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## The New Reality in Canada/U.S. Relations: Reconciling Security and Economic Interests and the Smart Border Declaration - U.S. Speaker

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# THE NEW REALITY IN CANADA/U.S. RELATIONS: RECONCILING SECURITY AND ECONOMIC INTERESTS AND THE “SMART BORDER DECLARATION”

*Stephen E. Flynn*<sup>†</sup>  
U.S. Speaker

Good morning everyone. I am honored to be here today talking about this very vital issue. I am sorry I am not Tom Ridge, but I will try to give you my tour de force on these issues. They certainly have raised to the forefront the critical topic of this conference: how do we sustain this relationship in the context of a new threat environment?

I want to make three points today. There is still a security imperative. That is why advancing security has been a part of our matrix. Secondly, this is not a trade-off issue. It is not a balancing act. Advancing security and the economic integration must be done concurrently or it is self-defeating for both missions. I would also like to throw out at you some next steps; how we advance this actual agenda.

## SECURITY IMPERATIVE

I am going to begin with the security imperative. I started this enterprise working with the Hart/Rudman Commission.<sup>1</sup> The Hart/Rudman Commission, co-chaired by former Senators Gary Hart and Warren Rudman, was actually the brainchild of the former Speaker of the House Newt Gingrich. He pigeon holed President Clinton one day and said, “You know,

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<sup>1</sup> Hart/Rudman Commission, also known as the National Security Study’s Senior Advisory Board, was recently renamed the U.S. Commission on National Security/21<sup>st</sup> Century (USCNS/21). USCNS/21 operates as a Federal advisory committee. See USCNS/21 Charter available at [www.nssg.gov/About\\_Us/Charter/charter.htm](http://www.nssg.gov/About_Us/Charter/charter.htm).

nobody has really looked at the national security establishment that we created in 1947 since 1947. The world seems to have changed somewhat since then. Maybe we should do kind of a reassessment.” A radical idea. They actually appropriated money to run a three-year project. It was a very blue ribbon commission with a very substantial staff behind it.<sup>2</sup> The commission was designed to do essentially three things: look at the threat environment, articulate what the strategy should be, and identify what changes would have to happen to execute that strategy.

What was extraordinary with this group of veteran cold warriors by in large, was the way in which they went about actually getting their sense of what the threat was. They arranged a lot of field trips. They were extraordinarily struck by the depth of the anti-Americanism they came across. It really surprised them. They consistently found that there was a real general angst out there with regard to the United States and its place in this new world.

In that context, they basically started to realize that the new threat environment was not a re-emerging China or similar kind of scenario that makes those at the Department of Defense feel much more comfortable because that is what they are geared to do. It was a new threat environment. In 1999, they reached the conclusion that the number one imperative for the new century is likely to be a catastrophic terrorist attack on U.S. soil. They also found that we are not fundamentally structured to deal with that type of attack.

What they ended up doing was making a recommendation that dealt with the issue of looking at where these guys are coming from. We built the national security establishment that we have, essentially for an away game. Literally, waters edge out. You cannot do much inside the territorial sea inland with the national security apparatus we have.

What are these adversaries likely to do? They seem to be interested in home games, not just away ones. In that context, how are we situated? For folks who always have their eyes geared to deal with problems out there, when they suddenly swept their field of vision into what looked like the domestic security terror fervor of the United States they were horrified. We do not do a lot of this. Increasingly, it was sort of the bargain that we made with ourselves post World War II. Americans said as a society we are willing to invest trillions of dollars in a peace time or non-active war environment to do that over there, because we do not want a whole lot of this stuff in our neighborhood. That worked quite well throughout that period of time, but here we are.

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<sup>2</sup> Full list of commissioners *available at* [www.nssg.gov/About\\_Us/People/people.htm](http://www.nssg.gov/About_Us/People/people.htm).

In July 2001, they rolled out the final recommendations<sup>3</sup> in the Mansfield Room on the Senate side of the Capitol. Ten of the fourteen Commissioners basically made this overarching series of recommendations built around this analysis. No major media outlet showed up to cover it, just a few beltway bandit types that write up these inside commission sort of stories were there. Senator Hart and Rudman were a little frustrated by this. They wrote a piece and sent it to the New York Times. They said, no thanks.

## SECURITY AND ECONOMIC INTEGRATION

On September 12th the long editorial in the New York Times refers to the Hart/Rudman Report.<sup>4</sup> Let me read it here "We found ourselves in a changed world." Now, what is the threat? I would suggest very strongly that we are already seeing this notion of a duplicate challenge - even without the 9-11 attack. There is real anti-American angst out there that exists for a variety of reasons. The United States is effectively a status quo power. It is a dominant military and cultural economic power almost by definition. Given that the world is working pretty well from its standpoint, if you are somebody out there on the planet that is unhappy with that status quo, then you are increasingly likely to be anti-American.<sup>5</sup> We are seen as the owner of the status quo, so we are the target.

The United States is spending more on national security and the traditional national security apparatus,<sup>6</sup> even before we pick up the tab for war, than the rest of world combined.<sup>7</sup> If you take on the United States in the

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<sup>3</sup> The United States Commission on National Security/21st Century, *Road Map for National Security: Imperative for Change*, Feb. 15, 2001, available at [www.nssg.gov/PhaseIIIFR.pdf](http://www.nssg.gov/PhaseIIIFR.pdf).

<sup>4</sup> "While the United States must retain its conventional and nuclear war-fighting machinery, the government needs to consider a reallocation of resources to homeland defenses against unorthodox threats. That was the largely ignored recommendation of a national commission headed by former Senators Gary Hart and Warren Rudman that early this year noted that the relative invulnerability of the nation to catastrophic attack could soon end because of terrorist threats." *The War Against America: The National Defense*, N.Y. TIMES, Sept. 12, 2001, at A 26.

<sup>5</sup> Stephanie R. Nicolas, *Negotiating in the Shadow of Outlaws: A Problem-Solving Paradigm for Unconventional Opponents*, 9 J. TRANSNAT'L L. & POL'Y 385 (2000); See also, *New Kind of War for U.S.*, L. A. TIMES, Aug. 31, 1998, at B4; *The New Terrorism*, ECONOMIST, Aug. 15, 1998, at 19; Bradley Graham, *Pentagon Plans Domestic Terrorism Team*, WASH POST, Feb. 1, 1999, at A2; Walter Laqueur, *Postmodern Terrorism*, FOREIGN AFFAIRS 75, Sept./Oct. 1996, at 29-30.

<sup>6</sup> U.S. Office of Management and Budget, *Fiscal Year 2003: Budget of the U.S. Government*, available at [www.whitehouse.gov/omb/budget/fy2003/pdf/budget.pdf](http://www.whitehouse.gov/omb/budget/fy2003/pdf/budget.pdf)

<sup>7</sup> The President's request for an increase of \$48 billion in the defense budget, expected to reach \$379 billion in 2003. For the next five years, President Bush demands an increase of \$120 billion, which would raise the total defense budget to \$451 billion. This proposal

traditional way, it looks a lot like what has happened to Saddam Hussein in the last three weeks<sup>8</sup> or what happened to the Taliban<sup>9</sup>. If you imagine yourself potentially at war with the United States, either because your back is against the wall or you have proactively taken a strike at this great monolith, you similarly cannot be thinking in traditional military terms. At least it is imprudent for us to imagine that is what a potential adversary would be doing, particularly since they now have the example of 9-11.

Two things with that example: first of all we are wide open and secondly, you can generate profound disruption by engaging in this as a means of warfare. Given that context, they can generate profound disruption. Catastrophic terrorism has real military value at a relatively low-cost evolution; striking at critical infrastructure leads to what we had right after 9-11. The imposition of something like an economic blockade in our own economy has real military value. As long as there is an incentive to do that or there is at least that promise, this warfare will continue to be attractive. And, that, I believe, is where we are today.

What is clear is that the occupation of Iraq is going to get very ugly. The recruits for this view of anti-Americanism are not going to go away. In the world we are in, you do not have to be a state to sponsor this level of lethal warfare. You can be a non-state actor. When there is a world of arms bazaars out there,<sup>10</sup> which there is, you can have access to carrying out these kinds of horrific acts. That is the reality that confronts us. From a security imperative, it still persists and may even be exacerbated over the near to medium term. Going to the source of Al Qaeda or taking out Iraq may displace one particular adversary, but there are many variables out there.

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includes \$19.4 billion for the global war against terrorism, costing \$1.8 billion per month, the largest increase in defense spending since the Reagan era and equivalent to 40% of the world's total military expenditures. Luis Mesa Delmonte, *Economic Sanctions, Iraq, and U.S. Foreign Policy*, 11 *TRANSNAT'L L. & CONTEMP. PROBS.* 345, 371 (2001); *Global military spending now exceeds \$800 billion a year. Stalled Global Disarmament Efforts, Terrorist Use of Mass Destruction Weapons – Backdrop for Disarmament Debate Beginning 30 September*, United Nations, Press Release, GA/DIS/3222, Sept. 27, 2002, available at [www.un.org/News/Press/docs/2002/GADIS3222.doc.htm](http://www.un.org/News/Press/docs/2002/GADIS3222.doc.htm).

<sup>8</sup> Sean Loughlin, *U.S. moving 'at will' in Baghdad*, CNN.com, April 9, 2003, available at [www.cnn.com/2003/US/04/08/sprj.irq.pentagon/index.html](http://www.cnn.com/2003/US/04/08/sprj.irq.pentagon/index.html).

<sup>9</sup> U.S. announces the Taliban no longer control any territory within Afghanistan. 67 *FED. REG.* No. 19 at 4301, Dept. of State Public Notice 3899, Jan. 29, 2002, available at [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2002\\_register&docid=02-2244-filed](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2002_register&docid=02-2244-filed).

<sup>10</sup> Steve Bowman, *Weapons of Mass Destruction: The Terrorist Threat*, CONG. RES. SERV. REP. FOR CONGRESS RL31332, March 7, 2002, available at <http://fpc.state.gov/documents/organization/9184.pdf>; See also Steve Bowman and Helit Barel, *Weapons of Mass Destruction - The Terrorist Threat*, CONG. RES. SERV. REP. FOR CONGRESS, RS20412, Dec. 8 1999, available at [www.fas.org/irp/crs/RS20412.pdf](http://www.fas.org/irp/crs/RS20412.pdf).

Unless we deny the fact that this type of warfare has simply gone away, the nature of warfare is such that I suspect that we have to plan accordingly.

### BALANCING THE ISSUES

Why is it that you get such big bang for your buck? This is the trade-off issue I mentioned earlier. The big bang for your buck arises from a fundamental reality of terrorism as a means of warfare vis a' vi what our governments are primarily equipped to deal with in terms of these agencies that we are drawing on with regard to dealing with accidents or crime. Generally, when we have incidents of crime or particularly in terms of accidents, things blowing up, refineries blowing up because of mechanical failure, the general public response is almost always "those poor unlucky devils, they were in the wrong place at the wrong time." The view is always, it is an isolated event. Even those in the public policy community say, "That event highlighted a systemic weakness, a challenge that we as a community must address because you too could be unlucky like those folks if we do not deal with these issues." It takes a substantial effort, sometimes many years, to build the corrective to that sense of what systemic vulnerability is.

I point to not just the 9-11 attack and what it did to aviation, but also anthrax and what it did to mail,<sup>11</sup> and especially the Washington area sniper incident of this past fall<sup>12</sup> to illustrate a key difference with regard to these terror acts and what issues it presents for government. The difference is when these acts take place the presumption for the public is almost the exact opposite of what I just laid out. The presumption is a generalized vulnerability, unless you can prove otherwise.

By any cold risk analysis, if you are one of the 2.5 million people in the greater Washington area, and there is one loan gunman taking pops at people at the rate of one a day, the odds of you being that one person shot when you are pumping gas are much less than the morbidity rate of simply getting in your car and driving on the beltway. Surely people will be quite rational about this and recognize their odds are really quite good that they can get their gas safely as opposed to the morbidity of driving in traffic. They see evidence of fatal accidents everyday when they are driving on the beltway. They do not change their behavior. But they did when the sniper was active. There is a disconnect here.

If we had not caught the sniper before the election, it could have affected democracy. People might not have come out of their houses to vote. The problem became that people assumed a generalized vulnerability because of

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<sup>11</sup> Tony Pugh, *Postal Service Wants at Least \$3 Billion to Sanitize American Mail*, Trib. Bus. News, Nov. 28, 2001.

<sup>12</sup> Guy Taylor, *Maryland killing disrupts return to normality*, WASH. TIMES, Oct. 23, 2002.

a lack of capacity to provide reassurance given the uncertainty of the environment. That becomes the problem with regard to things like the border when you factor in things like surface transportation, whether it is a ship, a container, a truck, or rail car. One incident of a box blowing up in Detroit resulting in thousands of lives lost raises the questions, "What about all the rest of the boxes? What risk management tool is out there to manage that?"

When the answer is, as it allegedly is right now, anybody in the planet with \$1,600 in Asia, \$1,000 in Europe, with up to 30 tons of merchandise can order one up, have it sent to their house or workplace, load it to the gills, close the doors, put a 50 cent seal on it, and send it off to the races but trust me, most people do not want to blow you up. I suspect that the response is going to be very different from what the public sector is going to say. The public response is "keep the switch on, make it keep going, because it does not happen too often."

As for the incapacity to demonstrate a credible ability to manage this risk because of an insufficient baseline, I would suggest we need security in the systems to validate low risk as low risk. Not being able to identify and intercept high risk containers will lead to a general collapse of confidence that will impact for some time the ability for this vital sector to get restarted and continue moving forward. Look at what happened after 9-11. We grounded all aviation.<sup>13</sup> We went through every airplane to verify there were no terrorists or means of terrorism. That took three days.<sup>14</sup> How long does it take to do trucks, trains and ships? A lot longer.

The economic implication of the lack of security in the system is pretty self-evident. Ninety percent of the world's general cargo moves in boxes. If we have to turn it off, even for a little while, it can be devastating. We already have an example of this. The ten-day lockout on the labor dispute this past fall. It took three months just to restart just the mechanics of the system. Somewhere between \$30 and 40 billion is the estimate of the cost to the economy.<sup>15</sup> Try to not only turn it on mechanically, but restore public confidence at the same time and we have a much greater problem.

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<sup>13</sup> In response to the terrorist attacks on New York City and Washington, D.C. takeoffs from all domestic airports were blocked by the Federal Aviation Administration at 9:25 a.m. on Tuesday, September 11th. Raju Chebium, *Nation's Transportation Comes to a Halt*, GANNETT NEWS SERVICE, Sept. 11, 2001, available at 2001 WL 5112550.

<sup>14</sup> Katie Fairbank, *U.S. Airlines Return to the Skies in Small Numbers*, TRIB. BUS. NEWS, Sept. 14, 2001, available at 2001 WL 27176303

<sup>15</sup> Pacific Maritime Association, whose members include shipping lines, terminal operators and stevedoring services, estimated the toll of the of a five to ten day management lockout of West coast dock workers on the U.S. economy will reach \$19.4 billion. Evelyn Iritani and Marla Dickerson, *Tallying Port Dispute's Costs Many Companies Managed to Escape Major Losses, but Some Negative Effects Could be Permanent*, L. A. TIMES, Nov. 25, 2002. at C1, available at 2002 WL 103220071.

Let me go to the other side of the coin. That efficiency, that is not promoting efficiency, undermines security. I am not doing this in the broader macro argument that power in the United States is a result of our economic prosperity and therefore provides resources and so forth. I make it from purely a security case. A hardened security response, a single point security approach, like we have done on the Southwest border over the course of the decade of the 1990's leads to a more insecure environment. It is a less policeable environment. It creates a chaotic, fragmented market response making it almost impossible to do effective risk management. You could not design a better system for organized crime than the one we have operating in Laredo, Texas to protect the border.

How does it work? It basically works this way. If you have a quarter million dollar rig, you are not going to waste your resources having it wait six hours just to travel 20 miles across the border and then come back across empty. So how does the market respond? The market responds by having long-haul trucks that ship stuff down to Monterrey arriving in North Laredo.<sup>16</sup> The trucks put their loads in a North Laredo depot, then have that depot contact a Mexican broker who is going to pick up the box with a short haul drayage to bring it to the broker. The broker verifies the Mexican duties are paid. Once that is done they call another short-haul truck to pick up the load then wait in the depot to get across the border and drop it off in northern Laredo at which point a Mexican long-haul can pick it up at that depot and take it to the interior.<sup>17</sup>

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<sup>16</sup> The size of Laredo's transportation services industry can be credited to the extensive truck traffic through the city evident by the \$30 billion in U.S. exports and \$35 billion in U.S. imports that flowed through Laredo in 1999. This same year the city accounted for approximately 39 percent of the volume and 50 percent of the value of all land-transported trade between the U.S. and Mexico. Keith Phillips and Carlos Manzanares, *Transportation Infrastructure and the Border Economy*, THE BORDER ECONOMY, at 2, June 2001, available at [www.dallasfed.org/htm/pubs/border/tbe\\_phillips.pdf](http://www.dallasfed.org/htm/pubs/border/tbe_phillips.pdf)

<sup>17</sup> "The destination of southbound shipments through Laredo also has increased the size of its transportation services industry. Non-maquiladora shipments—which represent a greater share of the Laredo traffic than at other border ports—are subject to greater tariff restrictions and thus require more paperwork and inspection. This delay at the border creates a market for short-haulers, as it is not efficient for long-haul truckers to wait for the extra inspections and paperwork to be completed. Many maquiladora plants close to the border use their own trucks to haul products to and from warehouses on the U.S. side. Additional freight-forwarding and transportation services jobs in Laredo result from the practices of Mexican customs brokers, who must pre-clear all truck cargo before it crosses into Mexico. Trucks are cleared on the U.S. side partly because warehouse and truck terminal space is lacking in Nuevo Laredo, on the Mexican side. U.S. long-haul carriers typically drop their cargo at a company warehouse in Laredo. A freight-forwarding company picks up the cargo and takes it to a Mexican customs broker's warehouse in Laredo. The customs broker inspects it, collects duties and arranges for another freight-forwarding truck to transport the load across the bridge. The freight-forwarder then returns to Laredo, usually empty. Thus, the abundance of trucks passing through Laredo,

There is a 300 percent turnover rate per year on short-haul drayage companies. They are often mom and pops that have two or three trucks in their inventory. This is where old trucks go before they die. If you look at it right at the border you will say this is lawless. We have got to rein this thing in. We have to harden this border. As we make it more costly to get across the border more incentives for corruption are created. More sophisticated criminal networks develop to help the immigrants get across the border. The core argument here is that more inefficient security measures create a chaotic market response and ultimately a more insecure environment to police. The corollary then becomes the more efficient the environment, if there is sufficient transparency and accountability in it, the more it supports risk management that actually enhances security.

We have a security rationale to improve the infrastructure at our borders that makes no commercial sense because it creates congestion. We have an incentive to improve the regulatory behavior at agencies acting at the border that makes no commercial sense. These guys surely could create some one-stop shopping systems instead of the chaos that is operating on the regulatory side. You have a security rationale similar to Eisenhower building the highway system on a national globalization rationale that had all the economic benefit but never had to be tested on the defense side.<sup>18</sup> It can potentially be used as a rationale for why we need to fix the border. So that it can be effectively policed. These are not trade-off issues. They are reinforcing issues. So what are the next steps?

### NEXT STEPS

I would suggest that we have to recognize this Homeland Security Agenda is something that the U.S, but clearly something North America overall has to come to grips with. I try to say to North American audiences, homeland security is not going to be achieved at home. These are global networks that the bad guys try to target, networks of transportation, networks of finance, energy, information and of labor. Trying to protect one node of those networks is like hiring a network security manager who says "I am just going to protect the server next to my desk. It is convenient. I do not have any resources. I cannot get out to those other servers." What is at the heart of our prosperity as a trading nation amongst the first world trading

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their inability to legally reach the interior of Mexico, and their inspection and clearance on the U.S. side of the border by Mexican customs brokers all work together to create a large demand for warehousing and freight-forwarding in this city." *Id.*

<sup>18</sup> National Defense Highway System available at [www.globalsecurity.org/military/facility/ndhs.htm](http://www.globalsecurity.org/military/facility/ndhs.htm); The Interstate Highway System, available at [www.eisenhower.utexas.edu/highway.htm](http://www.eisenhower.utexas.edu/highway.htm)

nations is sustaining a global network that makes it possible for commerce to move readily. This is more than a U.S. issue and it is more than a North American issue. It is a global network issue. It is a global public policy challenge.

I would suggest that what we need to be thinking about is how do we build layers of security in these networks. It is critical to our prosperity, but that is only going to be achieved by taking a multilateral approach to that design. Where can we pilot innovative solutions? Why not do it within the most robust trade relationships on the planet and illustrate what has to happen ultimately in a broader international scale right here where we are most forward in our development and build on prior initiatives to 9-11, build on the smart border accords to push it much further.

The next step I would suggest on container security is not taking the “P” word, the perimeter approach, but ultimately acknowledging these things originate from far away places. We have to build safeguards from the point of origin through this whole system and be able to filter the bad from the good. There has to be adult supervision, essentially, in these global networks. The mantra of the 1990’s was, that would be counterproductive because of the risk that adversaries will exploit these or target them and cause disruption.

One initiative I have been very heavily involved with is Operation Safe Commerce.<sup>19</sup> This is an illustration of the kind of approach that needs to be taken. This started as a container security effort originating in northern New England. It involves one company, Osram Sylvania,<sup>20</sup> which makes light bulbs in Slovakia. They volunteered to do two things. They opened their books to show us how they actually get the box from Slovakia to a distribution plant in New Hampshire. They essentially said to us “What do you think from a security standpoint? We are going to show you what we have got here. We have some data. Also, if there is a tool that you think we could use or want to test that will bring security to at least a portion of the supply chain, we will be a guinea pig for you.” They agreed in this one test to basically allow us to take a look at how a shipment goes from Slovakia through the Czech Republic to Hamburg to Montreal across the Vermont border into New Hampshire. Secondly, when the test ran we wanted to track

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<sup>19</sup> Operation Safe Commerce is a federally funded program designed to identify and fund business initiatives to improve security for the movement of cargo through the supply chain. 67 FED. REG., No. 224, Notices, Nov. 20, 2002, Department of Transportation, Transportation Security Administration, Docket No. TSA-2002-13827, available at [www.gpoaccess.gov/fr/](http://www.gpoaccess.gov/fr/)

<sup>20</sup> *Operation Safe Commerce Announces Completion of Phase One Testing of Cargo Container Security Initiative*, Press Release, OSRAM SYLVANIA, June 14, 2002, available at [www.sylvania.com/press/06142002.html](http://www.sylvania.com/press/06142002.html)

the containers and see if anybody messed with it. We wanted to gather this information along the entire route.

One test involved a GPS antenna outside the door of the container with a wire that went inside to a car battery with a bunch of other stuff. When the engineers presented this to the team that was overseeing the project they asked, "Have you talked to the customs' agents along the five international borders you must cross to tell them you are doing this experiment, because if they see the funky antenna with the wire in it, they might have some ideas." The engineers said, "Nobody told us or paid us to do consulting work with custom folks. You want to track the box. We told you how to track the box." They did not have enough time to sort out the issue. Let's see what happens. It sailed across all five international border crossings, including the United States, without anyone saying, "What is with the funky antenna with the wire?" This was the ultimate trusted shipper, but we did find a few things along the way. There were very little controls. The other sort of humorous story of this project was that the truck driver took 12 hours to get from Montreal to New Hampshire. It should have taken him about three hours. He trekked through the red light district in Montreal, and then slept it off at the Vermont border. Twenty million boxes traveling on this planet and he had the one that was being monitored by the U.S. government. But it speaks to the potential vulnerability, does it not?

The key is how do you manage this? It sounds a little overwhelming initially, but I suggest a Phase Two proposal if Canada engages on recruiting another eight supply chains through the Canadian ports of Halifax and Montreal to get more data, test out more processes or data changes that can bring transparency and accountability to the system. We can get to where we need to be in this regard.

Why is transparency and accountability so vital? I would say because you cannot do risk management without it. Transparency and accountability give you three critical things. One is when you have intelligence; it becomes actionable without causing mass disruption to the system. Lets say we had a CIA operative inside Al Queda today who was in Karachi and watched a chemical weapon being loaded in a box and put on a lorry that was sent down to the Port of Karachi. This hard intelligence is beamed back to Langley and the President convenes his national security teams. He turns to Tom Ridge and says, "Where is the box?" Governor Ridge has to say, "Well sir, it could be coming into Vancouver, or Seattle/Tacoma, or Oakland/San Francisco, or L.A./Long Beach, or coming through the canal in any of our gulf or east coast ports. But we will be on the lookout for it." The incoming disruption from not having the ability to act on that intelligence would be tremendous. We cannot even find ships right now. I grew up in the Coast Guard, search and rescue, where we had to search for people who want to be found and I

can tell you, this is not easy stuff. Having the means to be able to do that in the modern age gives you that want.

Secondly, we are not going to have a whole lot of intelligence. So how do you do this? You do this by patent recognition and anomaly detection. You find bad guys; known bad guys trying to blend in like they did in 9-11. The key here is that they usually do not get things quite right. They ship things on the wrong day. They say here is 15 tons of furniture. Unless it is stainless steel, they cannot fit that much furniture in a 40 x 8 foot box. They fish where there are no fish. They take a ferryboat where there is no ferry run. Those are the kinds of things that jump out. By having transparency you can pick up that intelligence. You know where you can assign risk and you have a better availability to evaluate low risk.

The final thing critical for risk management in counter-terrorism is the ability to do forensics (How did it happen?) quickly. Because, if we cannot do that then terrorism creates what can become a debilitating public confidence issue. Where did the box come from? If we can immediately identify that the wayward box came from Karachi, took this funky route and then arrived here in LA, we would not have to close down the Ambassador Bridge delaying interfirm GM Parts. However, if it is just a box we cannot figure out much about it. The paper trail is like a Sherlock Holmes mystery you have to read through to resolve the issue. If that is the case, then we have a problem.

If every time a plane fell out of sky the Federal Government and the Aviation Commission shrugged and stated it does not happen too often, the only people that would be flying would be barn-stormers. What do we do? We built in black boxes, the flight data recorder. We took this step precisely because we have to answer that question quickly. The industry is perceived as making safety an organic part of how they run their industry. From the design to every time we get on, we are instructed how to put a seat belt on. Through every bit of the life of aviation, safety is viewed as being an organic part of that process.

## CONCLUSION

This is serious business we are engaged in here over the next three days. As nations, we must step up to this agenda and get out of what I call a liability mitigation approach to security. Everybody doing just enough so that when it happens next time they would not get hung is essentially how we are approaching so much of this. I am afraid that this is not a trade-off issue. Efficiencies and securities if designed right are mutually reinforcing. They must be mutually reinforcing. There are some next steps that we should and must take very quickly to move us beyond the smart border accord. Thank you very much.

