PROGRESSIVE PRIORITIES SERIES

"PROTECTING AND PRESERVING AN OPEN SOCIETY: THE CHALLENGE FOR THE NEXT SECRETARY OF HOMELAND SECURITY."

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P. J. CROWLEY: – the administration faces, and the country faces in the next four years, you know, yesterday, you know, here, we had an outstanding event on social security. Today we shift to homeland security. And all of these progressive priorities chapters will ultimately wind up in a book published by the Center for American Progress in the coming weeks.

I'm P. J. Crowley, I'm a Senior Fellow and Director of National Defense and Homeland Security here at the Center. And obviously, as you're looking at your program, you're looking at a slightly modified panel here, and let me explain very briefly. You know, frequently at think tanks you sometimes lose one panelist for unforeseen circumstances. I have the honor of having lost two panelists in the last 12 hours. One to – you know, Governor Gilmore sent his regrets last night. Over the weekend, there was a death of a very close friend of his and longtime political mentor, and he said, "I've got to go to the funeral in Richmond this morning." And then this morning, a second panelist calls, stranded at the airport at Norfolk, Virginia.

And so we are honored and privileged to have enlisted here to my left, Rand Beers, who was the national security advisor to the Kerry campaign and a longtime counterterrorism expert in Republican and Democratic administrations. And so we've recruited Rand to sit in for both Governor Gilmore and Joe Bouchard, and we're thankful and grateful for that.

And then to my right, Roger Cressey, also a veteran of both the Clinton administration and the Bush administration, was head of the President's Critical Infrastructure Board; now is president of Good Harbor Consulting, LLC, and a rock star on NBC, and we're happy to welcome Roger here as well. There are, you know – Roger's full bio is in your packet.

So, as we focused on homeland security, and the situation confronting the United States at this point, I think it's first important to acknowledge that the challenge facing the next Secretary of Homeland Security is a daunting one. You know, this is the most significant management challenge since the National Security Act of 1947, and those of us who have pedigree at the Pentagon understand that even after 55 years of getting the military services right, it's still very much a work in progress. And the challenge facing the outgoing Secretary, Tom Ridge, and the incoming secretary, whoever that will be, will be something that will take literally years, if not a generation to get right.

But at the same time we are at war. And that reality is that we have – we face an ongoing threat and to an extent homeland security does not have the same measure of urgency that you see in (other aspects?), and certainly not the sense of urgency that matches the ongoing threat that we face here in the United States. In many areas, we have 10 and 20-year plans, rather than three to five-year plans. Significant vulnerabilities remain in critical areas where the consequences to our society are significant, including port security, rail security, chemical facilities, and our cargo. All of these areas are currently subject to voluntary standards or are, in fact, unfunded mandates that leave our people and our economy at an unacceptable level of risk. There are no Manhattan projects to bring forward critical technologies in months rather than years that can give us greater confidence in our security and provide greater resilience to our economy in the event of an upcoming attack.

I would commend to you this morning – you know, we've put out this strategy paper. I would also commend to you – you know, Roger Cressey is one of the authors of a study recently done by the Century Foundation, our co-partner here at the Center for American Progress, called *Defeating the Jihadists*. I think there were books available on the table as you came in of that, and Roger will speak in a second about the ongoing nature of the threat.

There is still very much to be done to fully integrate homeland security, and I think I would just start to open the program by saying strategically homeland security is still not fully integrated into our national security strategy or our national security apparatus. Curiously, we are perhaps one of the only countries, if not the only country, that treats national security and homeland security as distinct elements, as opposed to indivisible elements of national security.

So while a lot of the attention lately has been focused on – and rightfully so on the Congress and steps that it needs to take to reduce the unwieldy committee structure and oversight of homeland security that we do have, there is still work that has to be done within the executive branch to reflect the reality that our national security is now a home game as well as an away game. And to that end we have to realize that in the first 216 years of our history, we were attacked twice by foreign adversaries: the War of 1812 and Pearl Harbor. And in the last 12 years, we've been attacked twice: in February of 1993, and of course, in September of 2001.

We need a more integrated, a more balanced, a more comprehensive approach that fully integrates homeland security into our national security planning strategy and execution. We are recommending, for example, that the United States develop a national security budget so that the difficult tradeoffs that need to be done to make sure that we are using all of the dimensions of our national power, and those tradeoffs are fully debated, fully understood, and that we have a balanced approach that includes defense, homeland security, international affairs, international economic development, intelligence, counterterrorism, and so on.

We also need a more integrated structure. At the White House today, you have two competing power centers. You have the Homeland Security Council, and you have the National Security Council. We don't need two competing power centers, we need one. And we recommend that the Homeland Security Council and staff and the National Security Council and staff be integrated.

Secondly, homeland security does not have the level of resource to match the threat that we face today here at home. In fact, we are spending more to secure Iraq than we are to secure the United States. Our national security strategy is overly militarized.

We are spending, for example, $416 billion on defense; we are spending another $100 billion in Iraq – the supplemental that we expect to be coming up in the next month or two. We are spending less than 10 percent of that on homeland security; less if you take away what we spend to guard government facilities and the important work of FEMA.

And while the Pentagon is appropriately adjusting its long-term acquisition strategy to the realities of the war on terror, those resources are, in fact, migrating to operations in Iraq rather than being used to fund other areas that will in fact be more decisive in mitigating and reducing the terrorist threat to the United States.

Certainly, when you look at critical areas that are underfunded, port security is one of the areas that clearly come to mind. The Coast Guard has put together an implementation program of $7.3 billion over 10 years to fully implement the Maritime Transportation Security Act. And then last year in the preparation for the 2005 budget, the administration only asked for $46 million in port security grants. The Congress tripled that amount, but still, at this level of resource you are talking about something that's not going to take 10 years, it's going to take 20 or 30 years before we have the port security that is called for. In many cases on our 361 ports around the country, most of these ports are run by state or municipal agencies. Unlike the federal government, states and cities have to submit balanced budgets and so today surplus funds that might be available for security are also in competition with other urgent domestic requirements – education, healthcare, and so on – and so the presumption that the private sector or the state and local sectors can step up to the port security challenge I think is a flawed assumption.

We also must make sure that in avoiding the problem of spreading our finite resources too thin, that we fail to set appropriate priorities. In fact, right now our homeland security programs are being done without an overall national threat and vulnerability assessment. That assessment is long overdue from the Department of Homeland Security. Now the projection is that assessment won't be finished until 2008, so in fact we're basically spending money without having an overall framework that – where we can fully understand what our priorities are in terms of protecting the critical infrastructure of the country.

We would submit that the place to start is by reducing the threat of catastrophic terrorism to the United States, and set – starting our priorities there. It is true that terrorists could theoretically strike anywhere, but as I think Roger will probably mention al Qaeda and other affiliated terrorist organizations – they have a play book. They tend to gravitate towards targets that are in urban centers, targets that involve large numbers of civilians in one place, a high profile, iconic kind of structure, so that we have to start somewhere. We have to set priorities and certainly we have to focus initially on where the risk is greatest or our consequences to our economy are most significant.

And finally, we must have a credible system. And one of the more difficult areas that the Department of Homeland Security needs to focus on is the quality of information that we provide to our state and local partners, and the volume of information that we provide to the American people. And it is important to remember that we're talking about a situation where the overall impact is not necessarily the initial aspects of an attack. It is more our response to the attack. If you look at September 11th, for example, that the direct impact on New York City was in the neighborhood of $32 billion in terms of insured losses. When you stair step up from that, the economic impact on New York was probably three times that. The national impact was probably six times that.

If we don't have a credible system – if we don't have confidence in the processes, in the programs that we are putting in place, our response to the next attack will in fact be what causes the major economic and impact – and social impact, and really alters our society either significantly or, in fact, permanently. Steve Flynn, for example, has outlined that in his excellent book *America the Vulnerable*.

And so we have to have a credible system. We have to make sure that we are providing adequate information to our state and local partners. Even today in the paper you see the disconnect between the federal government and the District over who's going to pay for the costs of security for the inauguration, and clearly there is – we continue to see that there are improvements that are necessary in terms of the flow of information from the federal government to the local government and to our state partners.

I'll come back after my colleagues speak and just go through a few of the major recommendations, but at this point I'll turn it over to Roger Cressey just to talk a little bit about the nature of the threat that – the ongoing threat in the United States that we face.

ROGER CRESSEY: P. J., thanks. And to further raise his blood pressure, you would not believe how close I came to being hit by a bus as I was crossing the street this morning, but we avoided that so at least one panelist showed up.

To kick this off, let's step back a little bit and look at the issue of al Qaeda and the issue of the global jihadi movement because I think that's absolutely critical, when you're talking about where we go with homeland security. And it's important to understand the difference between the group and the movement. So if you look at this fine book that P. J. mentioned, you see we've outlined an approach where there's really four concentric rings.

In the innermost ring is al Qaeda itself. Your father is al Qaeda – al Qaeda 1.0 – the 500 to several thousand members of a leadership that's still on the lam, the key regional managers, other individuals who are part of that immediate network. Those folks, frankly, are well past the point of reason, so we have a play book for dealing with them, which is – either is we're going to capture them or preferably we're going to kill them. There is no other approach when it comes to core al Qaeda.

The second circle is the jihadi groups, and the jihadi groups are part of the broader network. This would be the Islamic movement of Uzbekistan, Jama Islamia, the Salafist Group for Preaching in Combat; other groups around the world that were not created as part of al Qaeda – were created for their own indigenous reasons, but either support al

Qaeda’s philosophy, adhere to bin Laden’s approach, have now pledged a form of allegiance to them, or are just doing their own individual operations in support of their specific agenda, but it also supports the broader al Qaeda agenda. That circle is anywhere between 50 to 200,000 individuals. By the way, these numbers are as scientific as the numbers the United States government will give you, because we just don’t know the real numbers.

The third circle is what we call the jihadi sympathizers. These are the people that I call the fence-sitters: literally millions of Muslims around the world who are rather upset with us for a variety of reasons, but have not become activists against us. They are sitting on the fence right now. And the question is, will they then jump to the activist side of the fence and what does that mean? Does that mean they provide some money to a local madrassa? Does it mean they help find forged – false documents or forged documents? Does that mean they join a cell and become operational in another way? That’s the third circle.

The fourth circle is the broader Islamic world: 1.5 billion people give or take. And that is part of the hearts and minds question that we talk about so much now, but the third circle is part of that as well.

I would argue that when you’re looking at a strategy – a long-term strategy to deal with the threat, the challenge is going to be that second, but more to the point that third, circle of the sympathizers of literally hundreds of thousands of people – perhaps millions now – who are on that fence. And if they jump to the activist side of the fence, what does that mean for us in terms of our national security, both overseas with official potential targets – diplomatic, political, military – or commercial targets? And then what does that mean for attacks or the potential for attacks inside the United States? How do we get at those fence-sitters?

And we’re not going to go off on a long tangent about Iraq, but the issue is related because when the history of Operation Iraqi Freedom is written I think one of the key chapters is going to be “The War of Unintended Consequences.” And it’s the nexus between these unintended consequences and how it influences the fence-sitters that is probably the most disturbing issue right now, because this is something that we’re not going to know the result of for years to come. And when you think about the threat to the United States, you have to ask yourself the question, are the events in Iraq right now and in the foreseeable future leading to the creation of the next Khalid Sheik Mohammed? Leading to the creation of the next Ramzi bin al-Shib or Abu Zubaida? Individuals who leave the jihadi battlefield in Iraq, go back to their home countries, either hook up with the local affiliates or create their new – a new organization and ultimately decide over a period of time to attack the United States inside its borders.

This is not something that’s going to happen over a period of months. It’s something that could happen over a period of years. A long-term strategic plan has to have that threat integral to it, and a solution, of course, has to be devised. And I’m not sure that’s easy to do.

And to get to the point that P. J. raised, when people say it's better to fight them over there than it is to fight them here, in talking about Iraq, I don't know whether to laugh or cry because the people we're fighting in Iraq right now are not the ones that would be planning an attack inside the United States. The people who want to attack inside the United States is still that core al Qaeda group – that entity that still exists, that still has operatives on a worldwide basis. They're not as adept, they're not as agile as they used to be, but their brass ring is still an attack inside the United States. And we would be delusional to think they're not looking at that and trying to plan toward it.

The second point, of course, is – with Iraq is the Iraqi phenomenon has increased the number of people sitting on the fence. So when you think about the unintended consequences and you think about it in a long-term strategic framework, you see where the problem becomes: three, five, ten years down the road, which individuals were so affected by what's going on in the Middle East right now that they jump to the activist side?

I think the other key issue right now is we have to figure out how to deal with threat information. And when I was in the White House, Randy was in the White House, P. J., and others, there were four basic questions we asked ourselves when we looked at threat information. Is it credible? Is it specific? Can it be corroborated? And, is it imminent? Those are the same four questions that the White House, the DHS, and the interagency are asking themselves now. And the reality is we're never going to get the type of specificity in our intelligence that says, Muhammad Atta is going to be seated in seat 2A on September 11th. You're just not going to get it. And if we do, it's going to be luck – pure luck.

So we have to look at the threat and as we ask ourselves those four questions when we're looking at threat information, devise a strategy that finds that sweet spot in terms of our homeland security so that we're doing enough to manage the risk, but not so much that we defeat our own processes, that we infringe on our civil liberties to a point where in effect we're doing the very thing that al Qaeda and its affiliates want us to do. Because so much of what they want to do is not just aimed toward our policies in the Middle East and elsewhere around the world, but it's aimed towards creating a sense of fear and panic inside our society. How to manage that threat, how to manage those threat questions – an enormous challenge.

Now, let me talk quickly about DHS. In some respects, the Homeland Security Department challenge is not policy as much as it is management. The 9/11 commission came up with three key baskets of recommendations: we need a better offense against the terrorists, we need a better defense at home, and then we need to fight the war of ideas. Well, there's a game book for the better offense. That doesn't take a whole lot of innovation and creativity. The war of ideas is certainly going to be the toughest one to do. But the second one, a better defense, is probably – in some respects it's the most immediate challenge and is the toughest challenge because we're bringing the 22 agencies together; as you all know, 180,000 people. And we're trying to (unintelligible) them together to create a mission-oriented approach to homeland security instead of an agency-oriented approach.

Now, if we have any MBA's in here or any other veterans of business, they'll tell you that the toughest challenge of any merger and acquisition is trying to get people to operate on the same team from the moment that the merger happens. It's simply impossible to do in the short-term. So at the same time we're managing this very real and specific threat, we're also going through one of the most fascinating business acquisitions that the United States government has ever seen. People have called it – it's akin to building a plane in mid-flight, and there is some truth to that. But the management question is going to be the central question for the next secretary. And what you're going to need is a management team at DHS that is focused, first, on how to turn the department into a coherent, unified entity where a clear chain of command exists, and frankly everybody is singing from that same sheet of music.

Secretary Ridge had a tough job and he certainly made a lot of mistakes, but he – the process has started. It hasn't been fast enough; it needs to be accelerated. So we need to find the right secretary and his team who can accelerate that process, and that's going to require a lot of support from the White House. The biggest mistake the White House can make is nominate the secretary, his deputy, and staff, and say, "Well, it's yours now. Good luck. Have fun. Godspeed." The White House is going to have to ride roughhouse over this process, and I'm not sure whether or not the commitment is there or the understanding is there at the White House to do that. I hope it is, but I'm just not sure.

We also need to look at revitalizing the public-private partnership. Public-private partnership is key because anywhere from 85 to 90 percent of the nation's critical infrastructure is owned and operated by the private sector, so for bureaucrats this is the toughest problem of all. They can't do it. They have to rely on others to do it in the private sector. And we tried to start a partnership where we would give them specific things to do, ideas; not directives, but ideas – guidance – and provide them information to help them with their work, but ultimately the responsibility would fall upon them and they would pay for it. And we really have missed the mark on that in a large respect; not just in terms of cyber-security, which we could talk about later on in more detail, but also in terms of physical security.

P. J. mentioned the need for a true analysis of the vulnerabilities that exist in critical infrastructure, a racking and stacking of what is there. Prioritizing that database and then remediating the most obvious and glaring vulnerabilities for the most likely sites that are under threat. That process has taken way too long as well and we need to get a lot better at that.

The secretary just created the national – issued the national response plan: 400-something pages that will be indecipherable to many, but for the first responders at the state and local level it will be the bible. And the next secretary is going to have to move aggressively in exercising the national response plan because I don't care how good your plan is, unless you exercise it – starting at a tabletop and then getting into the field – that plan is worthless. So that's going to involve a lot of money, too, to make local first responders and make state officials not just cognizant of what's in the plan, but what to do in a specific scenario in a specific environment.

What it really comes down to is how much risk are we willing to accept as a country, because when you find out the answer to that question, that then is going to dictate the amount of resources and the level of effort that the United States government and state and locals will then expend. If we're willing to accept a large amount of risk, then we can stop a lot of the foolishness that's going on at the airports right now, which frankly doesn't help us. We can stop some of the silliness that's going on in major metropolitan areas. But if we're not willing to accept a lot of risk, then these processes have to get better – have to get more sophisticated. And as I joke to people when they complain about their grandmothers being searched, I said, "Look, al Qaeda declared war on us, not the AARP." And we need to be smarter about how we deal with people as they enter airports and go into our nation's aviation system. Smarter analysis.

The other problem with the Department, and this is a problem of the United States government, we are reactive by nature. If you look at our performance over the past X amount of years, when it comes to a major threat it's we react to the actual threat. We're not proactive. So how do you get ahead of the curve in order to deal with the most likely threats or the threats of the greatest consequence?

P. J. mentioned the possibility of nuclear terrorism. Certainly that's the one that I think we all agree on – we need to be proactive on. Who's going to pay for it? Who is going to elevate this as a higher priority at the expense of other issues? Because when you read the 9/11 Commission and you read all the other histories of what happened leading up to 9/11 there is a central theme, which is nobody was willing to elevate terrorism as a higher priority at the expense of traditional issues. Everybody did a little of it, but nobody did enough. So how do we do it now on the question of WMD terrorism – nuclear terrorism? I think it's a very, very tough issue and it's one that is not going to be dealt with immediately.

Another one that we're going to talk about is how do we gather intelligence domestically. John MacGaffin is in the audience – a star of FBI and CIA and has spent a lot of time thinking about this issue. What type of domestic intelligence capability do we need? Where should it be housed? At what point does this entity take on a life of its own? Should it take on a life of its own? Because if you're trying to deal with a threat and making sure we're not just in a reactive position, we've got to start doing a better job of gathering information inside our country. Key and part and parcel to what's going on overseas. We've not had that debate yet in a serious fashion. We will have that debate after we're attacked, and that's the wrong time to have it.

And the only other point I'll make before we close – before I close, P. J., is bin Laden telegraphs his punches. Al Qaeda doesn't leave a whole lot to the imagination. You know, he means what he says and so when you see his statements, when you see the statements by his key leadership that is still at large, there are economic themes in those statements. So that means attacking economic targets overseas. That means ultimately looking to attack economic targets domestically because they want to attack symbols of American power: political, diplomatic, military, and economic. And if you sat down bin Laden and you said, “Did you really think you’d have this much of effect with the 9/11 attack?” I think he’d say no. Even we were amazed at the global ramifications of those attacks.

So they learned a very important lesson, which is if we do this again – if we hit economic targets in the same way – the cascading effect and the ripple effect that we’ll have globally will far exceed any narrow objectives of that particular attack. Think in economic terms.

And that, of course, raises the last challenge, which is in the budgetary environment we’re in today, there are very, very tough tradeoffs that are going to have to be made and for the next secretary I do not envy that person because we are not going to see growth in homeland security funding continuing in the next few years. It’s going to stay constant or start to drop. Part of that will be due to savings that are realized, but also part of it will be due – the further we get from 9/11, the less priority that will be placed on it by the administration to fund areas where there are unfunded mandates or areas that need greater attention, and I hope we can deal with that sooner rather than later.

P. J., I’m going to stop there.

MR. CROWLEY: Thank you very much, Roger. And we’ll now turn to our guest lecturer, Rand Beers.

RAND BEERS: Thank you. Thank you very much. Let me just make a few points because P. J. and Roger have covered a great deal of the material. Roger began by talking about the concentric circles with respect to al Qaeda. I think that as a mirror image of that it’s really important to think about homeland security as the inner circle of a series of concentric circles about how to protect and defend the United States.

There is no question that you cannot succeed with a defensive-only strategy that gives the other side an extraordinary opportunity to truly focus exclusively on your vulnerabilities, but by the same token an offensive strategy alone is equally capable of setting an imbalance in the sense that if you don’t guess right in your offensive strategy, then you leave the opposing force the opportunity to husband its resources and to pick the time and place that it’s prepared to attack. So I think that as one thinks about the whole terrorism issue that it’s absolutely critical that we have all parts to this equation.

As Roger mentioned, the 9/11 Commission mentions three aspects: offense, defense, and the war of ideas. As we look at the homeland security puzzle or picture within the United States, I think that it’s important to also remember even here we have, if you will, an offensive and a defensive aspect to it. On the offensive side, we have our law enforcement community combined with intelligence whose job it is to disrupt and dismantle organizations or cells which may exist within the United States or seek to come into the United States, and that is one aspect.

But by the same token I think we have to be absolutely clear in understanding that even there that’s not enough and that what we need to do as well is ensure that to the extent possible – to the extent that we’re prepared to spend the money – we need to have defensive measures in place that reduce the vulnerability of key assets and locations. We know from information derived from terrorist interrogations that they – al Qaeda in particular is a very deliberate organization which reconnoiters possible targets a large number of times. And we know that one of the things that they are looking for are patterns of activity that repeat themselves; that leave them the ability to determine if this is going to happen at this time on this day, then when it’s not happening it’s not likely to happen. And so as we think about these defensive measures, we have to put them in place in a way in which the terrorists in their reconnaissance phase of operations do not see patterns that are so rigid and so fixed that they become their own vulnerabilities as they look for lucrative targets.

Now, we have to understand that we have been on one level – as horrific as the World Trade Center was – lucky because al Qaeda and because bin Laden have focused on the big target – on the big, economic target. During the period that we all lived in Washington with the sniper, a number of people said, “What if al Qaeda adopted that mode of operation?” When the Abu Sayyaf undertook to bomb some shopping centers in the Philippines, we all said, “What would a bomb in a shopping center or three in the United States look like in terms of the impact on the economy?”

If we look at what’s happening in Iraq today by the combination of Sunni nationalists and Zarqawi and his band of international terrorists, small operations are the key to their activities. They may look large in terms of the number of casualties, but in terms of the comparison between the number of casualties from any one of those operations in Iraq versus the World Trade Center, they’re small by comparison and they’re relatively easy to mount despite the efforts by hotels in this country to have some control over vans that pull up in front of them. There are large number of extreme vulnerabilities that are not quite as horrific as the World Trade Center, but which in volume would have an equal or perhaps even greater economic effect on the United States, and I think we have to be cognizant of that and be prepared for that kind of a shift.

We’re very good, as Roger said, looking backwards. We’re not very good in terms of looking forward. And I think that that really has to be the watchword, which comes back around to what P. J. said: where is the threat and vulnerability assessment that was required by the Homeland Security Act? If governor Gilmore had been here today, he would have said in December of 2003 when they issued, as far as I know, their last report, they told the president yet again, where is that report? The president then issued a homeland security presidential directive seven and eight, which said do it now – immediately. And P. J. tells us today 2008. That’s the bedrock document for starting a process.

You can't argue how much is enough or what ought to be done without having a real baseline in order to do your programming. So that every time people say we ought to do more here and we ought to do more there, if you don't have that baseline document it is very difficult to make the argument that this is more important than that; that we ought to emphasize this activity over that activity. And let's face it, we're going to have to do this over a number of years anyway, so we really ought to know what our priorities look like and we ought to do the things that need to be done first because, as Roger said, the history of the devotion, commitment, and focus to these kinds of long-term efforts tend to dissipate over time.

We are now three and a third years from 9/11. Yes, the money for homeland security continues to go up because people are making the point that we need to continue to be protected, but if you look at defensive measures such as embassy protection we have had several tragedies at embassies overseas. Commissions were set up; they studied the problem; they laid out plans. There were large construction budgets and every year the amount of money that the Congress was prepared to devote to the protection of those embassies went down. We will get to the point, as Roger said, in which we may well face the reduction in those kinds of measures unless we are very clear that this has to be a national priority.

Now, I think that people have talked about some of the reasons or things that need to be done in order to ensure that this is a national priority. We have a tendency to spend money for military operations when they're underway and we also spend money for our military even when they're not engaged in combat. We need to begin to think about homeland security really, as Steve Flynn would say, as part of national security – as part of an ongoing proposition that requires attention over the long term. While this may not be the full equivalent of the Cold War, it is a long-term national security threat and what we do both abroad and at home are going to be critically important aspects of that.

We talked about the Department of Homeland Security and it has been called the largest reorganization of the U.S. government since the National Security Act of 1947, but let's also be candid: that was an imperfect reorganization at the time that it occurred and it took almost 40 years before we got to Goldwater-Nichols, which was the major correction to that kind of organization. And I think that we can't wait 40 years to continue to upgrade and improve homeland security. A number of the problems are obvious and some are a little more subtle, but I think first and foremost is the threat assessment together with the budget that is arrayed against that.

But equally important is, as Roger said, the management side of this equation. The evolution of the Department, the evolution of the parallel oversight structures in Congress are going to be critical to ensuring that in fact what the 9/11 Commission called for in terms of coordination and communication are in fact successes that we can point back to. But equally important and also noted by the 9/11 Commission is the need to ensure that our reaction to 9/11 is not so aggressive in terms of surveillance and other kinds of activities that we lose the balance between security and democracy, between the need to understand what's going on and civil liberties. If we give those up – if we sacrifice those in order to provide perfect security, then I think that we will over the long term have given away our heart and soul to al Qaeda while we have thought that we were protecting ourselves better.

There was a project at Harvard that gave a final report shortly after the election that talked about a number of these issue and a number of concrete measures that could be used to make sure that we were both cognizant of the security requirements, but at the same time protecting American civil liberties. So I think that as we think our way through this, we can't simply err wholly on the side of security, but we have to maintain our civil liberties as well.

And I think that there – and I'd like to close with this – I think there are five inhibitors that are particularly troublesome for this administration to overcome, and I think that we need to work on those inhibitors to ensure that they don't retard our ability to deal with the homeland security issue. The first is – and we've touched on it – that this is a long-term program. It's not very exciting. The progress and the milestones don't look very important. It's certainly not like a military campaign where you fight battles and you win wars. It's going to be hard slogging and we're going to have to maintain our commitment.

The second is, as long as homeland security continues to be perceived as something that's different from national security, that is somehow just a domestic program, it's going to be an inhibitor in terms of people's long-term commitment, and in particular in terms of the willingness on the part of Congress to fund domestic programs. We have generally tended to be generous to our national security programs, in particular defense programs, and we haven't been similarly generous except in the entitlement area when we get to domestic programs. And I think we're going to have to be much more cognizant that homeland security requires the same kind of devotion and protection that national security has had both in the budgetary sense and the programmatic sense.

Fourthly, homeland security is going to require some form of regulation of the private sector or some kind of best practices and best standards. That doesn't always sit well either with the private sector or with those who see market forces alone as determining what ought to be happening in the private sector. This is not to say that we have to over-regulate or set up standards that are so high and so costly that they tend either to bankrupt firms or require excessive budgetary requirements on the federal government or state and local governments for that matter, but we're going to have to recognize that there will be some standard setting.

And finally we're going to have to accept the fact that the highest threat targets currently are in urban areas and that if we're going to set priorities, we're going to have to accept that we are likely to spend more money in urban areas per capita than we are in other areas of the country. This is not a public pork program. This is not spreading peanut butter evenly on the slice of bread. This is going to mean that we're going to have to set those priorities and adhere to them and we're going to have to do that in an apolitical fashion as opposed to thinking that urban centers tend more to support the Democratic Party and rural areas tend more to support the Republican Party.

Let me stop there and pass it back to P. J.

MR. CROWLEY: Well, it's not unusual – it's a little unusual. We've scheduled this panel this morning – the challenge facing the new secretary of homeland security – and as we've been sitting here, the president has nominated federal appeals court judge Michael Chertoff to be the new secretary of homeland security. And interesting enough, you know, Roger talked about appointing someone who has – comes with great management dexterity. You know, Randy talked about someone who comes with an understanding of the challenge that we face from a societal standpoint and staying true to who we are, and Chertoff will bring some interesting baggage on both of those fronts.

Anyway, let me – before we open up for questions – we want to do that – I want to ask two kind of interrelated questions picking up on where Randy just stopped. And that is, one, given that we're trying to build a national capability in homeland security, whose job is it? When you think about the private sector, they own the critical infrastructure. When you think of the federal government and the responsibility it has under the constitution to provide for the national defense, where is that line? And then associated with that, one of the critical questions is whether you need – you know, Randy spoke, again, about the need for regulation, but setting clear standards in terms of security and – but whether those should be voluntary approaches, incentives by the federal government with the primary burden falling on the private sector, or mandates or government action where that is required.

And in our report, I think we make clear that voluntary approaches may be fine if they work, but – and certainly in the news today the issue, as we look at the incident in Granville, South Carolina, as a perfect example of where you've got to be very cautious about voluntary approaches. And we understand from the District today that on the one hand CSX has in fact cut back significantly on the transportation of hazardous materials through the District. On the other hand, they are obviously not interested in seeing that legislated from a District standpoint to mandate that chemical railcars be routed outside of an urban center. And yet, in fact, ultimately if we're looking at urban centers as a priority – if you're looking at chemicals and rail security as a clear target of opportunity and vulnerability for the – for al Qaeda, the fact that we have targets of opportunity that are flowing either through Washington or through other urban centers, how do you ultimately come down in terms of the role of the federal government and where that line is between a prudent private sector responsibility for security and the national requirement for defense?

MR. CRESSEY: Well, voluntary measures never work on anything of consequence. There are exceptions to every rule, but particularly when you talk about the private sector, if you're asking them to do something voluntarily that's somehow going to impact their bottom line – having been now in the private sector for a couple of years, let me let you in on a secret: they won't do it unless there is something in it for them or they have to do it. Voluntary measures is just a dialogue of the deaf between the government and industry.

So I think it really comes down to where you incentivize as the first step. That's the carrot. And then whereas the regulatory action is the stick down the road. That's why developing the database of critical infrastructure, creating a matrix list of vulnerabilities where the threats are most likely can then lead you to a better allocation not just of your resources, but a better allocation of where the government should spend its time with the private sector.

Critical infrastructure is an obvious place to start, but there are other parts of our nation's infrastructure where it's not that obvious – where it's not a nuclear power plant, where it's not the port of Los Angeles. So we need to have, frankly, DHS and the administration lead on this in a way that says we're going to incentivize the following places. We're going to incentivize in the following business verticals – industry verticals. And we're going to have a clear timeline as to what needs to be done and when it needs to be done and if you fail to meet that timeline, then the government is going to step in a more rigorous and invasive way.

Now, when the government steps in, that requires money and that also creates another impact of unintended consequences because there's no regulatory action that has not created unintended consequences. So there needs to be a thoughtful approach by government as they think about the stick and they think about how do we minimize and hopefully eliminate the unintended consequences of any regulatory action. But we need that carrot-stick approach if we're really going to get serious.

MR. BEERS: Before I go on to answer this, I'd just like to make a comment on Michael Chertoff, which is a very, very interesting appointment. For those of you who do not know Michael, he came to be the head of the criminal division at the Justice Department at the beginning of the Bush administration and his primary interest was in the cyber-world at the time that he came to take over that job.

He left to take this judgeship only about a year ago, so it's an extraordinarily interesting appointment and I think in general a good appointment, but we'll see as the press digs into his life history and finds out whether or not it looks as good in a week or a month.

I think Roger has laid out some key points, but what I'd like to do is think about this as the functional equivalent of three-dimensional chess. You have the national level – the federal government level – and you have coordination within the federal government that you have to effect. Secondly, you have federal, state, and local government, all of which have a part and all of which have to coordinate with one another. And then you have government and you have the private sector. And as Roger and others have pointed out, most of the critical infrastructure is in the private sector. So you have a very complex problem and to answer where P. J. started out – well, who's in charge of all of this? – at this particular point in time, despite the creation of the

Department of Homeland Security I don't think that we have a very clear idea and maybe we will never get to the point that any one person is entirely in charge of it.

But I would argue that as long as we do not think about this as a national security problem or the functional equivalent of a national security problem, we are destined to have nobody even surface as being primarily in charge of this problem. By declaring something national security, it means that the federal government accepts the primacy of its role and its responsibility as in the case of our military, which is – and even there, not an entirely wholly federal system because we have the National Guard which can also be used at the state and local level. But there is no question that overall the federal government is in charge. This doesn't mean that it has to be entirely by *diktat* and regulation, but it does set a place from which guidance can be issued and coordination can be begun so that when meetings are called and plans are set you know where the final stamp of approval has to come. And I think that that's critical and as long as it's called homeland security and thought of as a domestic program it will end up to be divided and set apart there.

MR. CROWLEY: Antoine, while you kind of move in our direction with the microphone, we'll open it up for questions.

Please identify yourselves. I think first of all if there are any members of the press, perhaps you can get the first question, I think, just as we're preparing.

I think that's the imperative. I think we have to go back and understand that as long as we are – we consider ourselves at war – in our report we make clear the federal government has to lead and if necessary where there are clear vulnerabilities in the private sector or in areas that are critical to our economy and to the safety of our people you have to act now. And then there are many areas – rail security, chemical facilities, aviation security in terms of air cargo, port security that we've mentioned – and the initiative has to come, in our view, from the federal government at this point in time.

In the case of port security, there can be some opportunities for easily where you – we're currently collecting customs duties, for example, for goods that are flowing through our ports. There's an opportunity there to steer some of the existing customs duties to sustain and support port security until we get to a point where we've taken that risk and mitigated it to a sufficient degree. Likewise in aviation security, where currently we are in fact charging a security fee for the enhanced baggage and passenger screening – the war with AARP as Roger described it.

It's not as easy to do on the air cargo security side, but certainly there are ways in which you can provide a funding stream so that we can meet the up-front expenses that are required to close that clear vulnerability. In this particular case, while going to protect the shipping processes makes sense, ultimately you've got this kind of imbalance where you are – you have intensive screening of about half the things that go on an airplane, but no screening of the other half. It just doesn't make sense.

Anyway, if there are questions, we'll open the floor up.

Q: Hi. I'm Deborah Berry with *Newsday*. Mr. Beers, could you elaborate on why you called Mr. Chertoff an interesting but good appointment?

MR. BEERS: If you will recall that when the torture memo process was undertaken, Mr. Chertoff was excluded from that process. I think that's a healthy sign. (Laughs.)

MR. CRESSEY: Yeah, I'll say it's a curious choice. He's an extremely smart individual. Obviously, he'll have the legal element of the homeland mission down pat. He's also a known commodity to the White House and a vetted commodity, and after the last adventure that is a really big deal.

What he doesn't bring –

MR. CROWLEY: Twice confirmed.

MR. CRESSEY: Yes, twice confirmed. That's right. What he doesn't bring is that strong management background, which is why the deputy secretary choice is going to be absolutely critical now, because you're not bringing in a real manager – someone who has headed megacompany dot inc. or government agencies before. So you're going to need a deputy who really is focused on the management.

And there's two deputy models: there's the policy deputy and the management deputy. You're going to need a management deputy here. And it also elevates the role of the undersecretaries as well. He doesn't bring any policy expertise in port security, container security, WMD in both their defensive or offensive debate. So there are significant gaps in his background for the DHS mission, which are not showstoppers, but it reinforces the importance of having a team around him that can play out the rest of the requirements and really complete the senior leadership in the right way.

MR. CROWLEY: That brings up a good point is it's not just the Ridge departure. I think Admiral Loy is planning to leave in March. He has been the one that has been actually primarily focused on the integration mission of the various agencies.

MR. : (Off mike.)

MR. CROWLEY: Yeah, you've got Asa Hutchison, who is contemplating a run for governor of Arkansas and others from Generals Libutti and Liscouski and Hughes all have exit strategies, so it is both a challenge and an opportunity that even in a young DHS we are at risk of losing a great deal of our corporate memory and those how have already gone through one round of trial and error, have made some strides forward, have made some mistakes – we're now at risk of repeating many of those mistakes with the second management team.

Q: Yes, Shaun Waterman from United Press International. I was actually going to ask about the Chertoff appointment. Wasn't he – I mean, he has a – at one stage he was involved with the Whitewater investigations. If there are any of the panelists concerned that he might bring a kind of partisan twist to this job?

And secondarily, in terms of the transition from the fourth circle into the third circle, i.e., getting people on the fence in the first place, what are the most significant elements of U.S. policy? What are – among the variety of reasons that – I think someone said these people are cross with us for a variety of reasons. What are those reasons in your mind and how would you rank them in order of importance? And what can be done about them? I mean, Michael Scheuer and others have argued that blind support for Israel is very important, but on the other hand I heard a Clinton-era official at a recent conference describe U.S. support for Israel as immutable. So is there a way to address the factors that push people into the third circle, as it were, on a policy level?

MR. CRESSEY: I'll leave the Whitewater question to others. Look, perception is reality in the Muslim world, at least based on my experience, and there is a perception out there of how the United States is acting that has taken it to a reality. Now, there are some policies here that people will cite. They will cite the Arab-Israeli issue. They will site the occupation of Iraq and to a lesser degree Afghanistan. They will cite U.S. support for, quote, "corrupt Arab regimes." But what bin Laden and his people do is they say, "Look, the United States says this isn't a war on Islam. Well, my brother, I offer you the following things: they've occupied an Arab country; they've occupied Afghanistan; they've turned a, quote, "blind eye" to the plight of the Palestinians; they continue to prop up these corrupt, decaying Arab regimes. There is no justice in the Islamic world right now and the United States is principally responsible for that." Those are their talking points. We need to have a counter to those talking points. We can play a positive, productive role in the Israeli-Palestinian question in a way that doesn't affect the special relationship the United States has with Israel, because that is immutable – we shouldn't change that – but we can be a force for positive change.

Think back to 1991 after Desert Storm when the United States led the creation of the Madrid Peace Conference. It was a driving force in what ultimately became the Oslo Process, which ultimately became a process where Israelis and Palestinians did talk together. It went off the rails for a variety of reasons – we all know those – but we need to be in a position now where we can play that positive role again. And what the administration is banking on is over the long term, events in Iraq and in the Gulf will turn out in a way that will yet again place us in a positive light and we will be playing a positive role.

The problem is we do not have control over those events, and our performance over the past two years – you can debate the wisdom of their vision. They do have a vision but their performance over the past two years raises a question of competence, and that question of competence seeps into how people around the world will view us because they may say, look, the United States has got a great vision but they can't execute it, and if, therefore, they can’t execute it, why should we trust them? Why should we put our lot in with them? And I think that’s a huge problem right now.

MR. CROWLEY: Let me pick up on that. I think one of the reasons we think you can’t look at the various dimensions of this so-called war on terror discretely is because obviously they all have an interplay. I mean, just in the tsunami relief, for example, if you weren’t looking at that within the prism of the war on terror, you know, we were making a mistake. And I was critical of the White House just – you know, it was a clear opportunity – why they waited 72 hours to bring the president out in a visible way knowing that Indonesia, the largest Islamic country in the world, was so significantly affected by the tsunami and it presented a clear opportunity.

I think we have largely recovered from the initial accusation of being stingy, but this is another element of the process that – in my mind we’re still kind of dealing with a Helmsian definition of foreign assistance as charity as opposed to looking at it as an investment. I would also argue that probably the Palestinian election was a very important potential element in reducing the threat of terrorism to the United States. If we do in fact see Mahmoud Abbas consolidate control and actually make a tangible difference in the everyday lives of the Palestinian people, if the Gaza withdrawal goes effectively, that is going to have a measurable effect in the calculations that young men and women in the Middle East make in terms of investing in their societies versus making a choice of jihad.

These are all core elements in a broad strategy that gets you to the ultimate “holy grail,” which is not necessarily eliminating the threat of terrorism anytime soon but certainly mitigating it and drawing it down from something that is potentially catastrophic to something that is far more manageable.

Q: I’m John MacGaffin, formerly of CIA and FBI and now, like Roger, happily in the private sector. I’d like to follow on with where Shaun started this, and for all three – any of you or each of you or any of you, are we really comfortable that the sort of Mike Scheuer view that if we were to deal with issues such as Palestinian and Israeli, deal with troops in the vicinity of Mecca and Medina, clear out the Peninsula, do all those things, that we would, as P. J. said, begin to reduce some of the angst there, or is it perhaps more fundamental? And this sounds overly philosophic but the answer to this has great practical repercussions.

In other words, is this seen as truly – by the bin Ladens in this world, by Roger’s first circle and part of the second circle, seen as truly an existential battle that goes to Western economic and cultural hegemony that gets in the way of perfection of Islam, which would talk about a different kind of war for the future and different things that would satisfy them, or can we really believe that if we bring down the tensions in these political Middle-Eastern-centric areas, that will solve the majority of it?

MR. CRESSEY: All right, I’ll argue – no, I should never with argue with John because I always lose, so what I’ll say is dealing with the narrow policy issues doesn’t solve the problem, but it takes away a series of excuses that bin Laden and his followers use to recruit, use to motivate. And if you look at the four circles, the tipping point – as much as I hate that phrase – the tipping point is that sympathizer ring of hundreds of thousands, if not millions, of people. That's your target over the long term because the offense and defense game plans are in the first circle of al Qaeda and the broader network: we're going to kill them, we're going to capture them, we're going to do the things that we're really good at doing.

Well, that jihadist sympathy circle you can't do that with, so what combination of policies do you need in order to get those people off the fence and put them on the non-activist side? They're still going to get pissed at us for a variety of reasons. I don't care if they're pissed at us as long as they just sit around the table and say, "Boy, I really hate the United States," but they don't go the next step. And if they believe – if they're conditioned by their media, by their political leaders, by their local imam and others from what they see on TV and read, that our policies in the United States are not just the root of their problem but the root of the broader Islamic world's problem, we've got to do something to change that, because even if Iraq turns into a Jeffersonian democracy tomorrow, the people on the fence right now are not going to jump to the non-activist side. They're not going to say, "Not only should I have had a V-8, but, geez, the United States was right all along."

So, John, I agree. You know, you can be really myopic here and say it's about the United States kicking the Israelis in the ass and saying, "You're on your own." That's foolish. But changing our perception of the world is absolutely critical if we're going to go after those fence-sitters.

MR. BEERS: Let me come at it from a slightly different direction, but not in disagreement. And that is if you look at the history of charismatic movements, there is a tendency that after the charismatic leader, and particularly after the first level of succession of the charismatic leader, move away, that the organization or the effort tends to dissipate. If that charismatic leader takes over a state, there's an ability to perpetuate the idea for a longer period of time, but if it is – if the level of sacrifice that is called for – if the requirement to give oneself over entirely to the movement involves a great deal of sacrifice, over time that level of enthusiasm tends to dissipate.

So, agreeing with Roger, if you do all these things, you reduce the things that push it. If you prevent the terrorists from actually controlling a state, then you limit their ability to extend themselves over time. And if you look at this, again, as a religious movement as opposed to a political movement, the same sociological evolutionary tendencies are there as well.

So I think that it is a combination of doing the right thing but also it's just going to take time, and we have to make sure that as that time continues we do everything we can to reduce the catastrophic impact that terrorism can have.

MR. CROWLEY: I think – as Antoine moves over – I think we're obviously dealing – one of the points that Roger makes in *Defeating the Jihadists* is that we're not necessarily at war with all terrorist movements. I think it's one of the unfortunate consequences of the statement that the president made before Congress that we're going to treat all terrorists the same and you're either with us or against us. And unfortunately we've seen now the third chapter of the war of unintended consequences where the jihadist movement, or the Mujahideen in Afghanistan in the late '70s, culminated in the formation of al Qaeda. The untidy way in which the first Gulf War ended, you know, created the pretext for bin Laden to turn his energy towards the United States. And now we're in Iraq, and at the risk of seeing training of the next generation of a much flatter, much less predictable global jihadist movement that will now threaten the United States for a number of years.

And there is a dimension in combating terrorism where the military action will be vital, but even the likes of General Myer say that, and rightfully so, that ultimately defeating terrorism and winning the war on terrorism, other elements are going to be far more decisive and those are elements that, particularly as we try to get control of the budget deficit, are the most likely to be underfunded in the future.

Q: Hi, I'm Adele Stan with the American Federation of Government Employees, and we represent a number of folks in the Department of Homeland Security, and one of the things that has struck me with the 9/11 report and other reports is that a lot of what seems to have happened – I mean, it's called connecting the dots, but it's also people not being heard – people sounding warnings and not being heard.

Now, it's going to be very interesting, given today's news, to see how this all works, but the new secretary is going to inherit a set of personnel regulations now that he had no part in creating. We don't even know what's in them, but we do know that the scope of what employee rights is going to be has shrunk, and at this point these folks are all being made to sign secrecy pledges about non-classified information as it is.

I mean, I'm wondering about the management question from a bottom up, not just from a grand structural kind of point of view, but if we're talking about maintaining an open society and also maintaining some checks on what's going on inside that department, do you foresee any kind of impact if we have new personnel regulations that really put the kibosh almost on meaningful whistleblower rights?

MR. CRESSEY: As a proud former member of the career Civil Service and someone who went up through the GS scale, I've got two views on it. One is I think the existing civil service system is broke. I worked at the State Department, the Pentagon, and the White House. The civil service system is broke and it needs to be fixed. So I will actually give credit to DHS and DOD for trying to come up with creative ways to approach how we bring the civil service in, how we reward them, promote them, but how we punish them when they fall short. I think that's right at a broad level.

Now, I've got problems with some of the things that they have done, and I think your point about the secrecy commitment is there. I mean, when you get a security clearance it's inherent in there that you're not supposed to talk to people who don't have clearances. So we need to do a better job just policing the existing system when it comes to that.

On sensitive but unclassified information, instead of just a broad "you can't talk about it," we need to, again, be a little more sophisticated in how we deal with it. There's some stuff that is important and some stuff that is absolutely irrelevant, and a broad secrecy pledge like that does have an impact on potential whistleblowers. So it's the press's responsibility and it's Congress's responsibility to make sure that this is looked at, and looked at very closely and consistently and constantly.

MR. BEERS: I agree with what Roger said and would simply reinforce the last point – or your point, which is nothing should be done in personnel regulations that inhibits whistleblowers from responsible exposure of waste, fraud, abuse, mismanagement, and all of the other things, and it should be done in a way in which individuals do not have to resign in order to express their views.

MR. CROWLEY: I think probably – certainly the message from the decision not to rehire the IG sends a very damaging signal in that respect. Unfortunately the reality is that DHS has been heavily politicized since its beginning and the sooner that we get over that mentality so that in fact we can critically look at the Department – I certainly don't think that the management structure that we see today will be there five years from now. Some things have tended to work. There are obviously some things – the bifurcated way in which we do border protection and then customs enforcement doesn't seem to make sense, so obviously they do need some personnel flexibility because we're going to go through 2.0, 3.0, whatever the case may be. But at this point in time, clearly the department has a long way to go and folks need the ability to be able to critically say, this is working, this is not working, without fear for their lives.

I think another point, just more broadly, is that we do have to have the debate over how much information will be available in what form for scrutiny by what agencies under what conditions, in what databases. How will those databases be interlinked? We've only scratched the surface in terms of that debate. Clearly, if we are going to get to a better form of security that is less intrusive, we are probably going to have to give up a little bit more in terms of how much the government knows about us.

As we develop these integrated databases we're going to have to make sure that there is a very strong process of privacy protections and oversight in terms of independent boards, in terms of Congress, so that we do not see the potential for abuse of that information. That is something that we really, really have to have that debate once the Department decides what it is we want to secure and how we want to secure it.

Last question and then we'll wrap up.

Q: Yes, I'm Paul Orum, Working Group on Community Right to Know. We've advocated quite a bit for innovation to safer chemicals and processes as a way to improve homeland security; not just put fences and guards around the tank, but use a safer chemical. For example, the Blue Plains –

MR. CRESSEY: Absolutely.

Q: – sewage treatment plant that went from the chlorine gas that (would go?) for miles offsite to chorine bleach that can't do that.

A two-part question: how can government best cause such innovation in the private sector; and then, how can one also best get the security agencies out of the fences-and-guards mindset to think about things like safer chemicals and processes?

MR. CRESSEY: The first part of your question is you either incentivize them or you threaten to regulate them. The other component of it is you have citizen action groups constantly on their heels making sure that they do not lose sight of the fact that there are other ways of doing this. I mean, in the corporate world it's all about return on investment, the ROI. Well, there's also something called ROR, which is reduction of risk. And I think one of the arguments that needs to be made is how can you reduce your risk in a way that not just benefits the country, but benefits your corporation or your enterprise? And if you can make those arguments to them I think there is a possibility for things to be done voluntarily.

Then the next step is you either incentivize them or your regulate it. And as part of the Department's overall approach on where the great vulnerabilities and the great risks are, we need to identify which carrots or sticks we use in specific industries, in specific business verticals. So I think that's absolutely important.

MR. BEERS: And as we think about that, we need to also be mindful of the fact that the chemical industry within the United States is not an isolated industry that only exists here, and so we're going to have to look at it in the context of the global chemical industry sector and ensure that we don't penalize our own domestic chemical industries or productions against international productions. And again, that goes back to the point that Roger made: we're going to have to find ways to incentivize that here and perhaps regulate it, and some of those regulations may appear to be protectionist, but we're going to have to look seriously at how they affect overall the security here and how they can also, in concert with other countries, be looked at as a global problem and not just a U.S. national problem.

One of the things that as we've looked at critical infrastructure, whether it is cyber or physical, it's not just the United States. This government has consultations with other governments, however imperfect, to talk about the kinds of things that need to be done on a more global basis. If you simply look at natural gas or oil we have pipelines that come into this country both north and south that have an enormous effect upon us. If you look at the electrical grid – if you look at what happened in the natural disaster accident in

Ohio with an effect in Canada on the electrical grid, we have to be cognizant of the fact that this is not just a national issue; it's a global issue.

MR. CROWLEY: I think I would take maybe perhaps a bit of a minority view in that in the short term when you look at how port security grants have been distributed in their first four rounds, a great deal of that money has in fact gone to put fences and lighting around LNG tanks in various ports. I'm not necessarily bothered by that because those are in fact things that blow up and can cause significant damage and loss of life. I think in the long term you're exactly right; one of the areas that perhaps the role for government is to provide some way for the chemical industry to overcome its obvious inertia. There clearly are some up-front costs associated with switching from this toxic material to that less toxic material that takes the risk completely off the table and removes that facility as a potential terrorist target. That's ultimately what we have to get to.

And I think one of the things that we mentioned – I think we have to have perhaps a fairly significant review of liability law because that may be one of the areas in which in return for – if you have clear standards and then you have critical sectors that are willing to step up and meet that standard, you know, there could be some understanding with regard to what the liability of a particular company or particular sector would be if the terrorists choose to attack it.

By looking at that you might find that you'll develop the incentive so that our critical sector can make adjustments either to make their processes more secure or transition from this process to that process and in doing so remove the threat entirely. That obviously is something that we need to do as part of that great debate over ultimately who is responsible for what? Clearly there is a federal, state, local, and private sector responsibility, but the theme of our paper, as you look through it, will be at this point in time the federal government has to take the lead.

With that – all right, we'll take one last question.

MR. CRESSEY: What a softie.

MR. CROWLEY: Yeah, I'm a softie.

MR. CRESSEY: When you were at the White House, P. J., you never did that with the press corps. You cut them off right away. How times have changed.

Q: Twice now there have been references made to worrying about corporations and their willingness to comply and the government's role in taking more of a proactive stance in ensuring that these guidelines are adhered to. Why isn't the government taking more of a proactive stance and making corporations adhere to our rules? It seems to me that it comes down to the health and safety and welfare of the American people and that the government is then responsible for ensuring that. Why have we entrusted these corporations with that responsibility when they've proven themselves time and again to be irresponsible in doing so?

MR. CRESSEY: I was going to say, you know, this is an administration – and it's not a pejorative here – this is an administration that believes in market forces as a key foundation of its overall economic philosophy, so they believe that market forces are what's best to – will ultimately push companies in the right direction. I don't agree with that, but that is part and parcel of their overall approach. If you look at cybersecurity, we believe – some of us believe that there needs to be a more aggressive and active government role in it, and what they're saying is, "You know what? Industry runs it, industry owns it; it's up to industry; they'll do the right thing." They won't do the right thing.

So I think part of it is recognition that this is an administration that will rely on market forces until an event happens and then it'll change, and I'm not sure how you get them to change in the interim.

MR. BEERS: On the other hand, it can't be entirely regulation. It can't be entirely *diktat* – it cannot be entirely from the top down. So you have to find some way in which the mix of programs and policies also get buy-in, in the same way that you can't take a management team and put them in the position of responsibility to run an organization. And if they're not prepared to create some form of buy-in or participation or empowerment on the part of the organization as a whole, particularly in government, the bureaucracy will simply wait that leadership out, knowing full well that they have a life cycle far shorter than the career members of that organization. So you have to find creative ways.

One of the things that the Clinton administration tried to do in cybersecurity was to create infrastructure security assurance committees that were an effort on the part of the government to talk to the private sector in ways in which security programs could be encouraged privately that didn't require government regulation but allowed industry to participate in the setting of standards. The whole rulemaking process for the federal government in which you publish an interim rule and invite comment on the part of people is designed to allow some feedback so that the rulemaking role of the government doesn't totally become dictatorial. And those are the kind of mechanisms that we have to foster to make this thing work.

MR. CROWLEY: I think a final point would be that part of the difficulty within DHS is they have to decide exactly what the standards should be, and they're still wrestling with that. In some cases, particularly in the shipping industry, the private sector was standing by to step up to whatever security level the government feels is appropriate. The government hasn't decided yet.

I think a second problem is that, really, at this point the government does not really know what the private sector is doing. They acknowledged last year – and hopefully this year in their budget analysis they're supposed to be able to come forward with some sort of estimate as to what level of security spending is being done by the private sector so we can evaluate whether it is in fact adequate and whether further government action is required. The reality is they don’t know what the private sector is doing. The current state of the economy would suggest that the private sector is not doing what is required to actually make the economy more resilient and safer, but part of that is a matter of visibility and that’s what the government has to step up to.

Thank you very much for coming, and please stay tuned to the Center for American Progress as we continue with our Progressive Priorities series in other dimensions of critical policy areas as we move forward. Have a good day.

(Applause.)

(END)