



**Current and Projected National Security Threats
to the United States**

**Vice Admiral Lowell E. Jacoby, U.S. Navy
Director, Defense Intelligence Agency**

**Statement For the Record
Senate Armed Services Committee
26 February 2004**

INTRODUCTION

Last year I testified that Defense Intelligence was at war on a global scale. That war has intensified. Defense Intelligence is providing intelligence essential to defeat our nation's enemies in the Global War on Terrorism (GWOT), Iraq and Afghanistan. In addition, we are intent on identifying emerging challenges to our homeland, allies and interests. Providing the highest quality defense-related intelligence to our war fighters, defense planners and national security policy makers is essential for the successful accomplishment of their tasks.

The events of the last several years and our successes are transforming the strategic environment. Defense Intelligence must identify those new opportunities and challenges to support our nation's security strategy. In addition to these daunting tasks, we are called upon to "know something about everything all the time." The potential for surprise is an enduring reality, especially when we are simultaneously engaged on several fronts. We must mitigate the impact of surprise by devoting resources to broad situational awareness and quickly generate needed intelligence on any security issue as disturbing trends or opportunities are identified.

ENABLE SWIFT DEFEAT OF THE ENEMY

Global Terrorism. During the last year, notable progress has been achieved in the GWOT. We have shrunk the favorable operating environments for al-Qaida and other terrorist groups and captured several al-Qaida senior operational coordinators and a significant number of terrorists. We have disrupted several terrorist operations. Nevertheless, Al-Qaida remains the greatest terrorist threat to our homeland. Al-Qaida expressed its intent to stage another wave of attacks in the US. Aircraft hijackings remain a concern.

Despite 25 months of sustained pressure, al-Qaida continues to demonstrate it is an adaptable and capable threat. Their network has directed numerous attacks since 9/11, most recently in Istanbul and Riyadh. Al-Qaida continues to enjoy considerable support and is able to recruit terrorists. Capable but less experienced individuals are replacing those captured.

Al-Qaida's planning has become more decentralized and has shifted to softer targets. The network increasingly generates attacks in alliance with like-minded groups like Jemaah Islamiyah (JI) in Southeast Asia. The arrest of senior al-Qaida and JI leader Hambali last summer eliminated a significant link between the two groups. However, the al-Qaida/JI nexus will endure because the two groups have a shared ideology and experience during the period of Soviet involvement in Afghanistan. While al-Qaida does not control the daily operations of JI or affiliated groups, congruence of broad goals promise continued attacks against US interests and our partners in the GWOT.

Al-Qaida and other terrorist groups remain interested in acquiring Chemical, Biological, Radiological and Nuclear (CBRN) weapons. We remain concerned about rogue scientists and the potential that state actors are providing, or will provide, technological assistance to terrorist organizations.

Terrorist use of man-portable air defense system (MANPAD) missiles against civilian and military aircraft was underscored following the attack last fall against a commercial cargo aircraft in Baghdad and the failed attack in Mombassa in 2002. A MANPAD attack against civilian aircraft would produce large number of casualties, international publicity and a significant economic impact on civil aviation. These systems are highly portable, easy to conceal, inexpensive, available in the global weapons market and instruction manuals are on the internet. Commercial aircraft are not equipped with countermeasures and commercial pilots are not trained in evasive measures. An attack could occur with little or no warning. Terrorists may attempt to capitalize on these vulnerabilities.

Iraq is the latest jihad for Sunni extremists. Iraq has the potential to serve as a training ground for the next generation of terrorists where novice recruits develop their skills, junior operatives hone their organizational and planning capabilities, and relations mature between individuals and groups as was the case during the Soviet occupation of Afghanistan and extremist operations in the Balkans.

Although not presently linked to attacks on the GWOT Coalition, Lebanese Hizballah remains capable of terrorist operations on a global scale. Hizballah has extensive and well-honed capabilities and may have contingency plans in place for attacks in Iraq. The group's global presence makes it a potential threat to our interests worldwide.

The Revolutionary Armed Forces of Colombia (FARC) remains the most potent terrorist threat to US interests in Colombia. During the past year, the FARC conducted multiple attacks in Colombia and since early 2003 has held three US citizens hostage. Its attack against a Bogota bar, last fall, injured three Americans and 70 Colombians, killing one. The continued emphasis on urban terrorism, especially in Bogota, increases the risk to US citizens. At the same time, the FARC's perception that US support is the direct cause of the Colombian government's recent successes, increases the likelihood the group will target US interests in 2004.

We are also increasingly concerned over "Ungoverned Spaces," defined as geographic areas where governments do not exercise effective control. Terrorist groups and narco-traffickers use these areas as sanctuaries to train, plan and organize, relatively free from interference. There are numerous "Ungoverned Spaces" around the world such as the western provinces in Pakistan, portions of the southern Philippines, Indonesian islands, Chechnya, rural areas in Burma, several areas in Africa and areas in South America. Ungoverned spaces include densely populated cities where terrorists can congregate and prepare for operations with relative impunity. I believe these areas will play an increasingly important role in the War on Terrorism as al-Qaida, its associated groups and other terrorist organizations use these areas as bases for operations.

A number of factors combine to present a terrorist threat to the United States for years to come. Despite recent reforms, Arab populations on the whole live in societies that lack political and economic freedoms, effective government and good educational systems. Literacy and education levels were lower than in many other developing regions. Especially in madrasas, teaching methods and religious curriculum emphasizing rote learning produce students without skills needed to compete for jobs and anti-Western in beliefs. At the national level, their poorly educated workforces limit ability to compete in the global economy. Not surprisingly, many

Arab states suffer high unemployment. “Demographic bubbles” which burden government services and economies promise continued problems. These factors in combination will feed Arab public sentiment which is increasingly opposed to US policies. Radical Islam has the potential to be a force in many areas of the world for decades to come.

Iraq. The security situation in Iraq varies by region. The north, where Kurds maintained control after the fall of the regime and have a largely intact infrastructure is quiet. The south also remains comparatively quiet. Moderate Shia clerics and the Shia population support Coalition efforts and oppose Former Regime Elements (FREs). However, the situation could become volatile. Shia backing for the Coalition is based largely on expectations that a political structure based on an elected representative government serves their interests.

Insurgent attacks in central Iraq account for the vast majority of all incidents. Anti-Coalition activity centers in Sunni-dominated areas, especially west of Baghdad, around Mosul and along the Baghdad-Tikrit corridor -- areas home to former regime military and security members. Saddam's capture likely reduced the morale and effectiveness of some resistance members. However, many FREs and party loyalists are motivated by Arab and Iraqi nationalism and self-interest and will continue the resistance, opposing the foreign presence and emerging new order. That said, it appears much of the Sunni population has not decided whether to back the Coalition or support the opposition. The key factor is whether stability can be established and whether viable alternatives to the Ba’athists or Islamists emerge.

We believe FREs led by remnants of the Baath Party are responsible for the majority of anti-Coalition attacks. Their strategy appears to be multi-faceted: attempting to undermine the Coalition, creating insecurity, attacking cooperating Iraqis and assassinating leading figures, and driving out international organizations. The FREs have adjusted to Coalition tactics, and now employ more “stand-off” weapons, such as improvised explosive devices (IEDs), rocket-propelled grenades (RPGs) and mortars.

The number of anti-Coalition attacks has declined over the past months from a high in November during Ramadan. Additionally, the Coalition has captured or killed 46 of the 55

most-wanted former regime members. Efforts to capture the remaining senior former regime figures, in particular, Izzat Ibrahim al-Duri, are supported almost daily by new intelligence.

Foreign fighters, while fewer in numbers than the FREs, are a threat. Fighters from numerous countries are reported to have entered Iraq. They are motivated by Arab nationalism, extremist religious ideology and/or resentment of U.S. policies and beliefs. Most are assessed to be linked to groups that hope to gain notoriety and increased support by conducting attacks in Iraq.

In addition to our other efforts in Iraq, supporting the search for CAPT Michael Scott Speicher remains a high priority. We continue focused efforts to determine his status. These efforts will continue until we have a full accounting.

Afghanistan. Attacks by Taliban and Hezb-e Islami Gulbuddin (HIG) since early spring of last year, reached their highest levels since the collapse of the Taliban government. The majority of the attacks are ineffective rocket or bomb attacks. However, recent attacks show increasing accuracy and sophistication. Violence against humanitarian assistance and reconstruction personnel has led some organizations to suspend operations. Continued reductions of United Nations activity may negatively impact the Bonn Process. Upcoming political events such as the June 2004 presidential elections may prompt increases in violence.

Afghanistan's new constitution was approved in early January. This paves the way for a presidential election this summer and legislative elections later this year. The show of support among Loya Jirga delegates for President Hamid Karzai bodes well for his political strength and chances in the presidential election.

Karzai's ability to use his growing political strength to encourage compliance with his reform agenda may provide long term stability, but could result in near term tensions. President Hamid Karzai remains critical to stability in Afghanistan. As a Pashtun, he remains the only individual capable of maintaining the trust of Afghanistan's largest ethnic group (Pashtuns) and support of other ethnic minorities. A Taliban insurgency that continues to target humanitarian

assistance and reconstruction efforts is a serious threat, potentially eroding commitments to stability and progress in Afghanistan.

Pakistani assistance remains a key to a successful outcome. Cultural, religious and political considerations have limited the central government's commitment to disrupting Taliban operations, support and sanctuaries. However, Pakistan has been more active against al-Qaida infrastructure. Pakistani military operations have contributed to the disruption of al-Qaida sanctuaries, particularly in South Waziristan.

RELIABLE STRATEGIC WARNING ACROSS THE FULL SPECTRUM OF POTENTIAL THREATS

Weapons of Mass Destruction and Missile Proliferation The trend with respect to weapons of mass destruction (WMD) and missiles remains troublesome. There is continuing terrorist interest in acquiring and using WMD, especially biological, chemical, and radiological weapons. North Korea's reactivation of the Yongbyon nuclear facility and Iran's admission to the International Atomic Energy Agency (IAEA) about years of covert nuclear activity reinforce concerns. The recent Libyan disclosure and pledge to divest itself of WMD and long range missiles programs and admit international inspectors is a positive sign. Other states continue to develop biological and chemical weapon capabilities. Numerous states continue to improve their ballistic and cruise missiles, focusing on longer range, better accuracy, deployment of new units and use of underground facilities. Proliferation of WMD- and missile-related technologies continues and new supply networks challenge US counter-proliferation efforts.

Nuclear Weapons Russia's nuclear weapons stockpile continues to decline. DIA believes the number of weapons in China, India, Pakistan and North Korea will grow. We are also concerned about Syrian interest in nuclear technologies that could support a weapons program.

We believe North Korea has nuclear warheads from plutonium produced prior to the 1994 Agreed Framework. After expelling IAEA personnel in late 2002, North Korea reactivated facilities at Yongbyon and claims it reprocessed the 8,000 spent fuel rods from the Yongbyon reactor, adding plutonium for additional weapons. Pyongyang is expected to increase its weapons inventory by the end of the decade through plutonium production and a possible unlocated uranium enrichment capability. North Korea's current proliferation activities are troubling. The potential for the North to market nuclear weapons and technology is also troubling.

In 2003, Iran admitted to the IAEA that it had a covert uranium enrichment program for many years, removing any doubt about the military intent of their program. Tehran now claims it will halt uranium enrichment activity, in exchange for nuclear technologies. Faced with international pressure, Iran signed, but has not yet ratified the Nuclear Nonproliferation Treaty's Additional Protocol, allowing for more intrusive IAEA inspections. However, we remain concerned about Iran's ultimate nuclear intentions.

In South Asia, India and Pakistan have well-developed nuclear infrastructures and small stockpiles of weapons. Pakistan recently developed the capability to produce plutonium for potential weapons use. Weapon stockpiles in India and Pakistan are expected to grow.

Chemical and Biological Weapons Numerous states have chemical and biological warfare programs. Some have produced and weaponized agents, while others are in research and development stages. Contributing to the threat is potential development of new agents with toxicities exceeding those of traditional agents, or with properties that could challenge existing countermeasures. While we have no intelligence suggesting states are planning to give terrorist groups these weapons, we remain concerned about, and alert to, the possibility.

These weapons are easier to develop, hide, and deploy than nuclear munitions. Supporting technologies are relatively inexpensive and readily available because they have legitimate roles in medical, pharmaceutical and agricultural industries.

Ballistic Missiles In addition to Russia and China, the United States will likely face intercontinental ballistic missile threats from North Korea. Iran may have the capability to field an intercontinental ballistic missile by 2015. Russia's force will continue to be the most robust and lethal.

China is modernizing its ballistic missile forces and is fielding increasingly accurate solid-fuel, road-mobile missiles that will enhance survivability and provide Beijing flexibility. China is improving its silo-based, liquid-propellant ICBMs and is testing a new mobile, solid-propellant ICBM, the 8,000-km-range DF-31. It also is developing programs for an extended-range version of the DF-31. The number, reliability, survivability and accuracy of Chinese strategic missiles capable of hitting the United States will increase during the next decade.

Based on a space launch vehicle program, we judge Iran will have the technical capability to develop an intercontinental ballistic missile. However, we do not know whether Iran has decided to field such a missile. Tehran declared its 1,300-km Shahab-3 medium-range ballistic missile operational last summer.

North Korea continues to develop its Taepo Dong 2 intercontinental ballistic missile. This missile could deliver a nuclear warhead to parts of the United States in a two stage variant and target all of North America if a third stage is added. Press reports indicate North Korea is preparing to field a new IRBM, about the size and dimensions of the Russian SS-N-6 SLBM. If this is true, such a missile could reach US facilities in Okinawa, Guam and possibly Alaska. North Korea is the world's leading supplier of missiles and related production technologies, selling to countries in the Middle East and North Africa and to Pakistan.

Cruise Missiles The numbers and capabilities of cruise missiles will increase, fueled by maturation of land-attack and anti-ship cruise missile programs in Europe, Russia and China; sales of complete systems; and the spread of advanced dual-use technologies and materials. The threat from today's anti-ship cruise missiles is challenging and will increase with the introduction of more advanced guidance and propulsion technologies. Proliferation of land

attack cruise missiles will also increase the threat to our forward based military forces and provide area denial weapons against potential contingency operations.

Today, very few countries, to include Russia, possess land-attack cruise missiles. China is expected to field its first dedicated LACM soon. China is developing and procuring anti-ship cruise missiles capable of being launched from aircraft, surface ships, submarines and land that will be more capable of penetrating defenses.

In the next ten years, we expect other countries to join Russia, China and France as major exporters in cruise missiles. India, in partnership with Russia, will begin production of the PJ-10, an anti-ship and land attack cruise missile, this year and may export the system.

Proliferation Russia, China, and North Korea support various WMD and missile programs, especially in the Middle East and South Asia. Russian entities support missile and civil nuclear programs in China, Iran and India, and to a lesser degree in Syria. Some of these nuclear technologies could have weapons applications. Chinese companies remain involved with nuclear and missile programs in Pakistan and Iran. In some cases, entities from Russia and China are involved without the knowledge of their governments. North Korea is the world's leading supplier of missiles and related technologies. We also see evidence of what is termed "secondary proliferation," when countries who previously imported weapons or weapons technology begin indigenous production and export of those systems. The most disturbing example of this trend is the linkage of North Korean, Libyan and Iranian enrichment programs to Pakistani technology.

Information Operations (IO). The information operations threat consists of capabilities such as electronic warfare, propaganda, denial and deception, and computer network attack to affect human or automated decisionmaking processes. Some of these target infrastructures such as US logistics, command, control, communications, computers, intelligence, surveillance and reconnaissance and domestic economic infrastructure. Several adversaries are pursuing information operations focused on select capabilities such as propaganda and denial and deception. Russia and China have adopted more comprehensive approaches with multiple

capabilities. Chinese military theorists are developing information operations doctrines, targeting both Western and regional nations that will pose a long-term strategic threat to US interests.

Many adversaries have demonstrated skill in misinformation and disinformation campaigns that target the United States and third parties to undermine US interests. The threat to computer networks is extremely dynamic, with growing capabilities that are easily proliferated. Numerous distributed denial of service techniques, to include viruses and worms, could be used to shut down or disrupt computers in the lead up to or during a conflict. Most disturbing is that the basic tools are readily available on the Internet and can be customized by adversaries to fit their needs. We expect the IO threat to grow.

General Technology Proliferation. The situation remains unchanged from my testimony last year. Advances in information technology, biotechnology, communications, materials, micro-manufacturing, and weapon development are having a significant impact on the way militaries and terrorist groups organize, plan, train and fight. Globalization of “R&D intensive” capabilities, such as computer hardware and software, biotechnology and nanotechnology, is allowing smaller militaries, groups, and even individuals’ access to capabilities previously limited to those of the major powers. Integration, advancements and unanticipated applications of emerging technologies make the future and, correspondingly, our military strengths and vulnerabilities, extremely difficult to predict. While DIA cannot identify with specificity, some aspects of our military advantage will erode. Technological surprise is of great concern and we are watching this area intensely.

Global Defense Spending. Non-US global defense spending which we reported last year dropped 50% over the past decade, will likely increase during the next five years. The improving global economy is allowing increased funding at moderate rates. Defense spending will enable countries to pursue selective force modernization.

Globalization. Globalization remains an overwhelming force that presents security challenges. Terrorists, proliferators of illicit weapons and military technology, narco-traffickers

and alien smugglers are making increasing use of the world's financial, communication and transportation systems. Rapid change from transforming industries and infusion of foreign products, media and ideas is outstripping the ability of many governments and societies to adjust politically, economically and culturally. Portions of the population in many of these countries are instigating a backlash against the West and the United States, in particular. This backlash is one factor in extremist movements such as al-Qaida in the Islamic world and political instability in a broad range of countries. Our challenge is to develop collection and analytical skills to track and intercept the threatening things and people traveling around the world, and understand and predict instability and the social backlash that threaten our citizens and interests.

International Crime. Criminal groups in Western Europe, China, Colombia, Israel, Japan, Mexico, Nigeria, and Russia are involved in illicit transfers of arms and military technologies, narcotics trafficking and alien smuggling. We continue to identify links between terrorism and organized crime. For example, the Afghan drug trade is a source of revenue and logistic support for Taliban and other opposition groups. Elements of al-Qaida traffic in opium and heroin. In addition, we are concerned that criminal groups will use their established networks to traffic in Weapons of Mass Destruction and terrorist movement.

Uneven Economic and Demographic Growth. Uneven economic and demographic growth will remain a source of instability. The poorest countries are almost universally those with the fastest population growth. High birth rates create demographic momentum as large groups of young people reach child-bearing age. As a result, much of the world population will remain below internationally recognized poverty standards. This is a problem not only for the very poor countries, but middle income ones as well. Middle Eastern, South East Asian and African states are experiencing a "demographic bubble" (34% of Egyptians, 43% of Saudi Arabians, 42% of Afghans, 36% of Filipinos, 43% of Liberians and 48% of Congolese (DROC) are less than 15 years of age). Their economies and government services are not meeting the demands of growing populations. Education systems, as I spoke to earlier in my testimony, are a critical factor for development. Inadequate education systems can mean countries and even regions are not capable of taking advantage of the opportunities of the global economy. The gap between the rich and the poor grows larger. Meanwhile, the communications revolution gives

the poor a clearer view of the world's wealth, fueling resentment against their own governments and the developed world.

North Korea. Pyongyang's open pursuit of nuclear weapons and delivery systems remains a serious challenge. Pyongyang considers its nuclear weapons program critical to regime survival. North Korean media reports suggest Kim Chong-il believes the speed and success of Operation IRAQI FREEDOM (OIF) underscores the ineffectiveness of the North's conventional forces and the value of nuclear weapons.

North Korea's approach with respect to nuclear weapons is assessed to be designed to achieve the maximum concessions from the US and other regional powers to ensure its own political and economic survival. While Kim Chong il may be willing to abandon his nuclear weapons program, turn over the existing plutonium stockpiles and accept a vigorous inspection regime, we do not know the specific conditions which the North would require to reach an agreement.

North Korea People's Army remains capable of inflicting hundreds of thousands of casualties and severe damage on the South. North Korean missile forces can also attack Japan. Internally, the regime in Pyongyang appears stable, but there are many unknowns. Kim Chong-il's security services maintain tight control over the domestic population.

North and South Korea cooperate in economic, transportation, and social sectors, but the South has made little headway on security issues. Without Seoul's assistance North Korea might be much less stable.

China. Chinese leadership transition since 2002 has progressed smoothly. The new leaders are unified in their focus on domestic stability and economic growth, maintaining the same security priorities and calculus as their predecessors. Former President Jiang Zemin retains control of the armed forces as Central Military Commission Chairman, providing continuity to Chinese military modernization and strategic direction.

China's leaders continue support for the global war on terrorism, in part because they see opportunities for international cooperation against domestic separatist problems--predominantly the ethnic-Uighur communities in western China. Beijing's criticism of the US presence in Afghanistan and Central Asia and what they consider US unilateralism has been muted. However, Beijing likely fears a long-term US presence on its borders. The Chinese government has also limited its criticism of Coalition military operations in Iraq.

China is keenly interested in Coalition military operations in Afghanistan and Iraq and is using lessons from those operations to guide People's Liberation Army modernization and strategy. Beijing was impressed with US ground forces' performance during the Iraq war. While several years will be needed to fully incorporate lessons, China's military leaders are reevaluating some of their military assumptions.

China continues to develop or import modern weapons aimed at enabling it to fight and win wars on or near its periphery. Acquisition priorities include surface combatants and submarines, air defense, fourth-generation fighters, ballistic and anti-ship cruise missiles, space and counter-space systems, and modern ground equipment. The PLA is also cutting approximately 200,000 personnel to streamline the force, reduce costs, and support modernization. While making progress, the PLA continues to face significant technical and operational challenges.

Domestic political events on Taiwan are the principal determinant of short term stability in the Taiwan Straits. Beijing is carefully monitoring developments in advance of Taipei's March 2004 presidential elections and referendum. We see no indications of preparations for large-scale military exercises to influence Taiwan voters. Most of China's efforts appear to be diplomatic, oriented toward convincing the United States to constrain Taiwan. China's leaders see last year's enactment of Taiwan's referendum-enabling legislation as a legal basis for prospective independence. China's leaders also are concerned that Taiwan President Chen Shui-bian would interpret re-election in 2004 as a popular endorsement for Taiwan independence. Beijing will not tolerate Taiwanese independence and will use military force regardless of the costs or risks.

Russia. After nearly a decade of declining activity, the Russian military is beginning to exercise its forces in mission areas it believes are essential for deterrence, global reach and rapid reaction. Open source reporting confirms that ground force exercise activity in 2003 doubled that of 2002; training for use of non-strategic nuclear forces continues; and Russia desires to have the ability for its Navy and Air Force to operate globally, as evidenced in their joint exercises in the Indian and Pacific Oceans in 2003. Russian military spending has increased in real terms in the past four years, in line with its improving economy. Additionally, we expect modest increases in the procurement of new weapons. Improvements will continue unless Russia suffers an economic setback – especially a significant decrease in the price of oil.

Moscow is attempting to reclaim great power status. Russian leaders believe an improving military supports its foreign policies and conveys the image of an active global power capable of asserting its national interests. It also supports the leaders' domestic political position. Additionally, Russia is improving its relations with some countries, most notably France, China, and India, in pursuit of a “multi-polar” world and to enhance its arms sales.

Russian military leaders were surprised by OIF's speed, effectiveness and low casualties, but not by the operation's ultimate success. Proponents of Western-style military reforms believe the results demonstrate the need for change in the Russian armed forces. However, they face resistance from an entrenched bureaucracy and senior leaders with vested interests in the status quo. OIF reinforced previous Russian assessments of the need for precision strike capabilities and improved intelligence, surveillance and reconnaissance systems. Russian military leaders recognize the need for more resources, but economic realities will prevent dramatic increases in military expenditures.

Russian leaders see OIF as an embodiment of US unilateralism and believe US actions have weakened the GWOT alliance. Despite these views, Russia voted in favor of several US-backed UN Security Council Resolutions. Moscow believes the United Nations should have the lead in establishing an Iraqi government. They will also work to ensure Russian commercial access to post OIF Iraq and repayment of some of their loans to the previous Iraqi regime.

President Putin and other Russian leaders reacted calmly to the latest round of NATO enlargement and are working to improve relations within NATO. However, many maintain the traditional Russian fear of military encirclement, citing potential of US military rebasing and suspicions that Washington is not interested in ratifying the adopted Conventional Armed Forces in Europe Treaty or extending it to the Baltic States. They will oppose Ukraine's, Georgia's and Azerbaijan's efforts to join NATO.

The Chechen war continues after more than four years and is a drain on the Russian military. Moscow rejects negotiations to end the war, but has not been able to defeat the guerrillas. Approximately 65,000-75,000 Russian troops remain in Chechnya. Official casualties approach Soviet losses in Afghanistan. However, Chechnya remains a minor issue for most Russians and has not threatened President Putin politically. Nevertheless, Chechen extremists remain capable of headline-grabbing attacks in many areas of Russia.

Iran. Iran remains wary of the large US force presence in Iraq. However, fears of war between the US and Iran have eased and most Iranians are indifferent to the US presence. Nonetheless, a substantial minority strongly distrusts US motives in the region. Iranian attitudes will be shaped by Washington's ability to improve the political and economic situation of ordinary Iraqis, especially the Shia.

With the exception of naval forces, Iran's military modernization has been stagnant. In reaction to OIF, Iran publicly announced implementation of an asymmetric strategy emphasizing lightly armed but numerous guerrilla forces. The only addition to Iran's air and air defense inventory is a new IRGC Air Force squadron of Su-25 close air support aircraft. Iran's Navy, the region's most capable, can temporarily disrupt maritime traffic through the Strait of Hormuz using a layered force of KILO Class diesel submarines, ship- and shore-based antiship cruise missiles and naval mines.

On the domestic scene, the hope among Iranians that President Khatami could institute change has faded. Conservatives retain control, and reformists are not mounting a challenge to their authority. Although Iran is stable for now, the regime must address social and economic problems if it is to ease public frustration and the potential for future unrest.

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Israeli-Palestinian Violence. The Israeli Palestinian conflict remains basically unchanged from last year. It furthers anti-American sentiment, increasing the likelihood of terrorism and increasing pressure on moderate Middle East regimes. While Israeli-Palestinian violence continues, the intensity and fatality levels decreased this past fall. Nevertheless, violence could flare suddenly.

Periodic attacks along Israel's northern border could escalate, drawing in Syria and Lebanon. In October, Israel retaliated for a terrorist attack by striking a terrorist training camp in Syria. Israeli leaders warned they would hold Syria responsible for future terror attacks by groups it harbors or sponsors.

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A US diplomatic convoy entering the Gaza Strip in October 2003 was deliberately targeted with an improvised mine. DIA believes this attack to be an isolated incident. We have no credible intelligence that a major Palestinian terrorist group is currently targeting US facilities and persons.

KNOW SOMETHING ABOUT EVERYTHING

Pressures in the Islamic World. The process of sorting through competing visions of what it means to be a Muslim state in the modern era continues. As stated earlier in my testimony, we are particularly concerned over the stability of many of our Arab partners because of their poor economic conditions, ineffective government institutions and "youth bulge." Arab public sentiment is increasingly opposed to US policies according to recent polls, increasing pressures on governments who support the US. Support for the war on terrorism is low, ranging from 56 percent in Kuwait to 2 percent among Jordanians and Palestinians. Support for America has dropped in most of the Muslim world. Favorable ratings in Morocco declined from 77 percent in 2000 to 27 percent in spring of last year and in Jordan from 25 percent in 2002 to only 1 percent in May 2003. The percentage of Saudi's expressing confidence in the United States dropped from 63% in May of 2000 to 11% in October 2003. The Israeli-Palestinian conflict, and

Washington's perceived pro-Israeli bias, was cited in some polls as a leading reason for anti-US sentiment. These conditions and increasing anti-US sentiment provide sustenance for radical political Islam at the expense of moderate elements.

Many of our partners weathered stresses within their countries during OIF because of the short duration of the conflict, acquiescence to expression of moderate levels of anti-US sentiments and protests, and reliance on their strong military and security forces. Challenges to stability and continued support for the war on terrorism remain. Additionally, the assassination of a few key leaders could quickly change support for pro-US policies.

Pakistan President Musharraf faces significant political and economic challenges. He was recently the target of two sophisticated, well-planned assassination attempts. His support for the global war on terrorism, crackdown on indigenous Islamic extremists, Afghan policy, restrictions on Kashmiri militants and attempts to improve relations with India have all increased his vulnerability. Popular hostility to the US is growing, driven in particular by Islamabad's support for US counter-terrorism efforts. Opposition constrains his range of options.

Musharraf's viability depends on continued support from his military. He appears to retain the support of this core constituency. However, the two recent attempts on Musharraf suggest insider knowledge. He remains at high risk of assassination. If Musharraf were assassinated or otherwise replaced, Pakistan's new leader would erode pro-US policies. The extent and pace of this erosion will depend on how Musharraf departs and who replaces him.

Tension Between India and Pakistan Since Prime Minister Vajpayee's "hand of friendship" speech last spring and successful South Asia Association for Regional Cooperation (SAARC) conference in Islamabad this January, India and Pakistan have taken a series of steps to defuse tensions from the 2001/02 crisis. These include restoring high commissioners, resuming transportation links, building people-to-people contacts, observing a cease-fire along the Line of Control and pledging to engage in dialogue on all bilateral issues including Kashmir. With the underlying causes of the Kashmir dispute unresolved and continued but reduced cross border infiltration, relations could rapidly deteriorate in the wake of another spectacular terrorist

attack or political assassination. Both sides retain large forces close to the Line of Control in Kashmir and continue to develop their WMD and missile programs. Pakistan views its WMD programs as its only viable alternative to India's improving conventional capabilities.

Egypt, Jordan, Saudi Arabia The Egyptian government remains in control of the country. Egypt's multiple, overlapping security agencies effectively manage protests and political dissent. Cairo seeks closer official cooperation and consultation with Washington in promoting stability and security in Iraq but is limited by public discontent over US regional policies. Cairo also is actively pushing the various Palestinian factions to agree to a cease-fire and return to the negotiation table with Israel.

The Jordanian government remains stable, largely owing to the loyalty of the military and security forces to a very popular King. The government is accelerating political and economic reform in the face of chronic economic and social pressures. King Abdallah has acknowledged that terrorism remains a threat citing the bombings of the UN headquarters and the Jordanian embassy in Iraq last year. Jordan's position has been steadfast in denouncing terrorism, and Jordanian Foreign Minister Muasher has reiterated Jordan's commitment to cooperate with all countries and multilateral efforts in the fight against terrorism.

Despite recent terrorist attacks, the Saudi regime's control of national resources, the security infrastructure and international support will enable the regime to survive. The backlash from last year's bombings actually strengthened public support for the global war on terrorism and prompted the government to seek increased international counterterrorism cooperation with the United States and other allies. At the same time, the Saudi public opposes US policies in the region.

Indonesia President Megawati, who faces election this summer, has increased political stability in Indonesia. Still, social and economic problems persist and Islamic extremists continue to foster terrorism and sectarian unrest. National unity remains a core preoccupation, with major security operations containing, but not defeating secessionists.

Terrorist bombings in Bali in 2002 and last year in Jakarta mobilized government efforts,

leading to arrests and convictions of many Jemaah Islamiyah figures. Indonesia's largely moderate Islamic population rejects terrorism but often is wary of US policies in the Middle-East. Jakarta's cooperation on counter-terrorism will, to varying degrees, continue. However, the government will avoid close identification with the US and treat Islamic militant figures with caution through the elections. If President Megawati is re-elected, the Indonesian government will likely strengthen its counter-terrorism cooperation.

Philippines. Like President Megawati in Indonesia, President Arroyo has increased political stability in the Philippines and support for the GWOT. She is also standing for re-election in 2004. The country suffers from an active communist insurgency and Muslim separatist groups, some linked to al-Qaida. None, individually or combined, can overthrow the government. At the same time, government security forces are overextended and cannot deal effectively with the problems. Arroyo survived a failed coup by junior officers protesting corruption and pay inequity in the military in summer 2003. We do not expect a repeat of this incident prior to the May 2004 elections, despite the fact that coup rumors persist.

Philippine support for the war on terrorism will continue. US military operations in the Philippines are limited by their constitution and political opposition. Law enforcement efforts have actually been more successful than the military in capturing terrorists. Manila has contributed a 100 member contingent to Iraq and is willing to contribute more if funding issues are resolved. They are looking to benefit from reconstruction contracts.

Liberia. Liberia is representative of many countries in Africa suffering from widespread government corruption, illicit arms flow and mercenaries. Liberia is on a path to recovery after 14 years of civil war, owing to the ouster of regional troublemaker and former President Charles Taylor, the signing of a comprehensive peace accord, the intervention of UN peacekeepers and the installation of a National Transition Government (NTGL). Even so, power struggles within the NTGL and factional fighting in the interior will persist until the UN deploys forces in other parts of Liberia to ensure demobilization and disarmament of targeted groups.

OTHER EVOLVING TRENDS

There are threats, both passive and active, to Defense Intelligence's collection capabilities. Information is the life blood of analysis and analysis is the foundation for knowledge. To ensure information superiority we must understand and counter those threats.

The Counterintelligence Threat. Threats from foreign intelligence entities, both state and non-state actors, represent a growing challenge as they become more complex and elusive. These actors target a widening range of US interests, from military and intelligence plans, operations and capabilities, to the growing threats to US economic, technological, scientific and industrial competencies. Adversaries and traditional allies alike target US capabilities.

Cover, Concealment, Camouflage, Denial and Deception. Key target countries have increased cover, concealment, camouflage, denial and deception efforts to thwart US technical intelligence, surveillance and reconnaissance and clandestine human intelligence collection. Virtually every state that perceives itself threatened by US military power and intelligence is assessing the performance of US tactics, weapons and reconnaissance capabilities in OIF to develop more effective countermeasures against US high-technology warfare.

Underground Facilities. Use of underground facilities (UGFs) to protect and conceal WMD, ballistic missiles, leadership, and other activities is expanding. Growing numbers of UGFs are especially notable among nations with WMD programs. In 2003, we have observed more than a dozen new military or regime-related UGFs under construction.

Space and Space-Denial Capabilities. Adversaries recognize the importance of space and are improving their access to space platforms. Worldwide, the availability of space products and services is accelerating, fueled by proliferation of advanced satellite technologies, including small satellite systems, and increased cooperation among states and increased activity by consortia. These developments provide unprecedented communications, reconnaissance and

targeting capabilities to our adversaries because most space systems have military as well as civil applications.

CLOSING THOUGHTS

The US faces an assortment of existing and developing challenges, ranging from growing arsenals of nuclear armed intercontinental ballistic missiles, to terrorists potentially armed with WMD or IO weapons, to insurgents and extremists attempting to destabilize our most important partners in GWOT. At the same time, advances in technology and increasing globalization have made our job of collection and analysis more difficult. Further complicating our task is the fact that some of our most productive and sensitive intelligence collection systems or their capabilities have been compromised, allowing adversaries to develop passive and active counter-measures.

My predecessors and I have testified that the defense intelligence threat paradigm, which focused primarily on the military capabilities of a small set of potential adversarial states no longer addresses the challenges we face. Traditional concepts of security, threat, deterrence, intelligence, warning, and superiority are outdated. We must transform our people, organizations and capabilities if we are to meet these new conditions, just as our adversaries pursue new ways to diminish our strengths.

As I testified last year, the intelligence transformation initiatives – intended to improve our capability to provide warning, increase the quality and relevance of our all-source analysis, better facilitate effects-based campaigns, supply greater insights into adversaries’ intentions, enhance preparation of the intelligence and operational battle-space and more effectively support homeland defense – continue to be the centerpiece of my tenure as Director, Defense Intelligence Agency. I am particularly enthusiastic about the possibilities of achieving Persistent Surveillance and Horizontal Integration, and the fielding of “state of the practice” information management tools and capabilities within Defense Intelligence to improve our ability to discover information and create knowledge, areas which I will highlight in my budget testimony later in the year.

The Defense Intelligence community – composed of DIA, Service intelligence, and the Combatant Command intelligence capabilities – is working hard to refine the processes, techniques and capabilities necessary to deal with the current threat as well as new and emerging security challenges and opportunities. As I said at the outset, our global war continues and has intensified. With your continued support, I am confident we will supply our war fighters, defense planners and policy makers with the knowledge they need to successfully execute their missions.