

**CENTER FOR
STRATEGIC AND INTERNATIONAL STUDIES (CSIS)**

**CURRENT AND FUTURE TERROR THREATS AND CHALLENGES
FACING THE UNITED STATES**

WELCOME AND MODERATOR:
ARNAUD DE BORCHGRAVE,
DIRECTOR, TRANSNATIONAL THREATS PROJECT,
CSIS

SPEAKER:
JUAN ZARATE,
FORMER DEPUTY NATIONAL SECURITY ADVISOR FOR COMBATING
TERRORISM AND DEPUTY ASSISTANT TO THE PRESIDENT

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ARNAUD DE BORCHGRAVE: My name is Arnaud de Borchgrave. I direct the Transnational Threats Project at CSIS. Welcome to CSIS. I have on my right our guest of honor, Juan Zarate, who has just been appointed a senior advisor at the Center for Strategic and International Studies – a decision from John Hamre, our president – a distinction that is usually given or only given to those who have performed above and beyond the call of duty in government and in the private sector, so welcome to CSIS.

You want to know a little bit about this gentleman? His most recent position was deputy assistant to the president and deputy national security advisor combating terrorism, from 2005 to 2009. His most recent position was deputy assistant to the president and deputy – I said that – yeah, deputy national security advisor for combating terrorism. In this role, his job was to develop and oversee the effective implementation of the U.S. government’s counterterrorism strategy, where he was also responsible for all policies related to transnational security threats, including counternarcotics, maritime security, hostages, international organized crime, money laundering, and critical energy infrastructure protection.

And prior to that he served as assistant secretary of the Treasury for terrorist financing and financial crimes where he led Treasury’s domestic and international efforts to attack terrorist financing, build comprehensive anti-money-laundering systems, and expand the use of the Treasury’s powers to advance national security interests. And interestingly enough, this included the development of a new brand of financial power that has been successfully used to pressure North Korea, Iran, and other rogue actors, otherwise known as the axis of upheaval. (Laughter.)

Juan also led the U.S. government’s global efforts to hunt down Saddam Hussein’s assets, resulting in the return of over 3 billion bucks of Iraqi assets from the U.S. and around the world. And after collecting his commission on this deal, he decided to retire. (Laughter.) No, I’m just kidding actually.

JUAN C. ZARATE: I wish.

MR. DE BORCHGRAVE: Prior to the Treasury, he served as a prosecutor in the Justice Department’s Terrorism and Violent Crime section, where he got on early start working on terrorism cases, including the USS Cole back in 2000. And before that, he worked as a federal law clerk for Chief Judge Judith Keep in the Southern District of California. As for his credentials, try magna cum laude at Harvard University and again cum laude at the Harvard Law School. He’s also the author of “Forging Democracy” – still available?

MR. ZARATE: On amazon.com – (chuckles) – used copies.

MR. DE BORCHGRAVE: A book on the impact of U.S. foreign policy on democratization in Central America. You also penned a groundbreaking article, published in 1977, on the growing use of private military and security companies by nation-states, which

carried the very appropriate title, “The Emergence of New Dog of War,” which shows that he was ahead of his time. And he was born and raised in Santa Ana, California, a member of the California Bar and his currently lives in Alexandria. The floor is yours.

MR. ZARATE: Arnaud, thank you very much. It’s an honor to be here today, it’s an honor to be associated with CSIS and I thank you and the organization for having me as a senior advisor. And I thank you for hosting this today – Tom, I thank you as well, I very much appreciate it.

MR. DE BORCHGRAVE: Tom – for those of you who don’t know him, Tom Sanderson is my deputy.

MR. ZARATE: It’s great to see familiar faces around the table, maybe some new ones. I appreciate everyone’s attendance today. I think this is a great opportunity, not only for me to be able to stop mumbling to myself at home and to be able to talk to a distinguished group of folks about the war on terror, but I think it’s an important moment for the country and the world with respect to the evolution of the war on terror.

And so what I’d like to do today is really engage in a discussion with you, but set the baseline by trying to talk about what the Obama administration has been doing – construing that – talking about where the war on terror is headed generally, and then talking about the threats and challenges that I think we’ll be facing for many months, if not years, to come. So that’s what I’d like to do today with you, and I’m very happy to take any questions you may have. This is all on the record, if there is a particular question or issue that is too sensitive to discuss on the record, we can go off the record as Arnaud has told me – happy to do that as well. And so, with that, I’d like to begin.

I think there’s been much debate about what the Obama administration has been trying to do with respect to the war on terror. Much of the debate has been polemic. And what I’d like to argue today, and I think is accurate and will bear out over time, is that we are not seeing necessarily an overturning or a reversal of prior policies. And we are also not simply seeing a repackaging of prior policies and activities. But I think at the end of the day, we are seeing a fundamental continuation of the baseline strategy, while the administration takes advantage of the current state of play in the war on terror and the evolutions that have occurred.

This is an important and smart resetting of the war on terror, I think – one that is natural, in the context of the change of administrations, but I think one that is possible and necessary, given other factors as well. And I’d like to point out three. First, the evolution of the war on terror – January 20, 2009, is not the same as September 12, 2001. Much has changed in the context of the nature and status of the enemy.

Much has changed in the changed in the context of what we know, not only about the enemy but about how best to confront, not only the tactical but also the strategic dimensions of the fight in the war on terror; that includes the ideological battles. There are also authorities and institutions, many of which have now been solidly ensconced in the U.S. government

infrastructure as well as internationally with standards that are well-understood and well-practiced in the international community.

And I think there are also international relations that have been created and expectations that affect the ability of the new administration to shift gears to a certain extent. I also think quite clearly – and this goes across the board – there's a deep desire in the international community for a change in direction, or at least a perceived a change in direction – at least a change of tone and approach, which the new administration has clearly locked into as a means of explaining policies and changes.

And finally, I think the person of the president himself presents unique opportunities given what he represents, the promise of the American dream, a personal experience that represents an international background and one that allows for a shift to take advantage of a number of elements of the war on terror that previously had been frankly unavailable to President Bush and the prior administration.

So I think it's smart of the new team to reset and frankly then to repackage these issues, a bit out of political necessity, given the promises that President Obama made during the election and given his constituency. But I also think there are advantages and a necessity of the change and the resetting, given the potential damage to the enemy, given where we are in the war on terror. And I'd like to explain that a bit.

We have clearly seen from the Obama administration the repackaging and the resetting in the context of the executive orders that came immediately after the inauguration – Guantanamo and interrogation being the most visible and important – the inaugural address where he mentioned the Muslim world and addressed the Muslim world directly, the Al Arabiya appearance, Secretary Clinton's visit to Jakarta, which I think is probably a precursor to the president's visit there at some point soon. So all of this has been the initial foray into a resetting of the war on terror.

It's important, I think, to understand where the new administration has taken things already and will take things to understand the state of the enemy. And I think well-understood to many of you around the table who are well-versed and have read testimony and read quite assiduously. I think at times there's more in the press than in intelligence reports, which is of some advantage to those of us who are now on the outside, we know the New York Times often gets things right.

So in terms of enemy, two dimensions: First, al Qaeda remains a direct threat to the United States at home and abroad. There has been continuous plotting and training that's continued for the last three to four years – in particular in the safe haven, in the FATA, the Afghan-Pakistan border region – which has also exacerbated the stability or the lack thereof in Kabul and Islamabad. The FATA safe haven is not just important in terms of the training and plotting, including of Westerners for attacks in Europe and the United States. But I also think it has become a witches brew of terrorist groups, where there is a melding of like-minded terrorist organizations who have been able to feed off of each other, both in terms of logistical support,

financial support and ideological backing – groups like IJU, ETIM, some of the Kashmiri-related groups HUJI, LT, et cetera.

There are, as we know, established regional alliances that al Qaeda now relies upon, a bit as strategic outposts for their outward-looking agenda. One need only look at al Qaeda in the Islamic Maghreb, al Qaeda in East Africa, developments in Yemen with a growing al Qaeda presence there. As well as possibly a presence in the Levant, including in the Gaza strip and so these regional alliances become important as outward posts of al Qaeda activity. You also have the problem of radicalized populations.

We see this in Europe; we see this in Central Asia; we also see this in the United States potentially – a very good article this morning in the Washington Post with respect to the threat of – seen by the FBI and the intelligence community – of radicalization of Somali-Americans, evidence of that seen quite clearly in the Minneapolis area. And so you do have pockets of radicalized populations feeding off the al Qaeda ideology.

That said, and as I indicated, there's two elements to this. Al Qaeda proper is on the ropes in many respects, which is a bit of a – appears to be a contradictory dynamic, but it's not in the context of al Qaeda's central leadership and core leadership. One need only look at Admiral Blair's recent testimony to see how that has evolved and where the current administration sees al Qaeda currently.

Al Qaeda core leadership is under significant pressure in the FATA, much more so than two years ago, with significant loss of senior leadership in consecutive actions – counterterrorism actions. Al Qaeda has lost ground in Iraq quite clearly, both physical space and ideologically and morally. They have failed to regain a foothold in Saudi Arabia which is one of their grand strategic designs.

Numerous plots have been disrupted that have emanated out of the FATA, the most important of which was the August '06 plot – the airliner plot over the Atlantic – but there have been others in Germany, Denmark, Turkey, that are less reported, less well-understood but certainly had emanated out of the FATA from either al Qaeda or a related group. But those have been disrupted and there's been a great deal of success across the world, given cooperation.

We know that their funding has been interrupted and is in short supply. There was a good NPR report this morning about the state of terrorist financing at large, with reference to Sheikh Saieed, the number three in al Qaeda, the Egyptian accountant, talking about the first need of the jihad being financing, and clear indications both in the public record and otherwise that al Qaeda struggles to raise funds among key donors as well as through normal channels.

And the ideology – this is, I think, perhaps the most critical dimension of al Qaeda being on the defensive – the ideology has come under direct attack from within extremist circles. Al Qaeda has thrived as the veritable vanguard of the Lemma and the Ummah, and that role has been called into question, both tactically, strategically and ideologically. And that becomes an incredibly important baseline from which to understand where al Qaeda sits. Admiral Blair, in

his testimony, actually referred to this dynamic as turning the corner on violent extremism, which I found quite remarkable, given where we have been.

Clearly, we have other terrorist concerns, as I mentioned the melding of some of these terrorist organizations that have similar ideologies – Lashkar-e-Taiba, HUJI, the Taliban to a certain extent as a cover for al Qaeda activity in Afghanistan – they have potential global reach. A good article in the Los Angeles Times recently talked about Lashkar-e-Taiba's global reach into the West as well as other parts of the world.

We have continued concerns, I think, with Hezbollah and Hezbollah's reach and I think those of us who were on the inside were always concerned and were watching for Hezbollah activity that would resuscitate their terrorist past in a sense. And I think we're all still waiting to see how Hezbollah will respond to the death of Imad Mughniyah, which is something I think can still be anticipated despite Hezbollah's attempts to create political legitimacy in the upcoming election.

And then finally the home-grown threat, which we've talked about, which can morph and can merge in all sorts of ways. The Somali case is a wonderful example of that – wonderfully horrible, I think, in a sense. After the Ethiopian invasion of Somalia, one of the things we watched for very carefully was to see if there was any support from within the United States for jihadi-related activity in East Africa, out of the United States. And we were pleasantly surprised that, at the time, there was not much.

In fact, the cases of individuals actually traveling to Somali or Kenya to oppose the Ethiopian invasion was frankly limited to a handful of cases of converts who had traveled, Daniel Maldonado being the most public example, convicted in Houston of having traveled for purposes of jihad. But we took some degree of comfort in that, but I think it was false comfort because as we see now, in particular giving the public reports, there are dimensions of radicalization within the Somali-American community that raise serious concerns and that raise concerns in terms of the reach of al Qaeda in East Africa and the al Shabab into the United States in a much more dramatic and direct way.

This also, by the way, explains why I literally was at work until January 20th at 1:00 p.m., sitting at NCTC – the National Counterterrorism Center – because we had, what we thought to be a relatively credible threat to the inauguration from al Shabab with potential connections into the United States. And so this is a very real threat and one that concerns U.S. authorities directly, and certainly, European authorities as well.

Both where the enemy lies and where we are in that battle and where this context lies, helps explain why I think there's going to be continuity in our policy. Let me explain that just a bit. First of all, the nature of the threat is real, and the policy-makers at the senior-most level realize that, and prevention of an attack of any sort, in particular in the homeland, is paramount from a national security perspective – politically as well.

And so that priority will not change, albeit not a front-page priority these days, given the state of the economy. I think, also, the fact that al Qaeda is on the ropes and that its ideology is

being attacked presents opportunities for the new president and the new administration to actually remain on the offensive in a way that is strategically critical, because I think one can and should imagine a time when al Qaeda as we have known it no longer exists. There has been good literature written recently about the end of al Qaeda and what that looks like and comparing the demise of al Qaeda proper to the demise of other terrorist groups and terrorist movements.

And I frankly think – and I spoke to this at the Washington Institute last April – I think we can see the horizon where that actually does happen. Now, it doesn't mean that violent Islamic extremism goes away; it doesn't mean that the remnants of al Qaeda in the field or the outpost become less dangerous. But it does mean that the movement loses its core ideological and strategic heart, which is strategically incredibly important for the war on terror and as I've said, both internally and externally, to the government. That, I think, would be the closure of an important chapter in the war on terror, and I think it's one that can be envisioned and it's one that this administration can and probably will take advantage of.

As well, the homeland has been kept safe. I think that's a record that not only can't be denied, but one that the new administration wants to keep consistent. And I think the strategy, albeit it criticized to a certain extent, politically has made sense, in the context of the overarching war on terror – attacking terrorists abroad, denying safe havens, denying state sanctuary, denying the resources al Qaeda needs and their allies need to operate, creating a layered defense to protect the homeland, efforts to deny acquisition and development of WMDs.

These are all things that will continue and I see no evidence that the basic architecture of the strategy will change. In addition, I think, and in particular in the second term of the Bush administration, there was growing efforts to deal in concrete terms with the ideological battle. It was more than simply a promotion of democracy; it was an attempt to denigrate the image of the enemy and the program of the enemy and to help galvanize those voices, credible voices and movements that were starting to speak out against al Qaeda. And that became an important part of our strategy and I think will continue as well.

In addition, it's the use of hard and soft power that I think all agree needs to happen, as well as smart power. The use of financial suasions, levers, power, sanctions, I think, is a good example of where we've innovated and where the new team will continue. Again, the NPR report this morning made exactly that point. In addition, I think the core authorities and institutions with respect to the war on terror are relatively stable and solid. Again, there's much debate about the Military Commissions Act, Guantanamo, but I think to a certain extent those become extraneous elements – incredibly important but extraneous elements to the ability of the U.S. government to actually execute the core dimensions of the war on terror.

And I think there's some evidence of this in a number of rulings and reports that have come out that largely go underreported and certainly aren't seen in the collective as important news items, but I think they are. For example, there was the FISA appellate court ruling of August 2008, made public in January of '09, that upheld the practice of cross-border wiretapping without a warrant, in part because of the civil liberties safeguards put in place to protect privacy and civil liberties.

There was a WMD terrorism commission report, the bipartisan commission, the endorsement of the new attorney general guidelines, which as you all know, allows for additional intelligence gathering by the FBI, absent of criminal predicate, which was of some concern to ACLU and others. There was the European Union report just a couple of weeks ago, endorsing the Treasury's terrorist financings tracking program and the safeguards that have been put in place to protect data, privacy and civil liberties.

There was the controversial Pentagon report from the Obama administration itself about the practices at Gitmo following the Geneva Conventions. And again the Patriot Act, which had become demonized as the symbol of retraction of civil liberties and the Bill of Rights in the United States, has largely become part of the fabric of how we engage in the war on terror. And I like to quote the former deputy attorney general, Jim Comey, who would talk about the Patriot Act often and would say the longevity of the Patriot Act will persist, in part because the angels are in the details of how the Patriot Act actually operates and the practices contained therein – and that I think that has borne out and will continue to bear out.

I also think the steps that are being taken, and will continue to be taken, by the Obama administration are possible because of the evolution of some of the policies and of where we have been. President Bush, as we all know, declared a desire to close Guantanamo; there was not only a recognition that Guantanamo presented an albatross around the image of the United States, but that it was also politically necessary internationally.

We moved from close to 800 detainees down to 248 when the administration handed over the reins of power, with the same complications that the current administration is facing having faced the Bush administration – complications of how to deal with human rights concerns, the best example of that is what to do with the Chinese Uyghur who remain in Guantanamo, given the potential that the Chinese may torture or kill them upon return and if not returned to China, then where, which consumed much diplomatic energy and time in the last administration and will no doubt in this as well.

Security assurances – vast bulk of remaining detainees are Yemeni. A question remains as to whether or not those individuals who are dangerous can be returned to Yemen when there is a history of individuals being released prematurely or having escaped Yemeni custody, especially given where we are in terms of al Qaeda's presence in Yemen and al Qaeda's desire to re-enter into Saudi Arabia. And there's also the question of process.

In addition, at the stage when Guantanamo started to be downsized, in a sense, the sense that it was no longer a viable location for new detainees. The last transfer that I'm aware of was of Abdul Hadi al Iraqi in 2007, a high-level al Qaeda operative captured moving from the FATA into Iraq, being sent by al Qaeda core leadership to provide some parental and strategic guidance to what they viewed as a failing operation in Iraq.

And as we know from Director Hayden – his testimony as well as President Bush's speeches, in particular of September 2006, there's no one in the CIA prisons as of September, 2006 and according to Director Hayden, no waterboarding since the 2002-2003 period, and that was limited in nature. I mention this not to attest to this, in part because I don't know firsthand

about this, but it's important to note that the change of policies with respect to those practices become not only possible, but they're feasible in part because they were exceptional in their use and practice and had started to not be used. And so becomes a rather easy option from a policy perspective.

In addition, you see that retaining the extreme options is something this administration has decided to do. There are prerogatives retained in the various executive orders as well as embedded in the notion of these classic reviews that are embedded, and I think will provide flexibility to the extent desired by the new administration.

And then again, I think there are some obvious examples of where the prior administration had evolved policies to the point at which the new administration could take full advantage. The Iraqi pullout, I think, is a very good example of that, with the security arrangement negotiated in November of '08 envisioning the end of U.S. occupation and forces in 2011, which is exactly where we're headed from a policy perspective.

I think there's clear evidence of this continuity, given the evolution of where we are. I think in rhetoric, we've seen President Obama not shy away from talking about the battle against violent extremism; he's even used the term war on terror, though there's been some debate as to whether or not that term will be jettisoned. But there's clearly a sense that these issues will remain important, and especially when he talks about safe haven. I think President Obama has spoken perhaps as forcibly as possible as any president can on the issue of denying safe heaven abroad, and he's spoken in those terms in the context of Pakistan.

I think you've seen it in terms of actions. The reported continued counterterrorism actions in the FATA are case-in-point, the initial surge in Afghanistan before the review was done, the Iraqi pullout with sufficient forces left behind to engage in counterterrorism missions envisioned as part of the 50,000 to be left over, I think, again, are good evidence that the policies that are central to the war on terror will continue. Again, the caveats in the various executive orders, what the new CIA director Panetta has talked about in terms of the potential for the appropriate use of renditions, again, speaks to a willingness to retain certain prerogatives that perhaps are not central to the war on terror, but are exceptional and may be necessary in certain circumstances.

And I think, finally, underreported is the retention of personnel that are central to the counterterrorism mission. I sometimes feel like I was the only one jettisoned and feel a bit lonely on the outside looking in as to who remains – obviously, Secretary Gates, but you have Assistant Secretary for Special Operations and Low-Intensity Conflict Mike Vickers.

You have Mike Leiter, the director of the National Counterterrorism Center, you have Stuart Levey, the undersecretary for terrorism and financial intelligence, you obviously have Director Mueller as part of his tenure, you have Steve Kappes, which I think is significant, the deputy director of the CIA, kept onboard. My entire NSC team, including my deputy, remains – Nick Rasmussen. Doug Lute, the former assistant to President Bush for Afghan and Iraq remains, including his entire team, helping to undertake the various reviews.

And then I think the Obama administration did a wonderful thing a very responsible thing bringing John Brennan onboard, the man who was not only a long-time CIA career operative, but also the man who helped stand up the National Counterterrorism Center on behalf of President Bush, and frankly I think one of the great counterterrorism professionals of our time. And so I think the personnel that continue to run these issues, the folks who actually make the decisions for the departments or place the primary recommendations in front of the Cabinet members and in front of the president, remain and I think in large part, continue to run based on the same counterterrorism strategy and architecture.

Let me shift just a moment then to talk about what I consider to be three distinct and fundamental opportunities that the new administration has, again, to reset the war on terror but also to repackage it. And let me talk about those for just a moment. First, let me start with repackaging. I grew up with a Cuban mother and she always nailed into me in terms of dealing with people, that – and I'll say it in Spanish because it sounds better – it's, "No es el qué; es el cómo," or "It's not the 'what'; it's the 'how.'"

And I think this administration is bending over backwards to do precisely that. And I think that they can take full advantage of that and a desire I think internationally to see a repackaging of U.S. policy, even if fundamentally things have not changed. And they can continue the core policies and practices, especially if they build the type of political goodwill, a diplomatic goodwill related to Guantanamo and some of the more irritating and controversial elements of the war on terror.

There's also a question of language and tone – the term "mutual respect," which has become a bit of a mantra for the new administration and the notion of being in "listening mode," diplomatically as a reset and repackaging I think is very important. But I also think they should take advantage and re-launch initiatives and programs that we had undertaken without saying so, frankly, and without credit – and that's fine. But I think much of this needs to be done. I will give you a basic example, and one which I think is not well-understood. But there was much effort in the Bush administration, in particular in the tail-end of the second term, to engage in constructive outreach to the Muslim world, or as we called it, Muslim communities.

The president instituted annual Iftars, appearances on Al Arabiya – which nobody seemed to mention when President Obama was on Al Arabiya – the first Quran in the White House, the first envoy to the Organization of the Islamic Conference, two critical visits to the Washington mosque – one right after 9/11 – preaching tolerance and President Bush talking about Islam being a religion of peace, for which he was criticized by many on the right, as well as the 50th anniversary of the founding of the Washington mosque – he appeared there as well – meetings with moderate Muslim leaders – for example, with the Aga Khan in 2003 – enormous amounts of aid to Muslim communities around the world. All of these things underreported, not well-understood and frankly, perhaps – a self-criticism – not well-packaged by the former administration, myself included.

But I think these are things that can be repackaged, reused. For example – the easy example is if the Obama administration decides to appoint a new OIC envoy. Much could be made of that. An announcement that was made in the Oval Office by President Bush for Sada

Cumber, who was our first OIC envoy who did a phenomenal job – but that could become a seminal symbolic event for the new administration. Again, simple repackaging, retooling, given the environment.

Second, and I think strategically, the most important for the war on terror, is the ability of this president in particular to chip away at the narrative which is most destructive to U.S. interests, which is the notion of the West being at war with Islam. If you look at polling data from around Muslim communities – and this is not constrained to any particular country or region – but the popularity of al Qaeda has been dropping over time, the popularity for suicide bombings or the justification for suicide bombings has declined, but the one thing that has remained consistent or risen is the notion that the West is at war with Islam in some form or fashion – that, as a matter of policy, the United States and its allies are essentially engaged in a crusade to denigrate Muslims and to attack Islam as an institution.

This then feeds into the question about lexicon, et cetera. But this is an elemental part of the al Qaeda narrative itself, and it's the baseline dimension of the al Qaeda narrative – the fact that the West is at war with Islam, the fact that there is a religious duty to defend Islam, ergo, and there is also a duty to support al Qaeda as the vanguard and the grand defenders of Islam against the West. And the need, then, to target the far enemy, as opposed to concentrating on the local rulers, becomes an important strategic dimension.

So I think the person of the president himself, in a way that clearly was not available to President Bush – the president has the ability and the platform to actually impact this. His family – the fact that he has Muslim family members, which he mentioned in the Al Arabiya interview – where he was raised – the fact that he was raised in Indonesia and went to school there – his rise to success in the United States – the fact that his ascendancy to the presidency actually validates the American ideal, the notion meritocracy, the challenge to the notion of racism that is inherent in the narrative of al Qaeda.

And this explains, of course – al Qaeda is extremely savvy and they saw this potential coming and they continue to be worried about it – but it explains all the pre-inaugural attacks on President Obama, starting with Zawahiri's very sloppy and controversial attack on him, calling him a "house slave," and garnering much criticism throughout the Muslim world. We also saw them trying to blame President Obama for what was happening in Gaza – trying to link him to prior policies. And there have been other attempts to besmirch him, claiming that he is part of a Zionist conspiracy, et cetera. So there are clear attempts to denigrate the president himself because they understand the power of the president in the context of the overarching narrative, and the ability of President Obama himself to start to chip away at what is fundamental to their ideology.

I think the president can do this in fairly simple ways, again, repackaging some of these things. But I think he can do it in fairly dramatic and symbolic ways. I think an address in a Muslim capital, as he has stated he plans, is one great example of that. One can imagine a grand rally in Jakarta, where the president has his former headmaster, teachers, family members right beside him, with throngs of people chanting the president's name, perhaps with American flags. The image, alone, I think, would be destructive to the ideology and to the program of al Qaeda,

and I think it's a great advantage of this president, and one that they should take full advantage of.

The challenge, of course, will be that any action taken by the president will be, by the enemy, reframed in the context of the narrative. And so they will take any opportunity, as they did with Gaza even before the president took power, to try to saddle the president with dimensions of the narrative that are destructive to his great advantages. In addition, there's also a potential that the new administration become overly concentrated on the notion of refashioning the image of America versus chipping away at this narrative. And the two often coincide, but they are often divided in the context of programs and public diplomacy. And we can talk about that later if you'd like. But I think those are some challenges that go along with the advantages.

And then, finally, as we've started to see, the goodwill of our allies and the diplomatic thirst for change needs to be taken full advantage of – methodically, smartly, but needs to be done. And that includes key demands on our allies: more troops and resources in Afghanistan – we've seen that from Vice President Biden most recently on his trip – assistance in placing certain Gitmo detainees – we saw that with the meeting with the Spanish foreign minister. I just saw in the paper that Assistant Secretary Dan Fried, previously responsible for European affairs, is now tagged for Gitmo affairs, and so I think he'll be spending a lot of time with nice lunches and dinners in European capitals trying to get precisely this kind of work done.

Challenges addressing safe havens and stability – in particular, in Kabul and Islamabad and FATA – continues to be, and will continue to be for years an international problem, and one that the international community needs to address. East Africa will continue to be a problem – again, becoming more and more relevant to the United States, given the problems with the Somali-American community, or certain portions of it. And the Trans-Sahel, where al Qaeda in the Islamic Maghreb sits, is of deep interest to Europe and should be addressed.

Two more issues that I think on which the new administration should be demanding: working with Europe on the notion of countering radicalization, the phenomenon, because as we envision a potential end to al Qaeda proper, we still need to deal with the problem of radicalization writ large, regardless of whether or not a bin Laden or Zawahiri sits in the FATA. And that includes programmatics; it includes resources; it includes engagement; and it's something the prior administration started to work on and I think it's something the new administration needs to continue.

And then finally, confronting Iran, but in particular confronting Iranian state sponsorship of terrorism, which often becomes a secondary issue when talking about Iran, given the nuclear debate. In many respects, it should be a secondary debate, but it should not get lost and it should become an ongoing part of the dialogue with our European partners – the fact that Iran continues to use non-state proxies as a function of its foreign policy as a means of influence from the Levant to Iraq and elsewhere.

Now, if I could, I'd like to switch to talking about the challenges that I think the new administration will face, and frankly, we may be facing for some time. First is a fundamental legal question and one that is embedded in the review of Guantanamo – and frankly, I think

Guantanamo is a symptom of this problem – and that’s the question of how to handle dangerous, well-trained, al Qaeda-related individuals when we do not have sufficient evidence to present in traditional courts of law and doing so, frankly, in a way that protects human rights and civil liberties. What does that look like? And can we have a system of preventative detention that actually meets our constitutional needs and also meets our security needs?

And I think, frankly, the evolution of this issue from all the Supreme Court cases to the Military Commissions Act to the current executive order and review by this administration all revolve around that fundamental, core issue. And I think in the first instance, there will be a subset of Gitmo detainees that present this problem – there will be those who can be returned or where relevant countries will take them where there will not be security concerns or will not be human rights concerns, but there will be a core subset of Guantanamo detainees who cannot be convicted or tried in court but continue to present a security risk.

And I think the new administration will have to be open and honest about the balance being drawn with respect to what happens with those individuals. If they’re released, then what are the risks attendant to that release? If they are not, what’s the decision-making based on the rule of law as to why that is? This is not just a theoretical problem with respect to Guantanamo, but it is a core question with respect to field-based detention – for example, in Bagram, where, as we know, in the post-Boumediene case, there is now a challenge as to whether or not those detained – those enemy combatants detained in Bagram, in Afghanistan – have the right of habeas corpus, which presents all sorts of legal and military questions and problems, but again, stems from this fundamental question of how to treat such individuals.

And, frankly, that conundrum has led to some innovations and has led to a lot of the interest in the jihadi rehabilitation programs that we have seen develop around the world – much attention to the Saudi program, less attention to the Singaporean program. There are programs that have sprouted out throughout the world to deal with the recidivism problem and the issue of returned jihadis who present a danger to the society into which they’re returning. So that becomes an important dimension of how to deal with this.

I need not go into detail here, but Afghanistan, Pakistan, will be the primary geo-political challenge for this administration in the context of the war on terror. You not only have the FATA safe haven, but you have the Taliban continuing to threaten stability in Afghanistan, as well as creeping radicalization – and to some degree, accommodation – of radicals in Pakistan where, as many officials have spoken about and things that we worried about all the time – nightmare scenarios in Pakistan – where you have an elixir of nuclear weapons, radicalization and the presence of known terrorists intent on trying to acquire weapons of mass destruction.

The issue of safe havens becomes important, as I mentioned. I think one element of this that is not well-understood or appreciated is that the international community still hasn’t come to grips with the balance between the need to deny safe haven and the strictures of sovereignty – the classic elements of sovereignty. FATA is, again, a great example. If a host government has neither the will nor the capacity to deal with a safe haven, what then is the obligation or responsibility of the international community to deal with the trans-national risk that may be

emanating from that safe haven? That legal question, and that policy question, internationally, has never been fully drawn out.

And, frankly, it relates not just to al Qaeda, but also to things like the FARC. When we saw the Raúl Reyes attack by the Colombian government in Ecuador, this debate played out in the OAS, not in full fashion, but was at the heart of the question; when you look at Turkey and their attacks on PKK camps in northern Iraq, it becomes a central question; when you talk about Israeli reaction to Hamas rocket fire out of Gaza, this question becomes relevant, obviously in a different context and dimension. But, in essence, that debate has not been fully formed or discussed as an element of international law and policy.

A key dimension that the administration is already grappling with is the question of political legitimacy and terror. You see that quite clearly in the question of whether or not to negotiate or to engage in discussion with elements of the Taliban, questions of how to deal with Hamas, given their hold on power and what will happen with a unified government with the Palestinian Authority; questions of what Hezbollah will do in the June elections – whether or not they will be an ascendancy, which it appears, given public polling, may be the case. And so there are questions about how the U.S. government responds to terrorist organizations that gain legitimacy based on political support, but as well through the use of terror, and how we then react. And I think that will be a core issue for this team.

And then, of course, there are lingering threats – I don't want to ignore them because of their severity: weapons of mass destruction and terrorism – the constant threat, the highest sort of threat that this president has talked about in terms of concerns on national security; alliance of rogue actors – you look at relations between Iran, Syria, Venezuela, North Korea that includes banking relationships, logistical relationships. We, of course, know about the commercial flights from Iran to Venezuela. There are growing ties there that present strategic challenges as well as tactical challenges to the new administration.

Non-state networks of concern – we have talked often and we dealt quite a bit with the problem of the potential of international organized crime groups providing a platform for terrorist groups to operate, the best example of which is Dawood Ibrahim, the well-known Indian crime-lord with an extensive network in South Asia and the Gulf with direct ties to Lashkar-e-Taiba, as well as support to al Qaeda, having been designated by the U.S. government for those connections and having been at the top of the list of the Indian government after the Mumbai attacks in terms of requests to the Pakistani government for extradition.

So that's a great example of an international organized crime figure that has not only lent support to terrorist organizations but has, in essence, blended some of his operations with terrorist groups. And that becomes, then, a worry – especially as one looks at the strength of Russian organized crime around the world. The cyber threats – I need not explain the importance of that issue – again, the new administration is undertaking review as to how to organize around that issue – becomes very important.

And then the last point that I think is critically important, and, frankly, a lesson of the last administration, is the lesson of the unforeseen. And in the terrorism context, that means dramatic

strategic moments or events, perhaps triggered by an attack or an understanding of an ongoing plot. I think historical lessons from World War I, 9/11, even Mumbai, I think, point to this. One could imagine, for example, another dramatic Lashkar-e-Taiba attack on Indian interests that could bring us to the brink of war in South Asia, again. We have to ask ourselves the question about Hezbollah retaliation – as we talked about – after the death of Imad Mughniyah and how that could strategically impact events in the Middle East, especially if there's a perception of Iranian involvement, as there has been in the past for Hezbollah attacks abroad.

You could imagine – as there was some debate in France – a dramatic loss of European life in the Afghan context reshaping and reinforcing some of the trends and debates in Europe. One could even imagine a disrupted al Qaeda or a related plot that reveals issues or threats previously unknown. For example, if one were to imagine a threat or plot coming from Canada, there would be a refocusing of attention on threats on the northern border, with a lot of attention and resources thrown to the issue in a way that presently is not happening. So I think this new administration has some enormous challenges ahead of itself. I think it has enormous opportunities, as well. I think where we are in the war on terror – where things have evolved since 2001 – present the new administration with some of those opportunities and, clearly, some of the challenges.

But I think what's important is that they are fundamentally following the core dimensions of our war on terrorism strategy, while taking the exceptional elements of the war on terror, which, for many years, seemed to define the Bush era war-on-terror policies, and doing exactly what they need to do with those policies, and that is to put them on the fringe, to label them as extraneous or exceptional, to retain, perhaps, the potential use of them, but making them not a central dimension of the war on terror as they execute and prosecute it. I think there are huge advantages to that, and, as I said, I think huge advantages to the person of the president engaged in this effort directly, in a way that President Bush could not. So, with that, I am very happy to take your questions.

MR. DE BORCHGRAVE: Thank you very much, Juan. Let me invoke the privilege of the chair to ask you the first question. I'd like to reopen a chapter that you seemed to close, and that is seeing the enemy on the ropes. It seems to me that when the enemy looks at us today and sees that Warren Buffett has described our current situation as an economic Pearl Harbor, they must think we're on the ropes. And wouldn't this be an ideal time for them to strike if they had that capability?

MR. ZARATE: Absolutely right. The two dimensions to that, Arnaud: First, you've seen in al Qaeda discussions and postings on some of the jihadi Web sites not only great satisfaction with where we are in terms of our economic crisis, but to a certain extent, taking credit for the phenomenon, in essence, drawing the parallels to what the Mujahedeen claims to have done to the Soviet empire.

One could see early on in the discussion and narrative from al Qaeda, and in particular from bin Laden, a discussion of bleeding the United States of treasure and of political will. And they are certainly viewing where we are now in that context. And so, you are right; they are seeing us on the ropes, which makes the other part of your question even more relevant, because

one could imagine attacks on financial targets, symbolic or otherwise, even if not dramatic in loss of life, but dramatic and symbolic presence adding to the confusion and sense of trepidation in financial markets. For example, something happening in Frankfurt or at the Tokyo Stock Exchange, perhaps something on Wall Street, could have exponentially dramatic effects from an economic perspective, regardless of how important the actual attack is. So I think that's a great question, and an important concern.

Q: Juan, let me jump in. That was a dynamite presentation. Thank you very much. Let's just say President Obama does maintain and build this momentum in repackaging, and we are able to destroy even more of the al Qaeda narrative, or the organization itself, while that baseline of the West being anti-Islamic remains. What comes next? And in the face of a perceived U.S. defeat in Afghanistan, who takes up from where al Qaeda is, or does that perceived defeat re-energize al Qaeda, despite all the positives that the repackaging of the United States and of our fight against terrorism might entail?

MR. ZARATE: That's a great question. I think this is why Afghanistan becomes altogether more important strategically. Frankly, that's why Iraq – regardless of where you are on the politics as to whether or not we should have gone into Iraq, whether or not it was a distraction – once we were there, al Qaeda made it a centerpiece of their narrative. And what's interesting about that is that even though al Qaeda has been largely routed in Iraq, with clear remnants there but clearly on the ropes as we know, that has not necessarily hurt the image of al Qaeda core as much as one would assume. And part of that, I think, is because of what's happening in Afghanistan.

And so where we have been able to squeeze them in Iraq, in a sense, the balloon of threat and concern has grown in Afghanistan and Pakistan. And so, to a certain extent, they've re-focused their energy and their attention there as a matter of survival, but also as a matter of strategic interest. And I think in that regard, Afghanistan becomes altogether more important in terms of defeating al Qaeda, even if al Qaeda does not have a great physical presence in Afghanistan – it still becomes a symbolic part of the debate.

MR. DE BORCHGRAVE: The floor is open.

MR. : Just please identify yourself and turn the microphone on, too, please.

MR. DE BORCHGRAVE: Richard?

Q: Richard Gerding, Embassy of the Netherlands. Thank you for your presentation. I also heard your NPR report, and there was a second part to it, especially concerning the financial crisis. Banks don't have the finances anymore to hire people to look into terrorist financing. And the gist of the item, to my recollection, is that the fight against, say, terrorist financing, may be effective, but it's now in danger. It is jeopardized by the actual financial crisis. What's your comment on it?

MR. ZARATE: I'm less concerned than some of the experts who spoke on the report for a couple of reasons. One, I think there's a baseline of activity in the compliance world within at

least the major financial institutions that remains, even though there have been cuts – and, in fact, I know certain friends who run some of those compliance offices who’ve had to let people go. And clearly, the economic environment is affecting that. That said, the systems put in place continue. And some of these are automated systems; some of these are fairly routine.

I think more importantly, though, the reality is, in the context of terrorist financing, to a certain extent, we’re victims of our own success in that I am not convinced that banks are the vehicle of choice of terrorist groups, particularly the ones we’re most concerned about, anymore – and in particular, in the West. I think the problem lies, if at all, in the Gulf and in South Asia, in terms of the use of financial institutions. So I think it becomes less of an issue in the West than otherwise. We do know that terrorist groups like al Qaeda use couriers and Hawalas much more than financial institutions and I think those are issues that need to be the area of focus.

MR. DE BORCHGRAVE: Next? Yes, sir.

Q: (Off mike.)

MR. : Microphone, please.

Q: How’s that? I’m Jack London with CACI and I want to say thank you for an excellent presentation. I have just a couple comments, and then a question. As far as the – I spent some time in Tehran in the ’70s before the revolution, and I think that we’re still, to some degree in this country – at least, some of the American populace – in a state of denial about the religious motivation behind this movement. We talk about Islam as a religion of peace and so forth, but the truth of the matter is there is a very extreme, radical, hate-filled piece of that. And I think we really deny the reality of that, I’m sad to say.

Another observation is the comment about the West waging war on Islam. Frankly, I couldn’t believe it to be any further from the truth. (Chuckles.) This is stimulated and comes from at least a thousand years of culture and even in the last century, the origins of this came about, in effect, in the ’50s, and even to some degree before that. So there, again, is a popular misunderstanding, here, of the origins of this movement, especially throughout Egypt and the Muslim Brotherhood and so forth – there’s deep roots in this movement that we simply seem not to be able to articulate and communicate. I think the American media suppresses that, to some extent, or at least, doesn’t want to talk about it. I think that’s a problem for this country. My last comment, or question, really, is completely from a different direction.

What is your speculation about the administration’s perspectives, so-called diplomacy toward Iran? It’s the elephant in the room in terms of its capacity for trouble-making and for weaponry. And I was just interested in what you might speculate or what you think will be the direction there, because in some ways, the challenge is equally ominous as the one that you talked to very convincingly about Afghanistan and Pakistan, and I agree with all you comments, there. But what about Iran?

MR. ZARATE: That’s a lot packed in there. Thank you. On the first set of points you made, I think one of the difficulties for the U.S. government – twofold – One: The U.S.

government is wary of, and is not comfortable, nor, in many respects, qualified, to engage in religious debates. And so in policy meeting after policy meeting, questions would arise as to whether or not – not whether or not we should talk about certain things, but whether or not we were even qualified or should, as a matter of good public policy, engage in those debates.

In the context of the overarching question of whether or not the West is at war with Islam, I think we came to realize fairly quickly, especially in my term at the NSC, I realized that the voice of the United States actually was not very credible in terms of reaching the audiences we were trying to reach. And so what we tried to do was to recast our strategy in terms of developing relationships with credible voices in Muslim communities and supporting those networks – grassroots networks – that were starting to emerge to expose exactly what you described.

One example of that is the Quilliam Foundation in the United Kingdom – a group started by former Hizb-ut-Tahrir members to not only denounce the radical ideology that they once espoused, but also to evangelize against it. So that is the type of activity I'm talking about. I think there is also, by the way, a lack of understanding of the Shia-Sunni divide. We've seen that in the past in terms of understanding on the Hill as to what the difference is. But I think what the grand conflict underway between Sunni and Shia happening both at the local and at the grand strategic level is not well-understood and that goes back to religion, as you said, and the understanding of the origins of some of the radical dimensions of this.

In terms of policy toward Iran and diplomacy, I think it is too early to tell what the Obama administration will do. I'm hopeful that they are going in with their eyes wide open as to what Iran represents and what Iran does. I come from an administration policy in which it was clear that we wanted and needed Iran to change certain behaviors before we would engage in direct discussions of the nature that I think this administration's talking about. But I don't think diplomacy in and of itself is harmful, I think, combined with other dimensions of our policy, as long as we are realistic, become important. I think last week the Obama administration signaled that they are going to continue the financial pressure. They had some Treasury designations related to Bank Saderat, which is part of the pressuring of the financial system within Iran. So I am hopeful they will go in with their eyes wide open, but I think it is too early to tell.

MR. DE BORCHGRAVE: And a connection, sir, you may have missed because the newspapers barely mentioned it – that Morocco severed relations with Iran on March 6th, which is a pretty important step.

Q: I would agree. One quick follow up: The concept of asymmetric warfare. The movement understands the inability of the American government to contend with the issue of religion and have very artfully and skillfully used that in their propaganda campaigns for just the reasons you very clearly stated. I think it'd be important for others to know that.

They understand how we self-limit ourselves and how we self-restrict through our Constitution, through other laws, through treaties and so forth. They are much more adroit in understanding the way we self restrict and prohibit ourselves from a more aggressive and perhaps even successful campaign. So just would make that comment.

MR. ZARATE: Just one quick response to that. I think a dimension of national security policy that has not been well-discussed or well-understood – and maybe I'll write something on this at some point, or not – is the role of non-state actors to counter – you know positive non-state actors – to counter some of the dimensions of asymmetric warfare. We've seen it in the financial campaign, which I know well, which we helped create, which is in essence leveraging the interests of the financial community to act as national security actors, in the context of these new smart sanctions. In many respects, it doesn't matter what governments say anymore; it's how the banks and financial institutions react. And so that becomes the essence of that policy.

In terms of counter-radicalization, it's actually a grassroots countermovement in Muslim communities around the world that will counter the voices of radicalization, I think. And you can go down the line where you can see non-state actors actually playing a critical role in national security policies that we haven't fully figured out how to leverage, given some legal strictures as well as I think a bit of a blind spot.

MR. : General Soyster.

Q: Ed Soyster. Juan, thanks for your presentation, and also for your service in this struggle for our country – thank you. You mentioned that it is a possibility of jettisoning the term war on terror, which has never turned me on particularly. You might tell us where that might lead and particularly with the comments of Jack, of how do we define the enemy, which we haven't really done, and where do you think that's going to go?

MR. ZARATE: General Soyster, let me first thank you, because I'm not sure if you remember – I interviewed you for the paper that Arnaud mentioned earlier, with respect to the growing use of private military companies. So – quoted you a couple of times in that paper, so I wanted to thank you for that. In terms of the lexicon – I talked to the press about this – I think there isn't going to be a grand, formal announcement of the change of lexicon. I think the term war on terror will emerge on occasion but will gradually die from lack of use.

And I think, you know, there are healthy dimensions to that, but I think what's important to realize is the Bush administration and the president himself focused on the lexicon, because he understood and the administration understood that it mattered, in the context of not only the narrative, but also to explain to the American people what we are engaged in, as well as to explain what we are doing legally. I mean, the war on terror has real dimensions in terms of how we were treating detainees – under the laws of war – and how we were viewing the operation. And again, folks have to remember where we came from, in terms of how we were engaged in this battle before 9/11 and what the shift was.

But I think it will just die of lack of use. But again, I think it's interesting to watch where the president has made reference to the dimensions of what we called the war on terror. He's called it different things – the battle against violent extremism – he has used the term war on terror. So it will be interesting where things line up, but there will not be a grand memo sent from the White House to everybody to stop using it; I think they just will stop using it. In terms of defining the enemy, I think we have tried time and time again to try to do that, to Jack's point.

If you look at the strategy we put out in September of '06, I think we were abundantly clear as to how we were trying to explain the nature of the enemy. Part of this is, in the consciousness of America, how is it understood, and I still don't think we communicated it well enough.

Q: Yes, thank you very much. Fokker Timmerman (ph) from the German Embassy. I would like to follow up on the answer you gave to Richard's question here concerning the terrorist financing. You have mentioned in your presentation the difficulties of al Qaeda in funding right now. I would like to follow up, but I must admit that I didn't listen to the NPR report this morning, so excuse me if the answer was already there. The idea or the concept of Hezbollah or Hamas using financial sources via NGOs operating illegally in the United States – I would like your assessment on that. Thank you.

MR. ZARATE: It's a great question. The difficulty with dealing with Hamas and Hezbollah is the very important and strategic way that they have built their organizations, in terms of building a social network, political dimension, as well as a financial branch of their operations that undergirds all of their activities, including their militant activities. The grand debate between the United States and Europe has consistently been whether or not one can disaggregate those elements of those organizations.

The U.S. position is clearly, these are unified groups. Hezbollah is run by Nasrallah politically, in terms of its military branch, especially post the death of Mughniyah, as well as its financing. The same goes for Hamas. And I think, despite some controversy, the United States has been fairly aggressive and clear about that and has engaged in various enforcement actions to implement that policy. The best example is the shut-down of what was then the largest Muslim American charity in the United States, the Holy Land Foundation for Relief and Development, whose prosecution was brought to successful fruition, after some fits and starts, just recently. I think that's the best example.

Where you have a counterexample in Europe is the case of INTERPAL, which is a Hamas-run foundation based in London which we, the United States, have designated, but remains active in Europe and, frankly, serves as a hub for Hamas financing, putatively for social services and, likely, the majority of which for social services, but also, clearly, a part of the Hamas organization. And I think, again, one of the challenges for this administration and for Europe moving forward, and particularly with Hezbollah, will be how to treat those branches of these groups when those organizations have not renounced the use of violence and remain terrorist organizations. I think it's a really hard question and one that continues to divide along the Atlantic.

MR. : Steve?

Q: Juan, great to see you again and welcome.

MR. ZARATE: Thank you, Steve.

Q: Just wanted to build on one of the points that Arnaud made and also, some of the points on the terrorist financing about the implications of the global economic crisis and kind of

how this tsunami, you know, rippling through the world will have strategic impacts on the war on terror, I mean, both in terms of the issue about issue-attention and focus, as kind of the U.S. and Europeans and others turn inward, you know the massive decrease in defense spending in the out-years of the Obama budget and the pressures on others to contribute troops to places like Afghanistan, which seems to be drying up in terms of the ability to commit to that, but also, kind of the strategic landscape.

You know, you see riots from Latvia to China, but also, you've got the massive population bulge, as you all know, across the Middle East, which was disturbing when oil was at \$150 a barrel, and now that it's been cut in half. How do you see these things playing out, in terms of their implications for the war on terror and how do you think we should address them going forward?

MR. DE BORCHGRAVE: You could add to that the tent cities that we're now seeing in the United States on television, in our own cities.

MR. ZARATE: Great question, Steve, and I'm not sure anybody can forecast the effects of this. My greatest concern is in two respects – less on the defense spending and homeland security front, because I think the baseline of that will continue and may not be as robust, for example, in the terrorist financing field or at the borders as one could imagine, but will still remain consistent. I think it is in two respects: One, the volatility in certain regions where terrorist groups will either exacerbate that volatility or take full advantage of it. You know, Somalia is a great example, a case-in-point, over the last many years.

And secondly, the ability of foreign governments to actually affect those volatile regions – one could look at, for example, Bangladesh, which is not considered a terrorist safe haven now and, though suffering from some degree of radicalization among pockets of its population, isn't a great source of concern. But one could imagine, both with the demographic bulge, with the trends of radicalization, with some of the Wahhabi influence there, as well as the proximity to Pakistan, you could imagine – and a lessening of aid from foreign governments – you could imagine Bangladesh suddenly emerging as a real problem.

And so those types of cases – Yemen's another great one, where we already know what the problems are – diminishing oil reserves, huge demographic bulge, huge unemployment, you know, cot (ph) problems in terms of the population, addiction, et cetera. And so you've got a potpourri of problems with al Qaeda injecting itself, and you can imagine low oil prices, the economic tsunami, as you called it, and terrorists taking full advantage. That's the dimension that worries me most.

Q: And do you see parallels – for example, I think you raised that al Qaeda moved from Sudan to Afghanistan to Iraq, being fairly fluid. Do you think that the administration or the U.S. government – and I know there's been talk with DNI Blair and others – is kind of factoring that in, kind of next steps and kind of secondary effects to kind of think through those challenges?

MR. ZARATE: I hope so, and I have great faith in all the people I named in my presentation. That said, having served, as you did, Steve, in the government, you know the

immediate emergency and the immediate crisis often consumes all of the strategic and tactical energy within the government. And so I worry that the problems in Afghanistan, the drawdown in Iraq, what's happening in Pakistan could lead to such a focus on those regions.

As important as they are, perhaps the loss of the global strategic – and frankly, you know, I saw that as my job when I was at the NSC, to consistently pull the viewfinder back to try to look across the globe and to look at the trends. And I think they've got the right people in place and the right focus, but the trick will be resources and attention, at the end of the day, at the highest levels. And that's hard, especially given the economic crisis.

Q: My name's Jessica Lehman from Detica Consulting. Looking towards the long term, do you see climate change as a catalyst for increased terrorism, or how will that affect terrorism, if you have developing countries bearing the brunt of the phenomenon that is largely produced by the West?

MR. ZARATE: It's an interesting question. I do think – I'm not an expert on climate change – but one of the things I've been worried about for a while – and I think CSIS has a study on this; I haven't read it in full – is the problem of water. And I think in particular, in the Levant and, obviously, in the Middle East and North Africa, that becomes a critical issue. And to the extent that climate change continues to exacerbate crises of water in volatile regions, I think that becomes a real issue very quickly. And so that, in my mind, is probably the most visible, near-term impact.

From a narratives perspective, kind of blaming the West, you see that a little bit in the jihadi rhetoric, but much less so than otherwise. It's interesting that you mention, though, because bin Laden did, at one point, have this kind of sweeping anti-globalization, anti-West speech where he did try to bring in the issues of climate change, into the narrative. And so that's interesting that you mention it, because you could imagine, if the crises evolving from it become more relevant and more reported and more understood, then the bad guys will take advantage of it.

MR. DE BORCHGRAVE: Any other questions? Yes, sir.

Q: My name is Tom Tierney. I'm on loan from Los Alamos National Lab to the State Department. My question is about lone actors, and in particular, domestic ones like Ted Kaczynski and Timothy McVeigh. What do you see as new challenges with regards to dealing with those kinds of threats?

MR. ZARATE: I think in the immediate term – Tom, it's good to see you, by the way; we old high school buds – the problem is, I think, in the Toronto-cell-like operation. Most folks here are aware of the arrests made by the Canadians, probably now three years ago, of self-radicalized individuals who were planning fairly dramatic attacks on government buildings, et cetera – ultimately not successful; fortunately, the Canadians had sources inside. But one could imagine, from a lone wolf perspective, lone cells, so to speak, emerging.

And what makes the Somali-American community issue so problematic is you not only have that problem, but you also have the potential connection of those cells or radicalized individuals to a foreign outpost of al Qaeda, that they could then be taking direction from al Qaeda to strategically impact the homeland. So we were always worried about the lone wolf – especially, you look at sort of the classic, domestic terrorist groups, some of the Aryan Nation-types, et cetera. But I think what we were most worried about from a radicalization perspective was emerging cells within the U.S. who were able to self-actualize, which is why there's a lot of attention by the FBI and the Bureau of Prisons on prison radicalization at this point.

MR. DE BORCHGRAVE: Time for one last question. You two? Okay, two more.

Q: Yes, hi. I'm Mr. Tirani (ph). I appreciate your fine lecture. I guess I was interested in some of your comments about the approach – really, the – as you presented, the cutting-edge approach vis-à-vis the states in the area of terrorism. The states – some of them can combat terrorism and are willing to; others are not willing to. What is our approach? So I guess it really asks the question, is the United States' approach a state-based approach or is it a culture-based approach?

Do we develop our narrative to play to the cultures, or do we develop our narrative through our relation with the states? How do we approach safe haven policing or war – through the states themselves, or when do we? That was a very interesting question, and I just wonder if the country – you think that we're going to evolve towards emphasizing that cultural approach versus the government, or do we want to integrate the governments into our approach to the combating of the safe havens?

MR. ZARATE: It's a very good question. I think there are different dimensions of this. You see it playing out somewhat obviously in the context of Iraq and Afghanistan with the question of how much of our attention is at the local, tribal level relying on more traditional elements of power and cohesion in those societies – clearly successful in the context of the al Anbar awakening in Iraq.

So that is a central part of the debate, but I think overarching, I think we still rely heavily on state-based actors, which again, I think there is a bit of a blind spot, because I think there is much opportunity in the reliance on soft power, smart power, which I think is largely enabled by non-state actors. And again, especially when you're talking about the ideological battle and you're talking about the religious dimensions of this, I think it becomes very important. So a very good question.

One of the things we've done – and this is something Arnaud, Tom and Dave and I have spoken about already – one of the things that we've started to do and started to see as a natural evolution since 9/11 is particular states serving as catalysts in terms of counterterrorism. And so if you look at Southeast Asia, which, you know, post-9/11 was seen as the potential next front in the war on terror – Southeast Asia – folks hardly talk about it anymore, in part because we've been largely successful and we've largely been successful because the countries in the region have taken ownership over the problems and the issues and you've had a catalyst in the region,

namely Australia, that not only has the capacity, but the similar mindset to the United States, in terms of approach, the relationships in the region, with whom we've worked.

And I think starting to look at models where we have catalyst states that are able to galvanize regional approaches to issues becomes important. I think we're starting to see it a bit in the Gulf, with Saudi Arabia being more effective at some of the counterterrorism activities, not just ideologically, but outside of its borders. You're seeing it to a certain extent with the UAE as well. You know, unbeknownst to most forces, UAE has Special Forces troops in Afghanistan. And so there are particular countries that we should start to rely on to start galvanizing regional approaches.

Q: On that question about the ideological or the narrative approach, how much of the actual – our actual policy and even, say, military action, is useful in constructing the narrative? Do you find it a central part of that message that you're – the narrative of why you're acting and the actual concrete action that you take – is that the kind of thing you're talking about when you – I'm not a real expert, but –

MR. ZARATE: Yeah, no, no – good question. I think, actually, our military footprint is a detriment to the narrative, because the military footprint of the United States anywhere in Muslim communities or countries fits right into the narrative of the assault on Islam. And so one of the challenges is – and again, it's going to be a challenge for the Obama administration – is how do you square the circle of the narrative we're trying to present and trying to retract, in terms of the West being at war with Islam, with the necessity of actually using military force on occasion or military power, even in the soft context, for example in Mindanao, where our military helps the Filipinos deliver aid and assistance, or in the Horn of Africa. How do you square that circle? And so it becomes difficult.

Q: Wow.

MR. DE BORCHGRAVE: This brings it to an end, I'm sorry. This was a dynamite presentation and I'm deeply grateful for your presence.

MR. ZARATE: Thank you.

(Applause.)

(END)