate with incentives above the minimum regulatory level, but so far we've seen no action. That's just one example in which there's just insufficient progress, and it's puzzling because the dangers are so salient that one just looks out and says why this long after September 11th have we failed to do anything at all to improve security at chemical facilities?

I could go on about transportation firms, building codes, a whole variety of other areas.

There has been some progress in a limited number of areas. We now do have a terrorism reinsurance program which we think is a positive step and is important in this mixed system to making the insurance piecework.

In addition we do have some pieces of legislation like the Port Security Act which will require improvements in various aspects of security at the major ports.

That then brings me to my second area. The Port Security Act, according to estimates issued in December 2002 by the Coast Guard and others, would require first year costs of almost a billion dollars. So far only about $200 million has been provided and it's unlikely there will be much more that's provided. So we have, there's effectively a funding gap that has occurred in many areas of homeland security.

Let me just talk about the budget briefly and give you four perspectives on that funding gap.

The first has to do with the supplemental appropriations bill that was passed by the Congress in July 2002. The President refused to spend $5 billion that was contained in that legislation, including more than $2 billion in homeland security funds. This includes things like $250 million for first responders, $125 million for port security, $39 million for the Container Security Initiative which is a very important program that pushes the border back for container ships, for containers that are coming into the United States, pushes the border back to the originating port and has inspections occur at that point rather than when the shipment arrives in the United States. All of these things were not funded because, frankly, and to be a bit cynical, the Administration wanted to have something to say about fiscal discipline and therefore had a sort of token statement of a $5 billion amount that was not spent, much of which were in areas that are crucially important. So in a sense we're sacrificing the homeland security needs of the nation for a debate over fiscal policies that we don't need to get into here, but that we think are very very unfortunate.

A second manifestation. The continuing resolutions for fiscal year 2003. The budget that for this fiscal year should have been, all of the appropriations bills should have been signed when the fiscal year began in October. They were not. Only two of them were. The other 11 were not. And we have been living on continuing resolutions which just sort of roll over funding since then. There has been a variety of interruptions and problems that have been caused because that kind of approach isn't really a budget,

it's just sort of trying to maintain the status quo and it doesn't allow you to allocate funding to the areas that are most important.

The third manifestation of the funding gap is occurring now in the Senate. The appropriations legislation that is being considered will reduce the homeland security spending below the level requested by the President. The degree to which that reduction occurs is unclear yet, but I would think that it's going to be at least a billion dollars below what the President requested.

That brings me to my fourth and final and most important point which is what the President requested was inadequate. We concluded in our volume that the federal budget in this area should amount to about $45 billion. The President's budget was a little under $38.

The discrepancies where we would put more resources include many of the areas that Mike has already touched upon including information technology, FBI, INS, and other areas.

We think it's very important and we very much hope that in the fiscal year 2004 budget that the Administration will be unveiling in early February, that adequate funding for homeland security is provided, i.e. coming up to the levels that we had suggested, because if not we are really allowing debate over fiscal policy to interfere with perhaps the nation's most pressing priority to protect against terrorist attacks.

I will with that turn it over to Ivo.

MR. IVO H. DAALDER: Thanks.

If in the last six or seven or eight months we haven't spent enough on homeland security we've certainly talked a hell of a lot about organizational matters. In fact so much so that that seems to be the only thing that seemed to matter in this country for a good six months. If you had a Department of Homeland Security then America would be secure. If you didn't have a Department of Homeland Security then America would not be secure. You even had a manifestation of this a couple of months before the mid-term elections where the issue was whether you had union representation of the workers in this new department and that was the lynch pin of our security.

Unfortunately it wasn't. We wasted a good six months on organizational in-fighting. And in the end we are left with a department that while it is about 90 to 95 percent what the President requested on June 6, 2002, it is a department that doesn't really have a building. It now has a Secretary. It has no people. It has no seal. It has none of the trappings of what a department makes. The challenge from now on for Mr. Ridge is to turn what is a, at the moment a paper product into a reality. The biggest challenge, the one we will repeat here over and over again is to do that while maintaining the eye on the ball, which is to make sure that the country prevents terrorist attacks protects critical infrastructure and critical sites against terrorist attacks and maintains its ability to rapidly respond to terrorist attacks. All the while being consumed with what is the largest managerial challenge that has ever been undertaken.

This is a big deal.

When you think about what has happened in government reorganization, we've never done anything like it. It is true that the Department of Defense when it was created back in 1947 involved more people and it involved more money, but what that consisted of was bringing together the Army, the new Air Force, the Navy and a Marine Corps into a single building, all of who had a single mission which was to fight and win the nation's wars. And it is well to remember that it took a good four decades to get it right. It was only the 1986 Goldwater/Nichols Act that finally set in motion the structure where you can okay, these four services are now interacting in a way that makes their ability to fight and win the nation's wars better than the alternative.

So that's what we're talking about. Twenty-two different agencies with 22 different cultures representing more than 100 different offices and bureaus, will all have to be merged in one way or another into this new entity. Just one example. We had 80 different pay scale systems that are being represented here, all of which have to be merged into the Department of Homeland Security. Mr. Ridge will have the flexibility that he has fought for and that the President campaigned on in order to do that, but now it is his responsibility. It is the President's responsibility to get this done. And he has to be able to do it at a time when the terrorists are not going to wait for us to organize. They're not going to wait until our border and transportation security organization is up and running. They aren't going to wait until our emergency response capabilities are integrated and fully organized from the local level up to the federal level. They're not going to wait until we have a single focus and single source intelligence information analysis. They're going to strike when they're going to strike.

The challenge for homeland security is to make sure that as we reorganize we also continue to keep our eye on what is truly important which is protecting the United States against terrorist attacks.

So challenge one is a managerial one. How do you manage to put 22 agencies together and make it work as a functional whole? In fact make them work better than they do now. Not worse, but better. Some of these are pretty bad to start off with, but some of them are pretty good. FEMA is a very very well run agency, and the challenge for Mr. Ridge is to ensure that as FEMA is brought into this new department it continues to be a very well run agency, in fact that it is a better run agency.

The challenge is to take the INS which is one of the worst run agencies and make sure that it is better run than it is today within the Department of Homeland Security.

That brings me to challenge number two which is, this is a department that had homeland security on the top, it has homeland security on the seal, but does lots of things that have nothing to do with homeland security. Each single one of the agencies that is being integrated was created, with one exception, was created for reasons that had nothing to do with homeland security. The Coast Guard, the Customs Service, the INS, the Agricultural Plant and Health Inspection Agency, and every other agency except for the Transportation Security agency which was created in the aftermath of the September 11th attacks were created to do different things and they will continue to have to do different

things.

If you are out there boating in the Chesapeake or out in the Atlantic and you have a problem, you hope that the Coast Guard will be there. If you're stranded on some mountain in New Hampshire or in Washington, you want that helicopter to be able to rescue you. You want to be able to make sure that the food is safe that you eat. Not because some terrorist has injected some biological pathogen in there, but because a disease has emerged. You want to be sure that your health system is up and running and works correctly. You want to make sure that the Customs Service is able to process goods that come into this country as quickly as possible so the economy keeps on going. You want to make sure that if you are a foreign national and you want to bring your mother over that she can come over and visit her grandkids. And that is all the responsibility that Mr. Ridge now has under his belt. And remember, he's got to do those things while reorganizing, while making the country secure.

When the next Hurricane Andrew happens, he is going to be the person responsible for making sure that the U.S. government delivers the federal dollars to the people who are now in emergency shelters and indeed, help those emergency shelters be set up. And he has to do that wile keeping the country secure.

A third large element that needs to be done is that even this mammoth department with 22 different agencies will have lots of functions that are related to homeland security that are not under its purview. We have the entire intelligence community that remains outside the Department of Homeland Security. The Defense Department and its contribution to homeland security that remains outside. We have the Justice Department and its responsibilities in homeland security including the FBI that remains outside.

So we need to continue to figure out a way to coordinate all these various elements within the Executive Branch to work together and be able to make sure that the U.S. government has a homeland security policy as well as the fact that we have a Department of Homeland Security that has a homeland security policy. That is going to be a tough job. It is a job that has to be fixed in the White House, that will have to be handled by a very senior person that has the full confidence of the President. Indeed the President when he made his announcement said he would maintain a White House based Office of Homeland Security. Unfortunately, as of tomorrow there is no head for the Office of Homeland Security because Mr. Ridge will then be the Secretary for Homeland Security. There has been no replacement named for Mr. Ridge ever since he was announced as the candidate back in November when the President signed his legislation.

That is we now have a White House based coordination office that is headless. It's not likely to be very effective. How is a headless office going to be able to pull Tom Ridge, Mr. Ashcroft, Mr. Rumsfeld, Mr. Tenet, Mr. Mueller together and devise a coherent strategy that is not only related to what the DHS in the department does, but that includes everybody? If the President's not going to do it himself, he's got to find somebody who's able to do it for him. We don't have that person yet.

Finally, there is, quite apart from what happens in the Executive Branch, a major responsibility in Congress to make sure that it relates to this department in a coherent way. Unfortunately, it doesn't. So far we have 88 different committees and subcommittees in Congress, in fact every single member of the House of Representatives sits on a committee or a subcommittee that has some responsibility for homeland security. Can you imagine 435 people deciding what the strategy and the strategic priorities and the budgetary implications are for this department? It's not going to work.

Therefore the House was right and the Senate ought to follow the House in setting up what is in the first instance a select committee and in the second instance in the next Congress, the next session, is going to be a new standing Committee for Homeland Security so you at least have one single place for authorizers to consider what the department wants to do and to authorize what it is and what it ought to do.

The same needs to be happening in the Senate, and the same needs to happen with regard to appropriations. At the moment appropriation of the homeland security budget is split among about six of the subcommittees, the appropriation subcommittees, all of whom are fighting over part of the pie, none of whom have the interest of the homeland security or indeed the Department of Homeland Security as their most important prerogative. Therefore we need and the Congress must step up to the plate and create a new subcommittee in both houses of the appropriations committees for homeland security. You cannot have a coherent strategy if the Executive Branch is organized in a coherent fashion but if the Congress has the funding and authorizing mechanisms as divided as they are today.

So there's lots of work to be done, and anybody who believes that when the doors open on Nebraska Avenue with new badges and all that the United States is more secure, has something else coming. This is just the beginning, the very beginning of a very long process. In order to make this process least disruptive it will be well for Mr. Ridge to take things in stages and not do everything at once.

We propose that he focus on two things as his first and foremost responsibility. One, he gets the information sharing and analysis part of the department right, because if information can't flow among the agencies nothing will. Second, to concentrate on border and transportation security and the integration of that aspect of the department, which by the way represents about 90 percent of the people who are going to be part of this department, about 65 percent of the budget. Getting those two things right and staying away from agencies like FEMA that already work and figuring out how to fold those in later would be the smart thing for Mr. Ridge to do. Prioritization in this, as in other things, is important.

MR. STEINBERG: Thank you, Ivo, and that's a nice introduction to my comments which are going to focus on the challenge of information and intelligence as part of the homeland security effort.

As Ivo indicated, in our judgment the single most important aspect of moving forward on an effective homeland security strategy is figuring out how to mobilize information in support of the homeland security effort. Information is enormously powerful, just a lever that allows us not only to try

to prevent attacks, but even in the event that we fail to prevent them, to effectively respond to them. The information challenge is multi-dimensional. We have to collect the right information to begin with, we have to collate it, bring it together from various different sources. We have to analyze it so that the data which by itself can be relatively uninformative becomes powerful in support of homeland security. And then equally important to all those other tasks, we have to get it to the right people who need it, who can use it effectively to provide protection in defense.

The efforts today as we've indicated we think fall far short of what's necessary and that's in a number of directions. As Peter has suggested, there's been a serious lack of funding for the intelligence-sharing effort. This is identified by the Administration in the strategy as one of the highest priorities as well as in their supplemental budget request, but the funding has not proceeded. Because of the gridlock over the organizational questions, very little went forward because everybody had a wait and see attitude to see how the department would come together and not wanting to invest in agencies which might have to change after the department was created. So in effect, almost a moratorium was placed on investments in information infrastructure.

We now hear from some of the officials that will be involved in the department that there will be a significant increase in the requests for funding, but now we're talking about fiscal year 2004, and if last year's experience is any indication we certainly are not going to see that kind of funding enacted before next fall, so we're now going to be two years after the September 11th attacks and still no major investment.

But even more important than the question of how much money we spend on information is whether we get the architecture right. One of the things that we all know that is very clear from the report of the joint inquiry, the House and Senate Intelligence Committees inquiry was the single most serious flaw that contributed to the September 11th attacks was the inability to use the information that we had or could have easily had to deal with these challenges. And as many analysts have now made quite clear, and this is not to say that -- It's easy in retrospect of course to say we should have known these things. But it was known. And with the information we had on known suspects and the information that we would have easily been led to based on that information, we could have put together a picture that would have identified most if not all of the hijackers. So it gives some sense of the power of information even among information that's already collected. And the fact that it's not simply a question of somehow finding new human sources of intelligence or getting new informants, as important as that may be, or developing new technology. But even using the information that we have is enormously important.

What are the barriers to that and why have we not made the progress? Well there have been a few tentative first steps to try to deal with this problem. In the USA Patriot Act, for example, there were provisions that broke down some of the statutory barriers for sharing information between the law enforcement and intelligence communities. There has been some concern among the civil liberties community about that, but on the whole, and I say this from my own experience, that those barriers were a significant impediment to effective homeland security and domestic security efforts, and those I

think were positive steps.

Second, a Mike has indicated, one of the things that we saw prior to September 11th was that there was even on something as simple as watch lists where there was very little sharing and that the CIA had information on terrorists, this was not adequately shared with other agencies including those involved in the INS and the FBI. That process is beginning to move forward. There is a consolidation of watch lists. There are efforts being made to make databases more compatible and therefore allow the transmission of data between agencies.

But there are still some deep flaws in the system. The first flaw is that as Mike has indicated, we still have a model that's based on known dangers and sharing information about known dangers. The watch out list is the easiest case of all in intelligence. If we know somebody poses a risk we can post his name, we can post identifying information, we can post biometric identifiers, and that is a tool obviously that's important as a part of intelligence.

But the problems that we face in dealing with terrorism, the easiest and luckiest case of all is if we know that there's a particular individual who's likely to pose a threat terrorist threat. Most likely in these situations we don't know the identities of the individuals or even the nature of the kinds of attacks that they may be contemplating. So we need a very different kind of paradigm to think about how we protect ourselves to deal with what Secretary Rumsfeld so closely called both the known unknown, that is for example members of al Qaeda who we don't yet identify; but even more seriously the unknown unknowns, different groups who have not yet posed a threat, different modes of attack which have not been used before, different kinds of tools of attack which we are not always going to know in advance. Therefore we need new structures and new approaches that can help us deal with, as Mike has suggested, patterns of suspicious activity, ways of red teaming to think about new and innovative techniques that terrorists might apply trying to identify likely avenues of attack and the like.

This is a model of intelligence which has just simply not been adapted yet within the U.S. government. So the first step that's needed is to really begin to rethink the whole process of the way in which intelligence takes place. What that further suggests is that we need a much more decentralized architecture for our information and intelligence efforts, because lots of different kinds of actors now are going to be very important both in collecting information and being aware of situations around them and bringing them together and making sure that they all get brought together in a common place.

Obviously the example of the FBI, the Phoenix Bureau's memo asking people to think about and look out for suspicious characters in flight schools is an interesting example of a framework now were because there were no perpetrators who could be identified, the memo didn't go anywhere and there was no process in place for this to flow easily to other FBI bureaus or to flow to operators of flight training schools to know this is something to keep in mind as you're going about your day to day.

So what is needed now is an architecture of information sharing that recognizes that there are lots of different actors both in the public and private sector, and information needs to flow across all of

those. We need to break down the compartments that have characterized information and intelligence, designed to make sure that the information is protected from leaking but the problem is if you spend too much time protecting it from leaking you never get it to the people who need it.

So that's the first challenge that we have to face.

The second challenge that we have to face is the question of who is going to be responsible for dealing with this problem of ownership information on counter-terrorism in the United States. The new department creates a new bureau responsible for infrastructure and information analysis, but its role and its place in the broader architecture of who's going to do the intelligence analysis and who's going to do the collection is very uncertain. Although there was a great debate in Congress about whether and what kind of information this new bureau should have access to and the statute appears to give Secretary Ridge access even to raw intelligence which would be necessary for analysis, it now appears at least from the discussions underway that this bureau may not have full access to raw intelligence.

Even more important, its place in the overall intelligence community and its relationship both to the CIA and the FBI remains very uncertain. The FBI has been very jealously guarding its prerogative to be the premier domestic counter-intelligence agency, not only for collection of domestic intelligence but also for analysis. There's an effort now to beef up the FBI, although it's very interesting in the Senate bill now being considered in the fiscal 2003 appropriations, Senator Stephens appears to be planning to deny the FBI significant increases for funding which is very curious, because on the one hand the FBI doesn't want to see anybody else get [into decisions]. On the other hand we don't see support for additional funding for the FBI.

It's our judgment based on the experience both prior to September 11th and since that there are fundamental difficulties and fundamental problems with giving the FBI this counter-terrorism mission that strongly indicates the need for an agency to be responsible for counter-terrorism intelligence domestically that's separate from the FBI.

The nature of what the FBI does and the nature of the law enforcement function is radically different than the counter-terrorism mission. In the case of the FBI the idea is to identify and prosecute a perpetrator. In the case of homeland security it's obviously desirable if you can find the perpetrators, but as I suggested the problem here is often not about finding an individual but developing a structure of prevention which is very different.

I think it's not surprising that most other countries that have looked at this problem have chosen to develop its counter-terrorism and its national domestic security function separate from its law enforcement as we've seen most obviously in the case of Britain's MI-5.

So we believe that it's important now to move forward and to recognize that we cannot afford to waste more time, to invest a lot of money in trying to transform the FBI into something that it cannot easily do and which will create a lot of tension within its own organization, and rather we should begin to

set up a domestic security organization focused on the foreign terrorist threat that can have as its full mission to deal with this problem and to be focused on prevention, not on apprehension and prosecution.

We believe that in the first instance it is probably the best way to move forward is to try to do this in the context of this new bureau in the new Department of Homeland Security which will already have the analytic function of analyzing the new domestic security information. And we believe that the best place to grow the collection responsibility is there as well.

Although I think we're quite open to the idea that were there to be a major reform of the intelligence community and to create a real Director of National Intelligence along the model that the Director of Central Intelligence was originally supposed to be -- that is in charge of all intelligence activities throughout the federal government, that possibly we could see an evolution where that new Director of National Intelligence would become in effect the individual responsible for the domestic security collection.

But what's most important now is not to go down what we consider a very ineffective road of trying to create an FBI capable of doing this but rather create a new and independent agency as a number of others have called for.

Let's stop there and let's open it up for questions.

QUESTION: Thank you. Jonas Sirwinski, Center for the [State] of the Presidency.

The report is a little vague on whether or not the benefits outweigh the costs in abolishing the OHS. Do you think it simply depends on the personality of the person that takes over from Ridge, or that it should be folded into the NSC?

MR. DAALDER: The vagueness is in part a reflection of different views in the co-authored report so let me answer your question in a personal capacity.

I think and some of us think that having made the decision to create as large a department as is being created, contrary to what we think should have been done by the way. But having made that decision and now faced with that fact, the coordinating function, though still extremely important, is smaller than it used to be. Therefore, placing that responsibility within an existing structure that already is working, namely the National Security Council, has the benefit of one, having a structure that is well recognized, that is well respected, that has modalities that appear to work; and two, to do something that no other place in this government, to do something that needs to happen but is not taking place in any other place in the U.S. government which is to bring together people who are responsible for defending the United States from the border inward, less people who are responsible for defending the United States from the border outward. We have the rather remarkably strange occurrence, the decision that dates back to September 20, 2001, that we were confronted on September 11 with a

threat that comes from abroad and hits us here at home, that is transnational in its very nature, and we have organized in a way that suggests that the border is the most important distinctive factor.

You had homeland security under the Office of Homeland Security and counter-terrorism and combatting terrorism abroad under the NSC. If you bring the coordinating functions within the NSC you at least have one place in the U.S. government where people who's responsibility for thinking what happens with terrorists abroad and how to deal with terrorists abroad and people who are responsible for thinking about how to deal with terrorism at home sit around the same table. Otherwise the only other person who does that is the President of the United States, and brilliant though he is he can't do all of that by himself.

So in that sense putting it in the NSC, particularly now that you have basically made the decision that the OHS is not important because you haven't suggested who the replacement for Mr. Ridge is, and people matter in Washington as we know, its our belief we should put it in the NSC.

MR. STEINBERG: Let me just add a couple of points because I also share Ivo's views that that's the right direction to go.

If you think about now sort of where the balance of the agencies that are outside DHS are that are important to the homeland security mission, most of them are already members of the NSC process. They're used to operating in that environment -- DoD, CIA, the Justice Department. And moreover, these are departments which are relatively responsive to an NSC interagency process, but relatively unresponsive to other people's calls. And when domestic agencies try to get the DoD to do something they're not very effective. That's been one of the problems, indeed I think one of the most dramatic kinds of tokens of the problem of this coordination came back, when the decision was made to end the air patrol over Washington and New York and other parts of the United States, and then Director Ridge was asked about this and he said I don't really know very much about it, and then the Pentagon was asked and they said we make these decisions and we informed OHS about what our decision was. It just gives you some sense about the effectiveness of OHS in reaching out to agencies that just don't work through domestic coordinating processes.

So I think that one of the advantages of the NSC is that this is a place where these agencies accept the fact that they have to sit around the table and play with others rather than by themselves.

I think the second thing which is enormously important is this notion that we have to see this as a seamless problem, and we've already begun to do it. We have a Deputy National Security Advisor right now who is double-hatted to the Director of OHS and to the National Security Advisor, John Gordon, who is the head of the Office of Counter-Terrorism. So we've already recognized the need to embed this process in the NSC as well, and I think at this point the balance favors doing it.

The only significant counter-argument, which is not trivial, is that the NSC is obviously already very burdened, the National Security Advisor is a very busy person. We are already seeing challenges

in managing two big foreign policy crises, or three right now -- the external war on terrorism, Iraq and North Korea, so there would be some concern about overload there. But I think at least for some of us the balance is still in favor of it.

MR. DAALDER: Since another author of our report is sitting in the audience and has a slightly different view, I think it may be good if Mack --

MR. STEINBERG: Please.

MR. DAALDER: -- who is also with us and is one of the reasons the sentence may be slightly less direct than it might otherwise have appeared.

MR. MACK DESSLER: It's an honor to be credited with [fudgy] language, I guess. [Laughter] I'm Mack Dessler out at the University of Maryland and I'm a co-author of this report.

I basically agree with everything that Ivo and Jim said about both the problem of the current OHS which is obviously weaker than it was before and it wasn't strong enough before. The fact that there's no new director, the fact that all the attention in the short run is going to be to the department and not to this office.

It would be quite difficult, I think, for this office to be effective in the short run. Why am I resistant? At least I think it needs to be discussed more, the question of --

MR. STEINBERG: What are your [inaudible]?

MR. DESSLER: That the National Security Advisor is overloaded now and the -- But there are a couple of other reasons when we were working, and we still are working on a comprehensive look at the NSC, one of the problems we saw in the Clinton Administration, particularly in the second term was the NSC became larger and larger and it tended to become for the bulk of its issues rather bureaucratized, rather more like an agency, less flexible as a staff.

Now if you add 50 or so additional people to the [inaudible] professionals that you have now you compound that problem.

A second concern, this will be the last of them, is that the NSC tends to do best on issues and be most effective on issues that are sort of in its mainstream responsibilities. That's normal for an organization. In the case of the NSC it's political/military affairs. Economic affairs the NSC has done less well. Now it has this power-sharing arrangement with the NEC, the National Economics Council created by Clinton, continued by Bush, and that hasn't been bad. But I would point you to something that in this Administration, if you look at the early Bush Administration -- every President has to reconstitute the NSC in some sense so there was a brand new Executive Order. This one was different in the sense that it tried very comprehensively to bring economic issues within the orbit of the NSC in a

way that made the Executive Order much longer and more convoluted in fact, but the intention was to -- My sense is that while at the staff level this works to some degree, but this hasn't really operated that way at the principals level. That's not what Condy Rice does. And therefore it has continued to be difficult at the NSC to do economic issues.

My guess is that homeland security issues which do not, except in crises, tend to be front burner, immediately demanding attention issues, so they tend to be planning issues, they tend to be restructuring issues of the sort that get pushed to the back. I just think there's a real concern about whether the NSC will be able to give those effective priorities.

End of very modest different view.

QUESTION: -- Council, how would that interact with the NSC if OHS folded into it, or would it simply evaporate?

MR. DAALDER: That's simple. When homeland security is the issue of the day it will be called the Homeland Security Council. The Homeland Security Council is now in the law. It is a legal entity that has statutory authority just as the NSC has statutory authority. But the membership although in part statutory is also up to the President and you meet as the NSC and you call it the HSC and you know. The same people are in the same room at the same time and what you call it is less important than you're there.

So from a statutory perspective, there has to be a person, an executive Secretary for the Homeland Security Council and I'm sure there's some poor soul who would have that title, presumably the National Security Secretary would be both Executive Secretary in one, in the other, but I think it's a bureaucratic issue that --

MR. STEINBERG: It's also, as you no doubt know, the NSC rarely meets as the NSC. Most business is done by the so-called Principals Committee which is not the statutory National Security Council but rather just the Cabinet agencies not in their formal setting. The same has been true largely in the OHS context.

QUESTION: I'm Bob Dreyfuss with the American Prospect Magazine.

I was wondering if you could say something about NORTHCOM, that is the new Northern Command that was set up in Colorado Springs and what role you think the military may or may not play in the context of homeland security. There are supposed to be some hearings that Senator Warner wants to have on posse comitatus. The military says their lawyers say there doesn't need to be any changes in that. But I remember when the National Guard was called up it was federalized last year on the borders. That is they didn't leave it under the command of the governors and it wasn't under even the federal funding rules, but it was actually a federalized mobilization of the National Guard at the borders for several months last winter. I'm wondering if you see any increasing role for the military and

what its relations with this new Department of Homeland Security might be.

MR. O'HANLON: Thanks for the question.

By the way, while we're recognizing co-authors let me also recognize Jim Lindsey, the good-looking bearded man in the back with the blue shirt and blue tie who's been a very important contributor to our work on Congress and other parts of the report as well.

As to this question about the military, my first comment would be is the military is a supporting actor in homeland security. Most of its efforts are going to be a second order of importance compared to Customs, Coast Guard, INS, FBI. That would be a first point.

I'm glad there's a Northern Command because it's an important enough mission it makes sense to have a few hundred people out of a 1.4 million strong institution doing this full time, but I don't think the military should be seen as a primary player. It's a second tier -- important but still second tier player.

Secondly, I take your point on the National Guard. I think there is a need, and others on this panel may want to say more about rethinking posse comitatus and there may be some modifications that need to be considered. So even if it's a second order player it's still important. There may be future scenarios where we have to think of not just legal issues but also equipment and so forth.

I'm personally skeptical about turning over too much responsibility to the National Guard. I'd rather think of local fire, police, rescue personnel as the primary local responders. I think we've been remiss as a country in giving them the resources they need. It's been a real consequence of the budgetary standoff of 2002 that Peter described, that people at the local level are not getting resources from Washington that were promised to them. In fact it's worse than that. My few contacts in local and state governments tell me when they try to argue for more resources for some of these missions, those who don't want to spend local money or state money on homeland security will say don't worry, we don't have to find the money for it. The feds already promised us $3.5 billion. Just be patient, just wait another week or two and that money will be coming.

So we're blowing it because we're not only failing to provide resources, we're making the problem worse and setting back the debate. Otherwise local agencies and governments would often find resources, and people arguing for those missions would have a stronger case. But they're being promised this manna from Washington. They're not even getting the $3.5 billion so far that was recommended.

One last point and I'll stop. On the missions the military is best for, and certainly there are certain kinds of consequence management, disaster response missions, the National Guard, may ultimately perform. Although again I think they're likely to be a less important player in most scenarios that police, fire, rescue.

But the issue of missile defense. We've had a great debate in this country for 20 or 30 or 40 or 50 years about ballistic missile defense. There's going to be an interesting debate perhaps someday about cruise missile defense. This is the sort of thing that a terrorist could perhaps get his or her hands on much more easily and launch from a ship or launch from Mexico or what have you. It's much easier for a terrorist to get his or her hands on cruise missiles than ballistic missiles. It's also much harder for us to track them as they fire. We're going to have to spend more time thinking through the kinds of technologies that might be needed for a national cruise missile defense. It's a daunting proposition when you start to look at it, to think about what this could require. But to the extent we see future terrorist organizations get this kind of capability, it's a wonderful way to deliver chemical and biological agent against a coastal city, and if you have no defense you could really be in trouble. So that's one area where the military will have to do more and one of the reasons why I am glad there's a Northern Command.

MR. STEINBERG: Just to add a couple of supplementary thoughts. I think it's important to realize what the limits of passe comitatus are. There are relatively few constraints on the military playing the kind of supportive role that Mike is talking about and some of the missions that have been envisioned in addition to the sort of backup on consequence management are things like transportation within the United States. One of the models about getting vaccines and others around in an emergency have looked at whether you could use military assets. And none of these things pose serious posse comitatus problems. The problem only occurs, as you suggested, if you wanted them to play what would be the equivalent of a law enforcement function.

And there it seems to me that it's very hard to see that that would be necessary exception the case of a very severe catastrophe in which frankly we would be looking at the question of marshal law, and that's not something that any of us would want to do. But it's hard to see a very compelling case. You would need to have a significant rethinking of passe comitatus that there was some function that the military can't do now that you would want them to do that seems like it's a likely scenario.

I think the other question is okay, they can do these things under existing law. Is the military the right organization to do it? And particularly is that the role for the National Guard?

I think that goes into a broader debate which Secretary Rumsfeld has hinted that he wants to have about the question of the distribution of missions not in the homeland security context, but in the total force context about the military. We made a conscious decision throughout the '80s and '90s to put a number of important military missions and capabilities in the Guard and Reserve -- civil affairs, a lot of the specialized functions that come into play in a big way in things like peace enforcement missions in Bosnia and Kosovo, and potentially in Iraq. And if we continue to have those functions in the National Guard then they're going to be less able to play a homeland security support role because they won't be reliably there.

Rumsfeld has suggested that he wants to take, he hasn't made a formal proposal but he's certainly hinted in a press conference speech that he wants us to move back and move some of these

other functions that are essential to military deployments out of the Guard which I think would then create a greater sort of incentive to try to give the Guard something useful to do which would be a bigger homeland security role.

QUESTION: Hi, I'm Cynthia Sanjos from Cobblestone Associates.

I have sort of a double decker. I was at your first briefing and you talked a lot about your concerns about port security. I wonder if you could elaborate a little bit on the changes that you mentioned. That's the first one.

The second one is civil defense, civilian engagements, citizen actions as part of this process. Could any of you who have looked at that talk about what you see happening and what should be happening or could be happening?

MR. ORSZAG: There was legislation passed near the end of last year on port security that the President signed into law. It, however, was basically authorizing legislation. It didn't provide funding. Again as I mentioned, the problem at this point really is the appropriations level for this area of activity are insufficient.

It requires steps like threat assessments at ports, and hardening certain vulnerable parts of the ports, restrictions on personnel allowed into the most sensitive parts of the ports, things like that. All of which are very good things to do, but they're not free. Again, the Coast Guard estimated in December 2002 that the first year costs in the legislation would be just a little bit under a billion dollars. My memory is about $950 million.

The appropriations legislation doesn't come anywhere close to providing the level of funding that would be required. In fact Senator Byrd had an amendment that would have added funding for ports and for a few other areas that have not -- Well, for ports across the country, not just in West Virginia. [Laughter]

He actually had two different amendments. One that would have added $3 billion and one that would have added $5 billion in total, and those were defeated.

I actually pulled out, Jim had mentioned Senator Stephens and the FBI issue. I just pulled out Senator Stephens' statement saying "Mr. President, I confess that if we didn't have the limitations we face, the deficit we face, I would once again support Senator Byrd's funding in each of these items including the port area."

So there's a very explicit statement that the other fiscal pressures on the government are at least for this senator preventing him from supporting things that he clearly sees as being necessary.

QUESTION: [inaudible] -- The first reason you had about setting better priorities about which

ports to watch and which parts of the ports to watch also.

MR. ORSZAG: It wasn't me.

MR. O'HANLON: That's part of the Container Security Initiative.

MR. ORSZAG: I'm sorry. Let me just talk very briefly about the Container Security Initiative.

The Container Security Initiative is something that the Customs Service has started and it was something that we also called for in this volume and it's also a good idea. Again, the percentage of shipments into the United States that are inspected and the Customs Service debates this point. So the typical figure is two percent, but they'll tell you that it's closer to four to five percent. I don't think that difference is that important in reality.

The important point is that unless you know for sure that the ones that you're inspecting are the only ones that are dangerous, i.e., the other 95 percent let's say are not dangerous, that is a woefully inadequate level of inspection.

Furthermore, by the time a container gets to a U.S. port it's often too late to do very much about it anyway. If you inspect a container and it happens to have a thermonuclear device in it or something that's quite dangerous, it's often too late to stop it even if you somehow could have caught it as part of an inspection. It could be set off before the inspection occurs, which is why pushing back the border to the foreign port is so important. Having an inspection occur when the goods are loaded onto the container ship -- We also talk in the volume a bit about the types of information technologies and other security improvements to the containers themselves, something that Steve Flynn at the Council on Foreign Relations has done a lot of work on, the types of improvements that could ensure that something that you inspected abroad was actually not tampered with while it came to the United States.

That would be a lot safer. I would much rather know that there was a dangerous thing in a container when it's being loaded on some foreign port than when it's being offloaded in the United States, and that's what the Container Security Initiative tries to do. But unfortunately, again, it's done on much too small a scale and the funding is not adequate for it.

As I mentioned, just one example, the items that the President decided not to spend from the second supplemental bill last year included funding specifically for the Container Security Initiative. And it's just unfortunate that these sorts of higher priority items are not being adequately funded and this is again just one of the differences between what we think is necessary and what the Administration apparently thinks is necessary.

MR. STEINBERG: I'd just say a word on the public role in this.

Unfortunately -- I think there is a very important role for the public to play. It's an untapped

resource that could be part of the overall effort. But unfortunately, this got deeply caught up in Attorney General Ashcroft's proposal for Project Tip which sought to mobilize people like letter carriers and utility workers to report suspicious activity and basically use them as an information collection tool in dealing with it. And for a variety of quite understandable reasons, this caused a great deal of concern about civil liberties and the like.

Here you have, basically law enforcement officers are at least theoretically subject to certain guidelines about what they do and under what circumstances they can collect information about individuals. Now you're going to mobilize people who are basically unsupervised who are just going to be volunteer snoops. And in the Homeland Security Act, actually this project is specifically barred by legislation.

So I think the idea of the public sort of being part of this was tainted by the sense that somehow that was going to be the role.

But there's no doubt in my mind, and I think if you look at what some of the governors and local officials are doing, is that there are beginning to be local initiatives to try to figure out how you can use civic action, particularly in consequence management, to help mobilize additional resources to deal with emergencies. But I've seen nothing since. At the federal level, I think the federal government feels a bit burned on this and it's probably unlikely to move as a kind of federal initiative to try to do something.

QUESTION: I'm Edie Semler from the Association for Canadian Studies in the United States.

My question is directed at some phrases used before. Border inwards and border outwards, and terrorism abroad. I was wondering, Canada and Mexico for purposes of actual homeland security, for defending the U.S. Can these two countries be considered "abroad" for purposes of security? We have a 4,000 mile largely undefended border along the 49th Parallel, an arbitrary line across the map. Can you deal with Portland or Seattle much differently than you're going to deal with Vancouver?

And I know that there's some information sharing and Customs and certainly some coordination at point of origin container security, but beyond that is there anything being done to integrate corresponding agencies in Canada?

MR. DAALDER: Let me start off and answer this in the conceptual fashion.

I think it's a major mistake to talk about terrorism abroad and at home. I think the guys in Afghanistan are as much at home when it came to the question of who was attacking whom as they are abroad. And one of the fundamental conceptual errors we have made on September 11th is to assume that somehow the border was significant. It's not. It's completely and totally insignificant because that's the threat we're facing. It's a threat that exists because our borders are not capable of keeping them out. There's nothing we can do to keep out a determined person who wants to come in other than becoming a very different country. In terms of our civil liberties, in terms of our economic interaction with the rest

of the world, etc., etc.

If we want to be more or less what we are today we have to think about this threat in ways that makes the border an obstacle, a part of any strategy because you still have to cross the border at some point, but cannot be the sole reliance of what you do.

So when you talk about the Container Security Initiative, to take one issue, the issue is not Canada or Mexico. The issue is from what location are most goods shipped to the United States?

It turns out that there are 20 ports around the world that account for 70-75 percent of all the goods served, and the Container Security Initiative says if you can isolate those 20 ports and build a collaborative structure in which the home governments, whether it's in Singapore or the Dutch or the Canadians or the Hong Kong government, those governments working together with the U.S. government to build a security system that includes not only inspections of containers, but the transportation system from where those containers come from originally into the port and of course the transportation system once they're uploaded here. Because these are containers, they come in here and they're offloaded, they're not even looked at five days into after they're offloaded. So you have a system that needs to be protected in which the border is an element but a small element. That's the structure in which we need to think.

That's why, for example, we argue that information sharing and intelligence cannot continue to insist that there is something we do "at home" when it comes to information and intelligence, and something that we do "abroad". That there is a CIA and an FBI and they may share information at some level. This has got to be completely integrated because the terrorist threat is to the United States, not at home or abroad. It is to the United States period. It may come from abroad, it may come from home, it may come from one side of the border or the other side of the border. That's the framework within which you need to put the question of how you then coordinate.

Then it becomes almost a mechanical way of how do you ensure that governments abroad are best able to work together with agencies here? In the case of Canada there probably is more cooperation -- in some sense there's more cooperation between Canadian agencies and American agencies than among American agencies of some kinds, particularly on the border side where both sides of the border are very comfortable. They've worked together for a long time.

The first Container Security Initiative that was out there was with, it wasn't Vancouver. It was a port on the East Coast. That port, we don't do any inspections of goods from Canadian ports -- We only inspect goods at Canadian ports. We don't inspect them after that. So we have basically made Canadian ports our American ports. It's completely and totally integrated in that sense.

I don't know whether there are other examples like that of that kind of integration outside of the border. I imagine that on the intelligence side there is a cooperation that is formal that we have with a number of other of our friends in Europe and elsewhere ass is true on the law enforcement side, but it is

clear that that's where we need to head. The notion that you somehow can say there's an abroad that is somebody else's responsibility and there's an at home and we don't really have to talk to each other is an organizational simplification that is going to make matters worse rather than better.

MR. STEINBERG: I'd just add something on the practical side of this. I agree with everything Ivo said. Nonetheless as you no doubt know, there's been a great deal of friction between the United States and Canada over aspects of this problem, particularly the way in which information is used, and more broadly on Canada's own immigration policies and its policies with regard to admitting people into the country. I think one of the big challenges that's going to be, in order to have a truly integrated system the way the Canadian government has proposed, there's going to have to be an agreement on the basic principles. You're going to have to have something equivalent to what the Europeans have done with their [Shengan] Agreement so there is a common view about who gets into the two countries. What are the conditions for entry? What are the conditions for asylum? What are the conditions for staying? What are the processes for tacking people who come in on temporary permits and the like? But at the moment there are many aspects of the U.S. intelligence and law enforcement community which are insufficiently satisfied with Canada's approach to these questions so that there remains a sense in which if people are getting into Canada who the United States does not believe should get into the United States, and we have these undefended border as you say, that we have a big problem.

So it's going to be a tricky negotiation which will play a lot on Canadian sovereignty sensitivities to see whether you can get a harmonization of these rules. I think the problem is even more difficult in the case of Mexico where not only do you have the same sensitivities, but there's a whole different set of questions about how Mexico, what kinds of protections Mexico has along its southern border.

So I think the conceptual point that Ivo makes is right and we would clearly all be better off if there were a common North American approach to this because that obstacle that he talks about, making the border an obstacle, is a lot more powerful if it's largely air and sea that we're protecting against as opposed to land, but I think we still have a ways to go to make that a reality.

QUESTION: Hi, I'm Terry Lane with Communications Daily.

This question kind of dovetails into the last issue. There's a lot of talk about information sharing and analysis. It's kind of a broad topic and can sometimes seem to mean bureaucratic culture, how different agencies communicate with each other and other times seems to mean more of an information technology problem, an issue of procurement or what not.

I just wanted to get some opinions on what is the heart of the issue, if it is a bureaucratic organization problem or a procurement problem.

MR. STEINBERG: It's largely a bureaucratic and organizational problem and not a technology problem. I think if you talk to technologists, and certainly in this [Markel] Task Force

Report that I was involved in there's a fairly extensive discussion about this.

There are certainly ways we can use technology better. The private sector uses database management and information technology a lot better than most of the federal government does so we could certainly use the technology better. But that technology is largely available and we don't need either new breakthroughs or new kinds of dramatic new capabilities. But it really is a question of accepting the principle that information is going to be shared, and developing an architecture that facilitates it.

So for example if you have a system in which we have physically separate networks to deal with different levels of classification where there's a physical network that deals with top secret and compartmented information, a separate network, the [SIPRNET] which deals with secret level information, and a separate network to deal with unclassified information, you have a big problem moving information across it.

If you use the sort of physical barriers to information slow as a way to protect sources and methods and to provide security, you're going to pay a big price in the ability of the system to get the benefits of the information that you have. So it's a different mindset to which it would be easy to harness the technology if you decided that tag's what you were going to do. If you were going to create a culture which there's now some discussion about, for example, create a class of information which is called Sensitive Homeland Security Information, which is not generally available to the public but it's not classified and therefore doesn't have to be handled through classified handling procedures, you're going to have a lot more local police officials and fire officials and health officials who can get access to that information.

There are definitely tradeoffs. It is harder to provide security in a world in which more people have access to information. But you just have to decide in this context, given the nature of the threat, which is the bigger risk? That we tightly guard the information so it doesn't leak out but then nobody who needs it ever gets it, or we take the risk that some of it will leak. Much of it being tactical, of short lived use anyway.

It's one thing to say you want to protect the identity of an informant who is hard to come by, difficult to replicate and highly valuable. Those things we are going to have to take special measures to provide. But tactical information about a threat to banks or a threat to, or the need to look at flight training schools. Yes, it's sensitive and if the terrorists know about it then they will be able to take measures to avoid it. But far better to have people alerted to it and take the risk that the terrorists will be tipped off because at least you'll have still avoided that plot.

So I think it's a mindset issue. It's a sense of seeing this as an integrated community that involves all kinds of different actors at the international, federal, state, local and private level and building your architecture around that. I think the technology will flow quite naturally behind it.

QUESTION: Eric Flooden, Center for Arms Control and Non-Proliferation.

Mike, you started out and you talked about tier one and the different tiers of the homeland security strategy. Tier one was border security and that's where it started, etc., etc. But Ivo, you just talked about sort of the arbitrary nature of having homeland security and having things that are "abroad" not be -- You said that was sort of an arbitrary way to sort of cut the pie.

Should then the homeland security strategy include more things that happen overseas, like protecting and trying to secure weapons of mass destruction at their source, or finding terrorists and things like that. Are we too limited in our homeland security strategy just starting with the border, that tier one? Should tier one be what's going on in Afghanistan and all those different threats and where they originate?

MR. STEINBERG: In our original volume we identified that issue and I think we all agree with the point that you've just made.

For the purpose of not making this a total treatise on all of the aspects of national security strategy, because ultimately these are linked, we narrowed the focus of the volume. But I think the principle that you've identified and which Ivo talked about is one that we all share. You can't be effective in dealing with this problem -- And again, the reason we artificially limited it, it's also part of that strategy is not only securing weapons of mass destruction, identifying terrorists abroad, but it's also developing sound overall national policies to deal with problems of development, problems of bad governance abroad. So all of our international policy is deeply linked to the problem of preventing terrorism and therefore securing the homeland. So it's important to keep that principle that you've identified front and center, but we also wanted to not create a volume that looked like we were trying to answer all the questions about America's foreign policy and national security.

QUESTION: How [inaudible] limits on your focus, but the government obviously [inaudible] Department of Homeland Security. How can the government -- You mentioned the NSC [inaudible].

MR. DAALDER: That's the only part in the U.S. government where you can bring transnational concerns, things that are happening abroad that are impacting us here, and get the right players around the table at the right time.

The Homeland Security Council as conceived of in the Executive Order signed by the President back in October 2001 excluded the Secretary of State as a standing member. I think that makes no sense. Lots of stuff happens abroad that has fundamental implication on what happens here at home, and by putting it in the NSC you have a mechanism where people who think a lot about what happens abroad, and people who think a lot about what happens here at home -- particularly the Attorney General and the Secretary for Homeland Security, are now sitting around the table and they have been forced to tackle those very transnational issues that are important. But mostly dealing with the transportation of people and goods from abroad into the country. And the border is where our authority

to act starts. That's why you focus on the border. But you have to bring these two together.

Mr. Bonner spends more time abroad figuring out how to strengthen the ports over there than he does here for the right reason, because he understands that it's the transportation system that moves goods and people. The same is going to be true for INS.

Asa Hutchinson ought to spend most of his time out there rather than here, but he has to be able to talk to U.S. government people who are also out there. The NSC is probably the best place to do that. Otherwise you have to replicate it in the HSC or whatever you want to call it.

MR. STEINBERG: Thank you all very much.

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