



ANNUAL THREAT ASSESSMENT

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Good morning, Chairman Levin, Ranking Member McCain, and members of the committee. Thank you for this opportunity to testify today and for your continued support to the dedicated men and women of the Defense Intelligence Agency (DIA), many of whom are forward-deployed directly supporting our military forces in Afghanistan, Iraq and around the world.

Our nation faces an unusually complex threat environment – one marked by an accelerating operational pace and a broad spectrum of dissimilar challenges and potential threats from nation-states and non-state, transnational terrorist networks.

This testimony reflects DIA's analytical assessments, worldwide human intelligence, technical intelligence, counterintelligence, and document and media exploitation collection efforts along with intelligence drawn from our close partners throughout the Intelligence Community, international allies and open sources.

ONGOING CONFLICTS

IRAQ

The security situation in Iraq continues to improve. With Coalition assistance, communal violence has reached its lowest sustained levels since Prime Minister Nuri al-Maliki's government came to power in 2006 and Iraqi leaders have reached accommodation on a range of key issues. However, many of Iraqis underlying problems, such as lingering ethno-sectarian rivalries, a weakened insurgency, a still-developing central government, and lack of a shared national vision, will continue to challenge Iraqis over the next year and beyond. A rapid degradation of the security situation is unlikely in 2009, though the failure of the Iraqi government to address key issues may erode security over time.

Overall violence across the country declined in the last six months of 2008; by January 2009, attacks were 60 percent lower than in January 2008. In the last quarter of 2008, the percentage of attacks which targeted Iraqi politicians, security officials, and civilians increased while the proportion of attacks targeting Coalition Forces declined to their lowest level. Key strategic areas are now under Iraqi government control. This is largely the combined result of Coalition and Iraqi operations, more capable and assertive Iraqi leadership and growing popular support for the Iraqi government and security forces.

The Sadrist movement's influence has declined over the past year. Muqtada al-Sadr's decision to cease Jaysh al-Mahdi (JAM) militant activity against government forces combined with aggressive Iraqi security force operations against JAM have reduced the Sadrists' ability to use force to control and influence the population. In addition, over the past year the Islamic Supreme Council of Iraq (ISCI) and the Dawa Party have successfully undermined the Sadrist movement, limiting its ability to influence government decisions. In June, Sadr announced his intention to prioritize his organization's cultural, religious and socioeconomic outreach while reducing its emphasis on political and militant activity, likely in an effort to regain popular support. This effort has been relatively successful enabling the Sadrists to gain sufficient representation in Shia-dominated provinces to be a key partner in ruling coalitions in most southern provincial councils. As a result, the Sadrists will likely increase their influence at the local and national levels, which could bolster their efforts to gain concessions on detainee releases and amnesty for exiled Sadrists. The majority of JAM members appear to be complying with Sadr's ceasefire orders, although some will seek other means to violently oppose the Coalition's presence in Iraq. JAM Special Groups and other Shia extremists continue to receive lethal support from Iran.

Al-Qaida-in-Iraq (AQI) and other active Sunni Arab insurgents continue to exploit anti-government and anti-Kurdish sentiment in northern Iraq despite ongoing security operations in the region; however, the group is increasingly forced to maintain a lower

profile to avoid further losses. Particularly in northern Iraq, like-minded Sunni insurgent groups maintain a presence, leveraging AQI's infrastructure, exploiting Sunni fears of Kurdish expansion and destabilizing the region. The most notable of these groups is Ansar al-Islam, which changed its name from Ansar al-Sunna in 2008 and has close relations with AQI in the north.

AQI remains the most active terrorist group in Iraq. It continues to target the Iraqi government and Coalition Forces while also trying to reignite sectarian violence, encouraging its most active and ideologically committed members to remain steadfast. Active opposition to AQI has grown since 2006 as backlash to the group's heavy-handed tactics. Coalition efforts to reinforce indigenous resistance to AQI have given the Iraqi opposition to AQI room to flourish. While AQI has the capability to regenerate if given an opportunity to do so, its operational tempo has steadily declined from 2006 levels with the attrition of mid- and senior level operatives. As a result, AQI is currently not able to achieve its strategic goals, and is instead focused on mitigating the effects of these losses to maintain viability. However, AQI's diminished operational tempo does not preclude it from conducting sporadic, yet effective, attacks that have lasting effects within Iraq. With its continued commitment to external attack planning, AQI remains a threat beyond Iraq.

Attacks by Sunni insurgent groups have declined significantly, although most violence remains attributable to the Sunni insurgency. The Sunni Awakening and Sons of Iraq (SOI) local security movements have limited the operational environment for Sunni insurgent groups in central Iraq and forced them to explore new approaches, such as participation in the political process. The operating environment is more permissive for insurgent groups in northern Iraq. Across Iraq, insurgents retain the capability for violence, making the insurgency a long-term threat to the Iraqi government unless it counters the underlying motivations for insurgent activity, including employment, provision of services, and security. Sunni insurgents currently operate primarily at a local level.

SOI groups have proven themselves a critical force multiplier for Coalition and Iraqi Security Forces (ISF). They provide vital intelligence and security presence in many areas formerly dominated by extremists or militias. The SOI initiatives have begun to bridge sectarian divides between the Sunni and Shia population, as groups embrace mutual cooperation to improve security. The transition of Baghdad's SOI programs to government control late last year proceeded smoothly. Twenty-percent of the SOI will transition into the ISF, and eighty-percent into other employment. The transfer of responsibility for the SOI programs is a key step toward reinforcing Government of Iraq (GOI) security responsibility and Iraqi sovereignty.

Sunni Arab relations with Coalition Forces have greatly improved, as have those between local Sunni security groups and the GOI despite lingering mutual mistrust. Prime Minister (PM) Maliki's operations against Shia militants demonstrated to many Sunni Arab leaders that he was willing to act in national – not sectarian – interests. Tawafuq, the main Sunni Arab political coalition, returned to the Iraqi government last July. Iraq's Arab neighbors are establishing a diplomatic presence in Baghdad for the first time since the fall of Saddam's regime. Provincial elections were a key step to maintaining Sunni Arab engagement, although the long-term provision of services to and economic development of stabilized Sunni areas by the Iraqi government will be a more significant driver of reconciliation. Sunni Arabs widely boycotted the 2005 provincial elections and as a result are underrepresented in many provinces, including Ninawa, Diyala and Salah ad Din. Following the largely credible and legitimate provincial elections in January 2009, Sunni Arabs have achieved a more equitable political representation. Results generally reflected the provincial ethno-sectarian demographics, which will likely help build Sunni confidence in Baghdad. Sunnis may tolerate some political setbacks provided they see improvements in their living conditions.

Provincial elections have changed the balance of power between Shia parties in Iraq. ISCI has lost its prominence and is unlikely to have high level positions in provincial governments. The Dawa Party, which led the State of Law coalition, has

emerged as a stronger force in local and national politics and will be able to use its control of government resources to further its parliamentary election campaign efforts in late 2009. The Sadrist Trend, largely marginalized in 2008, will probably regain some influence due to a likely partnership in several provinces with the State of Law coalition.

The ISF improved their overall capabilities in 2008, reaching tactical proficiency in providing security as demonstrated by an increased ability to plan, prepare, and execute independent counter-insurgency (COIN) operations. At the direction of PM Maliki in March, the ISF began a series of complex, large-scale COIN operations throughout Iraq. These high profile operations have been effective in regaining Iraqi government control over previously contested areas. They also highlighted the relative progress of the ISF maneuver elements over the past year as they have expanded in size, capability, and ability to deploy.

The ISF still suffers from deficiencies in combat support and service support to sustain large-scale operations. The ISF continues to rely on coalition support for key enabling capabilities including close air support, intelligence, surveillance and reconnaissance, logistics, transportation, medevac, legal and finance support, civil-military affairs and engineering, as well as counter-terrorism and force protection assets. The greatest obstacles to ISF development continue to be a shortage of qualified leaders, a lack of vehicles and basic equipment and immature logistics and sustainment capability. Moreover, the spontaneous creation of new units exacerbates existing shortages of personnel and equipment. In addition, budget shortfalls will likely affect the ISF adversely unless the PM and the legislature can find salient ways to fund it.

The sectarian composition of the ISF will continue to hinder operational effectiveness. The National Police, which will take on increasing responsibility for internal security, is estimated to be heavily staffed – maybe upwards of 75% – by Shia. The Ministry of Interior reorganized the National Police and the Coalition provided extensive retraining in an effort to counter corruption and abuses, but many Sunni Arabs

still associate the organization with targeting Sunni Arabs during the sectarian violence that marked 2006 and early 2007. As a result, the prospect of National Police deployments has increased tension within Sunni majority provinces. Incorporating more Sunni officer recruits into National Police units in Mosul and Anbar provinces is helping to dispel some of the perceptions of the National Police being a strictly Shia-dominated force. In addition, as the National Police continues to expand, the ethnosectarian composition of the force is expected to be more representative of the population.

The Kurdish presence and claims across northern Iraq's disputed territories is fueling ethnic tensions and potential violence between Kurds and Arabs. The constitutional process for resolving disputed territories outlined in Article 140 of the Iraqi Constitution has stalled, and the UN's three-phase plan to facilitate the Article 140 process has not achieved measurable progress. Political tensions increased last August when PM Maliki challenged Kurdish control of Khanaqin in northern Diyala province. Also, in early December, Iraqi Army movements around Kirkuk – territory also claimed by the Kurds – further increased tensions. Coalition engagement helped diffuse the situation, but both GOI and Kurdish Regional Government (KRG) military forces remain deployed around the cities. PM Maliki's assertiveness, combined with increasing opposition to Kurdish territorial claims within the Iraqi parliament, will likely force the Kurds to adjust their strategy for incorporating disputed territories, including Kirkuk, into the KRG. The Kurds see their political leverage on this issue diminishing and as a result, fear the GoI will attempt to seize control of disputed areas the Kurds currently hold – especially in Ninawa and Kirkuk governorates. This may be the greatest potential flashpoint in Iraq for 2009.

Turkey remains concerned about Kurdish separatism as well as the threat posed by the Kurdish terrorist group, the Kongra Gel or KGK. However, historic talks last October between KRG President Masoud Barzani and senior Turkish leaders may represent a thaw in Turkey's hard-line stance and a growing recognition that long-term resolution to the KGK issue will come through diplomatic efforts in addition to military

action. KRG action on Turkish demands will be critical to continued diplomatic developments.

Iran continues to provide money, weapons and training to some Iraqi Shia militants despite pledges by senior Iranian officials to stop such support. The weapons include Explosively Formed Penetrators (EFPs) with radio-controlled, remote arming and passive infrared detonators, mortars, rockets, rocket-propelled grenades and launchers, small arms ammunition and explosives.

The Islamic Revolutionary Guard Corps (IRGC) is part of the Iranian government and has a central role in carrying out Iran's policies in Iraq through its special operations command – the Qods Force. The IRGC-Qods Force holds the Iraq portfolio within the Iranian regime and posts officers in Iran's diplomatic missions throughout Iraq, including Iran's current Ambassador to Iraq, Hassan Kazemi-Qomi, who is a Qods Force officer. The IRGC-Qods Force covertly trains, funds and arms Iraqi insurgents and militias. It also offers strategic and operational guidance aimed at undermining U.S. interests in Iraq. The IRGC-Qods Force junior partner, the Lebanese Hizballah, has trained Iraqi insurgents in Iraq, Iran and Lebanon. The Lebanese Hizballah provides insurgents with the training, tactics and technology to conduct kidnappings, small unit tactical operations and employ sophisticated improvised explosive devices (IEDs), incorporating lessons learned from operations in southern Lebanon.

Iran is training Shia militants in use of IEDs and EFPs and efforts to defeat these weapons and the networks that design, build, emplace and fund them draw persistent counter-responses. The flow of new IED technologies and highly creative emplacement and employment methods underscore the enemy's ability to adapt and react quickly and efficiently. Although there is a coercive aspect to Iranian policy in Iraq – with Iran seeking to use all sources of national power to secure greater influence in Iraq – Tehran and Baghdad generally enjoy a positive relationship and there is no evidence that the Iranians are seeking to topple Maliki's government.

The flow of foreign terrorists into Iraq and the number of associated suicide attacks have declined, due in large part to increased security measures and disruptions to the AQI network. At the same time, the nations where foreign fighters originate or transit have increased their counter-terrorism efforts, especially targeting foreign fighter transport networks.

AFGHANISTAN AND PAKISTAN

The security situation in Afghanistan continued to worsen in 2008, driven by an increasingly proficient insurgency, government inability to deliver basic services to portions of the country and insurgent access to safehavens in western Pakistan. Through its use of violence and intimidation, the Taliban-led insurgency in Afghanistan continued to undermine confidence in the government's ability to provide security and justice. While the insurgency remains concentrated in the Pashtun-dominated south and east, it continued to expand over the past year to some western areas that lack effective security and government presence. As Afghanistan prepares for presidential elections in 2009, these factors will contribute to a more challenging environment than in 2008. Across the border, Pakistan also faces simultaneous economic, political and security challenges. The government faces an expanded militancy, which finds sanctuary in the Federally Administered Tribal Areas (FATA), and an economy beset by falling foreign exchange reserves, a depreciating currency and high inflation. Despite an international economic aid package, the economy will continue to struggle in 2009.

Although the Taliban have not demonstrated an ability to conduct sustained conventional operations, it has increased attacks every year since 2002. Enemy-initiated violence in 2008 grew by fifty-five percent over levels in 2007. Statistics also show a twenty-one percent increase in suicide bombings, a 106 percent increase in the use of IEDs, and a thirty-three percent increase in small arms attacks. Some of these trends

reflect the International Security Assistance Force's (ISAF) increased activities in expanded operational areas.

Insurgents in Afghanistan have expanded their use of tactics and techniques, such as kidnappings and suicide attacks, demonstrating the adaptive nature of the threat. Despite pledges by some local Afghan tribes to restrict border transit, insurgents continue to cross the porous Afghan-Pakistani border to safehavens in western Pakistan. Along Afghanistan's eastern border, Iran has sought to expand its influence in Afghanistan. Iran advances its goals through legitimate business and humanitarian efforts along with weapon shipments that include EFPs, rocket propelled grenades, mortars, rockets, small arms ammunition and explosives.

While the Taliban lost several key commanders in 2008, steady access to local Pashtun and foreign fighters has allowed them to sustain operations. Al-Qaida's presence in Afghanistan has increased to levels unseen since 2001-2002. Al-Qaida collaborates closely with the Taliban and other insurgent elements and supports the insurgency with personnel, training and resources, particularly in Afghanistan's south and east. Taliban and al-Qaida use of information operations have played to both domestic and international audiences, raising the profile of the insurgency and encouraging additional financial and personnel support.

Afghanistan's army and police forces continue to slowly increase in size and effectiveness, but this growth has not kept pace with the Taliban's ability to exploit a lack of security presence. The Afghan National Army (ANA) has grown from 49,000 to approximately 80,000 over the last year, fielding six new commando battalions which are specifically trained to handle counter-insurgency operations. Half of Afghanistan's combat arms units can lead combat operations, albeit with Coalition support. The Afghan people generally view the army as one of the most trusted Afghan institutions. In contrast, Afghan National Police (ANP) forces still require considerable training and Coalition support to fulfill their mission. The ANP has reportedly grown from 75,000 to

approximately 80,000 over the last year. The Afghan government has subsequently initiated a program to improve police performance. As of January, police from 52 of the most violent districts in Afghanistan's have participated in training. Despite measured progress, the government continues to struggle against violence, corruption and narcotics trade.

Over the next year, the Afghan government will remain vulnerable to insurgent violence, the narcotics trade, foreign influences and disruptive political maneuvering ahead of the 2009 Afghan presidential election. Without significant improvements in the government's ability to deliver basic services and provide increased security, Afghan popular discontent will persist and could worsen especially in areas where corruption persists, select Pashtun tribes remain disenfranchised and the economy does not provide basic employment opportunities.

In Pakistan, the FATA continues to provide vital sanctuary to al-Qaida, the Afghan Taliban and a number of foreign and Pakistan-based extremist groups. Al-Qaida exploits the permissive operating environment to support the Afghan insurgency while also planning attacks against the U.S. and Western interests in Pakistan and worldwide. Together with the Afghan Taliban and other extremist groups, al-Qaida uses this sanctuary to train and recruit operatives, plan and prepare regional and transnational attacks, disseminate propaganda and obtain equipment and supplies. All these groups consider U.S. and Western interests, as well as Pakistan's army and other Pakistani government interests as legitimate targets, as demonstrated by the attacks against the Danish Embassy and Marriott Hotel in Islamabad.

Pakistan's military has expanded paramilitary forces and deployed additional troops to the area in an effort to contain the threat. Pakistani military operations in Bajaur Agency have been met with fierce resistance by militants. While militants previously have been unable to sustain attacks in the face of a military response, militants in Bajaur maintain extensive networks and reinforcements, helping them remain

entrenched. In the Swat Valley, a “settled” district of the Northwest Frontier Province (NWFP), the government recently agreed to militant demands to impose Shari’a law in the district, a move that could embolden militant organizations in other parts of the country.

Pakistani leaders stress the importance of national sovereignty and condemn cross-border military actions from Afghanistan. Nevertheless, while Pakistan has allowed limited U.S. assistance in counter-insurgency training, it is much more receptive to increased intelligence sharing, technical cooperation, and equipment and armaments to improve its counter-terrorism and counter-insurgency capabilities. Although U.S. efforts to address Pakistani counter-insurgency deficiencies are underway, it will take years before meaningful capabilities are likely to be developed.

While some Pakistani senior leaders have publicly acknowledged that extremism has replaced India as Pakistan’s preeminent national security threat, India remains a high-priority, long-term concern. On matters of external defense, Pakistan seeks stability and a balance of power deterrent across the region through continued improvements to its nuclear and conventional forces, although the economic decline will likely slow progress in these areas.

Pakistan continues to develop its nuclear infrastructure, expand nuclear weapon stockpiles and seek more advanced warheads and delivery systems. Pakistan has taken important steps to safeguard its nuclear weapons, though vulnerabilities exist.

Strategic rivalry with India continues to drive Pakistan’s development of an expanding array of delivery systems. Islamabad is developing cruise missiles such as the Babur for ground-launch and the Ra’ad for air-launch. Pakistan may pursue other launch platforms and missions for these missiles.

Meanwhile, Pakistan continues to develop the Abdali short-range and the Shaheen II medium-range ballistic missiles. Significant progress was made last year in the

Shaheen II's development and when deployed it would become Pakistan's longest ranged ballistic missile, capable of reaching targets out to 2000 kilometers. These two missiles will join a missile inventory that already includes nuclear- and conventionally-armed short- and medium-range ballistic missiles.

TRANSNATIONAL TERRORIST THREAT

Al-Qaida is committed to imposing its own interpretation of Islamic rule upon the Muslim world and is the most significant terrorist threat to U.S. interests worldwide.

Al-Qaida retains the operational capability to plan, support, and direct transnational attacks despite the deaths of multiple senior level operatives. The operating environment in the FATA – along with supportive indigenous elements in Pakistan - not only allows al-Qaida to support the Afghan insurgency, conduct attacks in Pakistan, and prepare transnational attacks against the West, it also provides the time and space needed to train and develop the next generation of al-Qaida leadership.

Al-Qaida continues to recruit and train operatives who can travel easily, without drawing scrutiny from security services. In addition to being a target in its own right, Europe could be used as a platform from which attacks against the United States could be initiated.

Al-Qaida continues efforts to acquire chemical, biological, radiological, or nuclear (CBRN) materials and would not hesitate to use such weapons if the group develops sufficient capabilities. CBRN-related information is widely available on the internet and, in many cases, small scale or crude agents are easy to construct. Al-Qaida and its associates are most likely to use low-level CBRN agents such as ricin, botulinum toxin or toxic industrial chemicals such as cyanide and chlorine.

In 2008, Usama bin Ladin issued four statements and al-Zawahiri issued ten. Each has issued one statement thus far in 2009. The continued release of statements by the group's leaders and senior operatives who have not previously appeared in propaganda, is an attempt to convey health, a robust leadership core, and influence over the movement. The wide array of speakers is likely meant to signal that al-Qaida's viability transcends bin Ladin and al-Zawahiri. The messages are designed to encourage donors, enlist recruits, guide the movement, and drive a wedge between the United States and its allies.

Al-Qaida increasingly lost operatives, including senior planners and trainers, to counter-terrorism operations in Pakistan. Mid-level operatives rise to advance plans and operations; however, sustained counter-terrorism operations strain the group's ability to recuperate from leadership losses, degrade transnational attack capabilities, and disrupt regional attack planning. Nevertheless, capable al-Qaida operatives remain.

Al-Qaida continued to further relationships with compatible regional terrorist groups to extend the organization's financial and operational reach. Al-Qaida uses such mergers to foster public perceptions of its worldwide influence, pursue its transnational agenda and to strike U.S. and Western interests in new areas. As these mergers multiply, the threat may increase as new franchises adopt al-Qaida's targeting priorities, against U.S. and Western interests.

Al-Qaida in the Lands of the Islamic Maghreb (AQIM) continues to expand its operational activities outside Algeria with several attacks against Western interests in both Mauritania and Tunisia. Despite increased counter-terrorism efforts by North African governments, AQIM continues to improve its ability to conduct sophisticated large-scale attacks in North Africa and the Sahel.

East Africa remains an environment conducive to large, casualty-producing attacks such as the 1998 embassy bombings. Despite regional counter-terrorism operations since late 2006, senior East Africa-based al-Qaida operatives remain at large and likely continue attack planning against U.S. and Western interests in the region.

Recent propaganda from both al-Qaida and the Somalia-based terrorist group al-Shabaab highlighting their shared ideology suggests a formal merger announcement is forthcoming. Al-Shabaab has conducted near-daily attacks against regional government and security forces in Somalia, including suicide VBIED attacks in Puntland and Somaliland. Cooperation among al-Qaida inspired extremists throughout the region strengthens al-Qaida's foothold in Africa.

In south Asia, the November 2008 attack in Mumbai highlighted the increasing ability of terrorist organization Lashkar-e-Tayyiba (LT) to direct and execute terrorist attacks inside India. Besides raising India-Pakistan tensions, the targeting of foreign nationals and Jewish interests, as well as the coordination and complexity of the operation, marked a departure from previous attacks and raised concerns in the region.

In Southeast Asia, the Jemaah Islamiyah (JI) and Abu Sayyaf Group (ASG) are the terrorist groups that pose the greatest threat to U.S. interests. The JI, which is based mainly in Indonesia, works regionally with other Islamic terrorist and separatist groups, including with the ASG, based in the Philippines, to achieve its goal of establishing a regional caliphate. Two JI operatives were arrested in Malaysia, but other senior operatives remain at large. While JI has not carried out a large-scale attack in Indonesia since the 2005 attack in Bali, raids and arrests by Indonesian authorities in mid-2008 revealed caches of bombs and explosives - clear signs that the group maintains the interest and capability to conduct attacks.

A comprehensive peace accord remains elusive in the Philippines, where the Moro Islamic Liberation Front (MILF) and Philippine government continue to discuss conditions for resuming peace talks. The breakdown in negotiations spurred MILF bombings in Mindanao; violence likely will continue until both sides can agree on terms to resume negotiations. While Philippine counter-terrorism efforts have disrupted some attacks, ASG and other terrorists retain the capability to conduct operations.

Following the February 2008 killing of Hizballah terrorist leader Imad Mughniyah, Hizballah publicly threatened retaliation. Reprisals against those Hizballah believe responsible remains likely.

REGIONAL ISSUES AND MILITARY DEVELOPMENTS

IRAN

Iran's military is designed principally to defend against external threats from more modern adversaries and threats posed by internal opponents. However, Iran could conduct limited offensive operations with its ballistic missile and naval forces.

Diplomacy, economic leverage and active sponsorship of terrorist and paramilitary groups are the tools Iran uses to drive its aggressive foreign policy. In particular, terrorism is used to pressure or intimidate other countries, and, more broadly, to serve as a strategic deterrent. Iran assesses that its use of terrorism provides benefits with few costs and risks. Iran continues to provide lethal aid to Iraqi Shi'a militants and Afghan insurgents while simultaneously providing weapons, training and money to Lebanese Hizballah, its strategic partner.

Within the country's borders, modernization of Iran's conventional military inventory has traditionally favored naval and air defense forces over ground and air units, while all services have worked to improve their doctrine and tactics. Ongoing naval modernization is focused on equipment such as fast missile patrol boats as well as anti-ship cruise missiles and naval mines. Iranian broadcasts claim that Iranian UAVs have monitored U.S. aircraft carrier operations in the Persian Gulf. All naval elements have also developed and practiced methods intended to counter U.S. technical superiority.

Iran continues to invest heavily in advanced air defenses, reversing decades of neglect in this arena. Iran has deployed the advanced SA-15 tactical surface-to-air missile (SAM) systems and continues to express interest in acquiring the long-range SA-20. Iran's procurement of modern SAMs with automated command, control and communications systems will improve its ability to protect senior leadership and key nuclear and industrial facilities.

While not investing in major new ground systems since at least early 2005, Iran is building an asymmetric capability to counter more advanced, adversary ground forces, including enhancements to its Basij volunteer forces, which would play a large role in an asymmetric fight. IRGC ground forces are reorganizing to improve coordination in preparing for and countering internal and external threats. Regular ground forces may be included in that consolidation, and all ground forces continue training to better defend against potential invaders.

Regular Iranian ballistic missile training continues throughout the country. Iran continues to develop and acquire ballistic missiles that can range Israel and central Europe, including Iranian claims of an extended-range variant of the Shahab-3 and a 2,000-km medium range ballistic missile (MRBM), the Ashura. Iran's 2 February 2009 launch of the Safir Space Launch Vehicle shows progress in some technologies relevant to ICBMs. Beyond the steady growth in its missile and rocket inventories, Iran has boosted the lethality and effectiveness of existing systems with accuracy improvements and new sub-munition payloads.

With the rest of the Intelligence Community, we judge that Iran halted its nuclear weaponization and covert uranium conversion and enrichment-related work in 2003, but we assess that Tehran at a minimum is keeping open the option to develop nuclear weapons. Iran continues to develop its overt enrichment program in defiance of U.N. Security Council resolutions. Iran is producing uranium enrichment feed material at Esfahan, claims to be enriching uranium in 5,000 centrifuges at Natanz and is working on

more advanced centrifuges. It also continues to build a heavy water reactor at Arak which will be capable of producing plutonium that could be processed for use in a weapon if required facilities are developed.

DIA judges Iran's biological warfare (BW) efforts may have evolved beyond agent R&D, and we believe Iran likely has the capability to produce small quantities of BW agents but may only have a limited ability to weaponize them. Iran continues to engage in dual-use research and seek biotechnical materials, equipment and expertise, which have legitimate uses but could also enable ongoing biological warfare efforts.

We assess that Iran maintains dual-use facilities intended to produce chemical warfare agents in times of need and conducts research that could have offensive applications.

SYRIA

Syria is trying to balance a complex mix of objectives throughout the region, particularly in Lebanon and Iraq, to both pursue its interests and protect itself in the volatile regional environment. Syria likely sees its foreign policies as successful, especially in Lebanon, as it has engaged with a steady stream of world leaders since it helped end Lebanon's political crisis in May.

Syria seeks improved relations with the Iraqi government, in particular lucrative renewed economic cooperation, while at the same time harboring Iraqis with ties to insurgents and other oppositionists in Iraq.

Syria in recent weeks took steps to normalize relations with Lebanon, and in mid-October formally established diplomatic ties for the first time ever and took initial steps toward opening an embassy in Beirut. Yet Syria still seeks to strengthen its influence in Lebanon through its continuing support to Hizballah and other pro-Syrian allies. We judge that Syria will seek to expand its influence over the Lebanese government,

especially in the upcoming 2009 elections, so that it can secure a role for itself in any wider Middle East diplomatic efforts and continue to stymie any legislation that threatens its interests, such as the United Nations' investigation into former Lebanese Prime Minister Hariri's assassination.

Internally, the regime is trying to counter Islamic extremists that pose a threat to Syria, as highlighted by a car bombing in Damascus in September that killed 17 people. Partly in response to Western pressure and in an effort to curb extremist threats to the regime, some foreign terrorist movements from Syria into Iraq are blocked. Nonetheless, Syria remains the primary gateway for Iraq-bound foreign fighters and numerous terrorist groups operate from Syrian territory.

With regard to its external defense, Syria's military remains in a defensive posture and inferior to Israel's forces, but it is upgrading its missile, rocket, antitank, aircraft and air defense inventories. We judge it is likely giving anti-tank guided missiles to Hizballah as Syria remains committed to providing high levels of support to the organization. Syria increasingly perceives Hizballah as an extension of its own defense capabilities against Israel in potential future conflicts. __

Significant air defense related deliveries include at least two SA-22 self-propelled short-range gun and missile air defense systems from Russia in June 2008, out of a contract for several dozen. Recent Syrian contracts with Russia for future delivery include new MiG-31 and MiG-29M/M2 fighter aircraft, and the SA-X-17 medium-range SAM system.

Syria's chemical warfare program is well established with a stockpile of nerve agent, which it can deliver by aircraft or ballistic missiles. During the past several years, Syria has continued to seek chemical warfare-related precursors and expertise from foreign sources. Syria has the facilities and the expertise to domestically produce, store and deliver chemical agents. Syria will continue to improve its chemical warfare capability for the foreseeable future to counter regional adversaries.

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Based on the duration of Syria's longstanding biological warfare (BW) program, we judge some elements of the program may have advanced beyond the research and development stage and may be capable of limited agent production. Syria is not known to have successfully weaponized biological agents in an effective delivery system, but it possesses a number of conventional and chemical weapon systems that could easily be modified for biological agent delivery.

Syria's ballistic missile inventory is designed to offset shortfalls in the country's conventional forces. It includes older Russian built SS-21s as well as SCUD B, SCUD C, and SCUD D missiles. Syria continues to flight test ballistic missiles which it views as a strategic deterrent against Israel.

LEVANT

The Levant remains tense with the potential for renewed conflict. Israel, Hizballah and Syria are internalizing lessons learned from the summer 2006 conflict in preparation for potential future conflict. While none appear to want fighting to resume now, they all view its likelihood over the medium term. The period of high tension between Israel and Syria during the summer of 2007 has subsided. Nevertheless, Israel remains concerned over Syria's military posture. Similarly, Syria fears an Israeli attack.

Senior Israel Defense Force leaders are driving an intense effort to fix shortcomings in readiness, training, logistics and combined arms operations identified following the summer 2006 war.

Iran and Syria jointly continue to support anti-Israel terrorist and militant groups in Lebanon and the Palestinian territories. However, the alliance between secular Arab Syria and theocratic Persian Iran is not a natural one, and may erode if Syria is accommodated significantly in any diplomatic agreement with Israel.

Israel's recent Operation CAST LEAD in the Gaza Strip, HAMAS' rise to power in Gaza, the resultant bifurcation of control of the Palestinian territories and the ongoing rivalry between HAMAS and Fatah complicate Israeli-Palestinian peacemaking efforts. Operation CAST LEAD, which took place 27 December – 18 January, aimed at reducing HAMAS rocket fire into Israel and weapon smuggling into the Gaza Strip and sought to deter future HAMAS attacks on Israel. The resulting ceasefire, details of which are still being negotiated by Egypt, is likely to result in a period of calm over the next year or so but will not address the long-term problems of HAMAS control of the Gaza Strip. Unless a political solution to the intra-Palestinian division and HAMAS' rejection of peace with Israel is found, another round of fighting in the Gaza Strip is likely in the mid-term future. HAMAS will attempt to use the ceasefire to rebuild and improve its military capability while seeking to control reconstruction of the Gaza Strip. Increased international cooperation against HAMAS and Iranian arms smuggling efforts will hamper HAMAS' rearmament but will not affect HAMAS' ability to maintain control in Gaza.

After 18 months of political stalemate, former Lebanese Armed Forces (LAF) Commander Michel Sleiman became Lebanon's President on 25 May 2008. Sleiman's election followed the armed mid-May takeover of west Beirut by Lebanese Hizballah and the subsequent 21 May 2008 Doha agreement which quelled intra-Lebanese political infighting and ended the political impasse over the election of a new President. Currently Lebanese leaders are focused on the upcoming parliamentary elections scheduled for 7 June 2009. However, significant destabilizing influences remain: the rearming of militias and Syria's effort to maintain its influence in Lebanon, as well as the status of Hizballah's arms and its role, if any, in a Lebanese national defense strategy.

Al-Qaida and other Islamist terrorist groups have tried to develop support and operate in Lebanon and the Palestinian territories. They have, however, encountered obstacles in attaining these goals.

CHINA

China is strengthening its ability to conduct military operations along its periphery on its own terms. It is building and fielding sophisticated weapon systems and testing new doctrines that it believes will allow it to prevail in regional conflicts and also counter traditional U.S. military advantages.

The People's Liberation Army (PLA) is increasingly building its own sophisticated aircraft, surface combatants, submarines and weapon systems while still purchasing select systems from overseas. As an example, to improve its air defenses China is producing the 4th Generation F-10 fighter aircraft along with the PL-12 air-to-air missile, yet has continued to import SA-20 Surface to Air Missiles (SAM) from Russia. China has developed and begun to deploy indigenous SAM systems which, together with SAMs imported from Russia, provide a modern, layered, ground-based air defense capability to defend important assets. China bought a total of sixteen SA-20 air defense battalions, eight of which have an increased engagement range from 150 to 200 km. China is developing a layered maritime capability with medium-range anti-ship ballistic missiles, submarines, maritime strike aircraft and surface combatants armed with increasingly sophisticated anti-ship cruise missiles.

The PLA has achieved moderate success in introducing these new weapons. Additional integration probably will accelerate as the PLA explores the full potential of new weapons.

China is looking beyond a potential Taiwan contingency and is pursuing capabilities needed to become a major regional power. The navy already operates a large surface fleet, an increasingly modern submarine fleet, and increasingly appears likely to pursue an aircraft carrier development program. The air force is developing an extended-range, land-attack cruise-missile-capable bomber. However, China must still integrate

new doctrinal concepts and it also lacks the overseas bases needed for extended operations. China will most likely increase maritime patrols of disputed oil fields and its Exclusive Economic Zone, although not achieve a true regional power projection capability in the next decade.

Moving away from its historical reliance upon mass conscription, China is trying to build a more professional military workforce – one able to engage successfully in modern warfare. The PLA seeks to rejuvenate its officer corps, strengthen military education, reform its non-commissioned officer corps, improve military quality of life and combat corruption.

China's deployed missile inventory includes nuclear-armed intercontinental, intermediate- and medium-range ballistic missiles, conventional medium- and short-range ballistic missiles and cruise missiles. China's nuclear force is becoming more survivable with the deployment of DF-31 and DF-31A road-mobile intercontinental ballistic missiles (ICBMs) and the eventual deployment of the JL-2 submarine launched ballistic missile. China currently has less than 50 ICBMs capable of targeting the United States; however the number of ICBM warheads capable of reaching the United States could more than double in the next 15 years, especially if multiple, independently-targeted reentry vehicles (MIRVs) are employed. China has also fielded over 1000 CSS-6 and CSS-7 conventional short-range ballistic missiles (SRBMs) opposite Taiwan. It also is developing more capable medium- and intermediate-range conventional missiles able to range U.S. and allied military installations in the region.

China's nuclear weapon stockpile likely will grow over the next 10 years as new ballistic missiles are activated and older ones are upgraded. China likely has produced enough weapon-grade fissile material to meet its needs for the immediate future. In addition, China likely retains the capability to produce biological and chemical weapons.

China's security strategy emphasizes strategic defense, which integrates diplomacy, economics and information operations with conventional military forces.

However, growing capabilities in counter-space, cyber warfare, electronic warfare and long-range precision strike could enable China to achieve strategic surprise

While Chinese security strategy favors the defense, its operational doctrine does emphasize seizing the initiative through offensive action, including possible preemptive action. China does not view an offensive operational doctrine within the context of a strategic defense as contradictory.

China's total military-related spending for 2008 could be as much as \$120 to \$175 billion. China has made marginal improvements in military budget transparency, but the PLA's disclosed budget still does not include major categories of expenditures. . China's accounting opacity is inconsistent with international standards for reporting military spending. China also remains reluctant to share details about its growing counterspace capabilities.

China maintains an active presence in the South and East China Seas. Chinese operations in the South China Sea, covering areas such as the Spratly and Paracel islands, include reconnaissance patrols, training and island defense, air defense and service support exercises. China also has conducted operations in the East China Sea area, including patrols to protect its maritime interests and claimed oil and gas resources.

In late December China deployed naval combatants to the Gulf of Aden to conduct counter-piracy operations. Since December the navy has escorted several Chinese merchant vessels through the Gulf of Aden. While the duration of the deployment is expected to last approximately three months, Chinese press reporting indicates that replacement warships could be made available to continue operations. This is the first time the Chinese Navy has deployed conducting operations outside of East Asian waters.

NORTH KOREA

UNCLASSIFIED

North Korea's main goals are to preserve its current system of government while improving its economic situation, albeit at a pace it believes will not threaten internal stability. Pyongyang does not view its nuclear ambitions, a large active duty force of about 1.2 million, and improved relations with the United States, as mutually exclusive. Rather they are the means Pyongyang uses to realize its goals.

North Korea's large, forward-positioned, but poorly-equipped and poorly-trained military is not well-suited to sustain major military operations against the South. We believe as a result of its comparative limitations, North Korea is emphasizing improvements in its deterrent capability and its ability to defend against technologically superior forces. The long-range artillery the North has positioned near the DMZ is complemented by a substantial mobile ballistic missile force with an array of warhead options to include weapons of mass destruction that can range U.S. forces and our allies in the Republic of Korea and Japan. North Korea relies upon these capabilities to ensure its sovereignty and independence and occasionally to remind the U.S. and neighboring countries of its military capabilities in order to have its positions and demands taken seriously.

After a failed July 2006 test launch, North Korea has continued development of the Taepo Dong 2 which could be used for space launch or as an ICBM. North Korea announced in late February that they intend to launch a communications satellite, the Kwangmyongsong-2. North Korea also continues work on an intermediate range ballistic missile.

Last year, progress in the Six-Party Talks was sporadic. In June North Korea provided its overdue nuclear declaration of plutonium activities and publicly demolished the Yongbyon cooling tower, but began reversing disablement measures in August in response to its continued presence on the U.S. State Sponsors of Terrorism List. Although North Korea resumed disablement of its nuclear program following its removal from the list in October, should the Six-Party Talks break down, the North is likely to

respond with resumed production of fissile material at Yongbyon while also increasing rhetoric intended to encourage a return to dialogue on the North's terms. In such a scenario, additional missile or nuclear tests could occur.

North Korea could have stockpiled several nuclear weapons from plutonium produced at Yongbyon and it likely sought a uranium enrichment capability for nuclear weapons at least in the past. It has proliferated nuclear weapons-related technology abroad. North Korea may be able to successfully mate a nuclear warhead to a ballistic missile.

North Korea has had a longstanding chemical warfare program and we believe North Korea's chemical warfare capabilities probably includes the ability to produce bulk quantities of nerve, blister, choking and blood agents. We believe Pyongyang possesses a sizeable stockpile of agents.

North Korea is believed to have a long-standing biological warfare (BW) program that could support the production of biological warfare agents. North Korea is party to the Biological and Toxin Weapons Convention, but has submitted only one confidence-building measure declaration and has admitted to no offensive BW activities.

Kim Jong Il reportedly suffered a stroke in August 2008 but appears to have largely recovered, making frequent media appearances that are likely meant to show international and domestic audiences that he remains firmly in control. Leadership succession, should it occur due to Kim's sudden death, is likely to progress smoothly in the near term but, because the regime is structured around one-man rule, becomes problematic in the longer term as key individuals and factions compete for control.

RUSSIA

Russia continues on the more assertive path set by former President Putin, who passed the presidency to Dmitriy Medvedev in May but continues to wield significant authority as prime minister. Russia is trying to re-establish a degree of military power that it believes is commensurate with its economic strength and general political confidence – although the current global economic downturn may limit Moscow’s ability to achieve its goals. Perceived Western encroachment into its claimed areas of interest and Islamic or insurgent threats along its periphery are driving Russia’s current military activities and modernization efforts.

Russia’s widely publicized strategic missile launches and increased out-of-area activity are meant to signal Moscow’s continued global reach and relevance to domestic and international audiences. Recent examples are the deployment of two Tu-160/BLACKJACK strategic bombers to Venezuela in September, the Pyotr Velikiy cruiser strike group’s deployment to the Mediterranean during Russia’s major exercise “Stability-2008” and to the Caribbean in November.

Russia opposes closer integration of former Soviet countries with the West and wants to continue its presence in the so-called “frozen conflict” areas. Russian peacekeeping forces in Moldova continue to be a major source of friction. In August, the Russian military defeated Georgian forces in operations around Abkhazia and South Ossetia and remain stationed in those separatist areas. During the Georgia conflict, Russia demonstrated the ability to quickly mobilize and respond with large numbers of ground and air forces. However, Russia also experienced several significant weaknesses in its execution such as a lack of air and ground coordination, the lack of precision weapons and navigation aids, the inability to suppress Georgian air defense forces, and a lack of unmanned aerial vehicles.

Russian conventional force capabilities continue to grow, albeit at a measured pace. Readiness improvements are seen primarily among the conventional Permanently Ready Forces (PRF), such as those used in Georgia. Russia has increased training and

readiness levels in these units above the lowest points of the mid-1990s. However, Russia is finding it hard to improve training quality and modernize equipment while also increasing recruitment and retention rates for the volunteers needed in the PRF and the non-commissioned officer cadre.

In September 2008, Moscow announced a comprehensive set of reforms for its Armed Forces, which, if carried out, would be among the most extensive and far-reaching of any instituted since World War II. While publicly connected with lessons learned from the August conflict with Georgia, these reforms also reflect a much broader and long-term set of evolving Russian threat perceptions and demographic and financial considerations. Under these plans, by 2020 the Russian Armed Forces will be reduced to 1,000,000 personnel, the number of officers slashed from 355,000 to 150,000, military education facilities consolidated, size of the General Staff reduced, most if not all cadre units disbanded and remaining units brought up to permanently-ready status, and those permanently ready units reorganized, streamlined and modernized. While Russia has begun implementing some of these reforms, their ultimate success is problematic. Russia's worsening economy, manning shortfalls, resource constraints, and potential re-think of the reforms' impact on military capabilities will likely slow or even stall some elements.

As part of the announced reforms, Russia plans to speed up the modernization of its active forces. Emphasis reportedly will be given to precision munitions, intelligence assets, submarines, and elements of an aerospace defense system. Russia has made a major commitment of almost 5 trillion rubles (\$200 billion) to its 2007-2015 State Armaments Program to develop and build new conventional and nuclear weapon systems, with priority on maintenance and modernization of the latter. Even after recently announced cuts to its proposed 2009 defense budget, Russia plans to allocate nearly 1.1 trillion rubles (\$45 billion) for the military in 2009. Adjusted for inflation, this represents a 10 percent increase from 2008. However, a significant percentage of this

funding will likely be lost to the defense budget due to corruption, mismanagement, and bureaucratic inefficiencies.

These reforms, if largely carried out, would improve Russian capability to respond to limited, regional threats, but reduce their capability for large-scale conventional war. Making all residual forces permanently-ready and establishing the brigade as the basic ground unit would facilitate rapid mobilization and deployment of these relatively compact units to threatened areas. The decision to disband division and army-level formations also may reflect a belief that any conflict that PRF cannot handle would by necessity, escalate to nuclear. Russian operational plans do provide for the first use of nuclear weapons.

Development and production of advanced strategic weapons continues, particularly on the Bulava SS-NX-32 submarine launched ballistic missile, still undergoing testing despite several publicized failures, and the SS-27 ICBM. Russia deployed six SS-27s in 2008, in addition to the six already placed on alert in December 2006 and 2007. Russian Strategic Rocket Forces also deployed two more SS-27s in silos, increasing the total to 50. Russian media reports say Russia flight-tested its developmental RS-24, a MIRVed version of the SS-27, twice in 2007 and once in 2008, and expects to deploy it in December 2009 after more testing. Russia claims the MIRVed SS-27 can penetrate any missile defense.

The Strategic Arms Reduction Treaty (START) is scheduled to expire on 5 December 2009. Russian officials are eager to continue discussions to replace the treaty with a new legally-binding agreement in order to maintain strategic stability. Russia retains a relatively large stockpile of non-strategic nuclear warheads. Nuclear material diversion remains a concern despite increased security measures. Some nuclear facilities and research reactors remain vulnerable to internal theft, sabotage or a well-executed terrorist attack.

Russia continues research and development efforts that could support its offensive chemical and biological warfare programs.

Russia signed more than \$10 billion in arms sales agreements in 2007, marking a second consecutive year of high sales. Russia recently signed large contracts with Algeria, India, Iran, Syria and Venezuela, while new agreements with China have declined. Pending sales include advanced weapons such as multi-role fighter aircraft, transport aircraft, aerial refueling tankers, jet trainers, transport helicopters, armored infantry fighting vehicles, main battle tanks and advanced surface-to-air missile systems.

Russia will continue to produce advanced fighter aircraft for export to countries such as India, Malaysia and Indonesia while also seeking additional warplane sales to South America and the Middle East. Moscow also continues to aggressively market its air defense systems, short-range ballistic missile systems and related automated command and control systems to Syria, Iran, Venezuela, China and other countries. Defense industry officials, however, have expressed concern that the effects of the global economic crisis on many of Russia's arms customers may result in declining exports. In the coming year at least, Russia's defense industries will become more reliant on domestic orders.

TURKEY-IRAQ

The Turkish government has conducted numerous limited military operations over the last several months, primarily involving air and artillery strikes, against Kurdish terrorists in northern Iraq in an effort to disrupt their activities and degrade their capabilities. The KGK continues to strike targets throughout southeast Turkey to include a 3 October 2008 attack on a military outpost that killed 17 Turkish soldiers. The 3 October attack generated intense media and public pressure for additional military actions against KGK bases in northern Iraq, which could lead to a small to medium-scale ground

operation this winter or early spring. A large-scale Turkish operation would run the risk of upsetting stability in northern Iraq.

BALKANS

In Kosovo, the security situation remains unsettled. 17 February marked the first anniversary of Kosovo's unilateral declaration of independence. Over the past year a constitution has been put in place and in December the European Union's Rule of Law Mission (EULEX) deployed to Kosovo. While modest progress is being made, EULEX will continue to face challenges, especially in asserting authority in the Serb areas of northern Kosovo. Pristina will continue to look to the U.S. and leading European countries for reassurance and support, to include calls for maintaining a robust international military and police presence. In Bosnia, a political crisis is brewing, as Republika Srpska Prime Minister Milorad Dodik is challenging the country's state-central authorities, seeking greater autonomy and possibly independence. This represents the most significant crisis since the signing of the Dayton Accords of 1995. Dodik's challenge to the central state and the international community could spark violent incidents, but the prospects for widespread violence in Bosnia remain low.

AFRICA

Beyond the threat of terrorism, the U.S. faces no major military threat in Africa, although there are serious challenges to our interests.

Nigeria's oil-rich Niger Delta will continue to be plagued by violence as the root causes of the crisis – high levels of poverty, ethnic tensions, and rampant corruption – persist. Militant attacks are likely to expand beyond the immediate Delta region to affect neighboring Nigerian states as well as offshore hydrocarbon facilities.

In Somalia, the Transitional Federal Government will likely continue to weaken, resulting in a further erosion of order. Largely ineffective, the Somali government is incapable of addressing the social and economic causes contributing to the ongoing piracy threat off the Somali coast. Unaddressed, piracy threatens to disrupt the flow of humanitarian supplies as well as commercial traffic transiting off the Somali coast. Warships from over a dozen nations currently conduct anti-pirate patrols in regional waters and have apprehended over 40 suspected pirates this year; most have since been transferred to Somali and Yemeni authorities for prosecution. Despite this, attacks continue, but at rates lower than the peak of pirate activity in late 2008.

In Sudan, the slow deployment of peacekeeping forces and stalled negotiations will continue to threaten the already desperate humanitarian situation in Darfur. Meanwhile, difficulties surrounding the implementation of the 2005 Comprehensive Peace Agreement will remain a source of tension between north and south Sudan and could lead to incidents of localized confrontation between the former civil war rivals.

LATIN AMERICA

While the United States presently faces no major conventional military threats across Latin America, a number of concerns endure.

Venezuelan President Hugo Chavez, energized by his win in the 15 February National referendum that lifted presidential term limits, vowed to continue efforts to advance his agenda and confront U.S. regional influence. He has announced he will seek another 6-year term in 2012. The significant drop in world oil prices will delay Venezuelan plans to procure submarines, transport aircraft, and a strategic air defense system. Nonetheless, Venezuela has already purchased advanced fighters, attack helicopters, and assault rifles.

Colombian counter-insurgency operations have degraded Revolutionary Armed Forces of Colombia (FARC) field units and operations, which has led to a significant increase in desertions. The FARC, and other drug trafficking organizations, have, however, maintained their dominant position in the global cocaine trade. Since 2002, President Uribe's national security strategy has dramatically bolstered the security forces' capabilities to counter operations of illegal armed groups nationwide. This security force buildup includes adoption and implementation of a joint command doctrine, which has allowed the police and military to decrease the FARC's manpower and capabilities significantly. Moreover, over the past six years, government security forces have removed numerous mid- and senior-level FARC leaders leaving the insurgent organization demoralized and in its most precarious state in the past 10 years.

Bolivian President Morales continues to consolidate power with Venezuelan and Cuban assistance. He also won the 25 January vote on a draft constitution. However, the fact that the constitution was approved by a smaller margin than expected signaled that his popularity may have dropped which has emboldened the political opposition. The opposition continues to resist dialogue on key issues such as greater autonomy for some provinces as well as the sharing of hydro-carbon profits, and their efforts will challenge and perhaps destabilize his government.

The broad support that Cuban President Raul Castro receives from the military, security services and the Communist Party will likely enable him to maintain stability, security, and his own position. The Cuban military's support for Raul Castro shows no signs of reversing. Recent cabinet changes tend to support this assessment. At present there are no indications that a mass migration is imminent.

Growing strains on Mexican drug cartels from the Calderon government's successes is increasing the threat against civilian, military and law enforcement officials and, perhaps, against U.S. counternarcotics personnel in country. Despite recent successes against the Mexican drug cartels, drug-related violence continues to rise with

2008's drug-related murders almost double the 2007 figures. Approximately 45,000 Mexican military personnel have been deployed nationwide as the lead counterdrug force while the government implements law enforcement and judicial reforms.

TRANSNATIONAL ISSUES OF CONCERN

WEAPONS OF MASS DESTRUCTION AND DELIVERY SYSTEMS

The proliferation and potential use of weapons of mass destruction (WMD) and ballistic missiles against U.S. forces, the American people, our allies and interests remains a grave, enduring and evolving threat.

Qualitative and quantitative improvements in state nuclear programs – often linked with delivery system enhancements, further enhances the potential risk. Moreover, concerns remain regarding the safety and security of nuclear weapons and materials worldwide, and the potential diversion of fissile and radiological materials.

As technology progresses and becomes increasingly available in a globalized world environment, the threat posed by chemical and biological weapons could become more diverse and technically sophisticated.

Terrorist organizations will continue to try to acquire and employ chemical, biological, radiological, or nuclear materials in attacks while nation-states expand their WMD capabilities and the survivability, accuracy, and range of the associated delivery systems.

Since mid-2006, numerous U.N. Security Council Resolutions have authorized sanctions against Iranian and North Korean nuclear and ballistic missile programs. While these actions have impeded some acquisition and support efforts, they have not stopped

the programs themselves. Further frustrating sanction efforts is the inconsistent interpretation and enforcement of the resolutions by several key nations.

While some countries such as Russia and China continue to market fully assembled Missile Technology Control Regime (MTCR)-compliant short range ballistic missiles, entities in China and North Korea, motivated by economic and strategic interests, continue to supply controlled technologies, components and raw materials in support of WMD and missile programs, especially across the Middle East and south Asia.

While some of these transfers are proscribed under various WMD-related control regimes, many others are dual-use with legitimate industrial applications. Examples include multi-axis computer numerically controlled machine tools that have applications in nuclear and missile programs, but are also commonly used throughout legitimate industry. Specialty metals such as 7000-series aluminum used in nuclear and missile programs are also commonly used in aircraft and other industries. Some chemicals used in fertilizer production are also controlled chemical weapon precursors and much of the glass-lined equipment used in pharmaceutical production is controlled due to its applicability to chemical and biological weapons programs. These last examples potentially could allow a state to embed an offensive chemical or biological weapons mobilization capability within its existing commercial infrastructure.

Since 1999, Russia has adopted stronger export control laws and amended its criminal code to permit stricter punishment for illegal WMD-related exports. Similarly, China has also moved to enact export control laws to restrict proliferation of WMD-related materials. However, both have been inconsistent in applying these regulations, particularly regarding the sale of dual-use technology.

Non-governmental entities and individual entrepreneurs also remain a great concern. These organizations and the proliferation networks they tie into are often able to sidestep or outpace international detection and export control regimes. By regularly changing the names of the front companies they use, exploiting locations in countries

with more permissive environments or lax enforcement and avoiding international financial institutions, these organizations are able to continue supplying WMD and ballistic missile-related technology to countries of concern.

Most state programs now emphasize self-sufficiency to reduce reliance upon external suppliers, which also limits their vulnerability to detection and interdiction. For example, Iranian weapon makers now advertise their ability to manufacture guidance and control components, such as dynamically tuned gyros. Instead of importing ballistic missile systems, Tehran now produces the SCUD B and C, Shahab-3 and Fateh-110 even though it still depends on outside sources for many of the related dual-use raw materials and components.

While these indigenous capabilities are not always a good substitute for foreign imports, particularly for more advanced technologies, they prove adequate in many cases. Consequently, as some countries forego imports in favor of indigenous WMD-related production, they position themselves anew as potential secondary proliferators.

Even though most advanced nations cooperate against WMD proliferation, a number of trends beyond direct government control still fuel the threat. They include commercial scientific advances, the availability of relevant dual-use studies and information, scientists' enthusiasm for sharing their research and the availability of dual-use training and education.

Overall, the threat posed by ballistic missile delivery systems is likely to increase while growing more complex over the next decade. Current trends indicate that adversary ballistic missile systems, with advanced liquid- or solid-propellant propulsion systems, are becoming more flexible, mobile, survivable, reliable and accurate and possess greater range. Pre-launch survivability is also likely to increase as potential adversaries strengthen their denial and deception measures and increasingly base their missiles on mobile sea- and land-based platforms. Adversary nations are increasingly adopting technical and operational countermeasures to defeat missile defenses. For

example, China, Iran and North Korea exercise near simultaneous salvo firings from multiple locations to defeat these defenses.

COMPUTER NETWORK THREATS

The U.S. information infrastructure, which includes telecommunications, computer networks and systems and the data that resides on them, is critical to most aspects of modern life in the U.S. Russia and China possess the most experienced, well-resourced and capable computer network operations (CNO) capabilities that could threaten the U.S., but they are not the only foreign entities that do. Other nations and non-state terrorist and criminal groups are also developing and refining their abilities to exploit and attack computer networks in support of their military, intelligence or criminal goals.

The scope and sophistication of malicious CNO targeting against U.S. networks has steadily increased over the last five years. This is of particular concern because of the pronounced military advantages that the U.S. has traditionally derived from information networks. Potential adversaries that cannot compete directly against the U.S. may view CNO as a preferred asymmetric strategy to exploit our weakness while minimizing or degrading our traditional strengths. In particular, overseas production of information technology components provides opportunities for potentially hostile actors to access targeted systems by exploiting the supply chain at its origin.

Russia and China have the technical, educational and operational ability to conduct CNO against targeted networks. Russia remains the most capable cyber-threat to the U.S. Several high-ranking Russian military officials have promoted CNO's potential against future adversaries. Since 2005 China has been incorporating offensive CNO into their military exercises, primarily in first strikes against enemy networks.

Recent hacking activities emanating from China underscore concerns about potential hostile CNO intelligence collection activities. Several foreign governments to include Germany, India, the United Kingdom, and South Korea, have publicly alleged government and corporate network intrusions by actors in China.

FOREIGN INTELLIGENCE

Our peer competitors, traditional adversaries and today, terrorist organizations pose a significant challenge to the US and in particular our military, as they attempt to steal our secrets, deter our global military operations and influence our national policy. We face a wide range of threats from the activities of foreign intelligence services and terrorist groups which employ classic intelligence tools and tradecraft to collect against US military, diplomatic, and economic interests at home and abroad. Some terrorist groups are capable of conducting fairly sophisticated intelligence operations, to include the conduct of pre-operational surveillance.

Foreign intelligence services directly and indirectly collect unclassified and classified information on key US technologies, particularly military and dual-use, export-controlled items with military application. Several of our traditional adversaries pose a serious and persistent challenge; they have demonstrated exceptional patience and skill in pursuing priority US and military targets. Industrial espionage has a profound impact which negates the effectiveness of our weapons systems and puts our military forces at risk.

The threat to our infrastructure, especially our computer networks, remains a lucrative target to not only our adversaries' intelligence services, but also to organized criminal groups and individuals whose sole objective is to penetrate our network defenses.

UNDERGROUND FACILITIES

We are witnessing the emergence of a new warfighting domain – the subsurface domain. Changes in warfare have dictated that nations to a much greater extent are constructing and relying on deep underground facilities to conceal and protect their most vital national security functions and activities. Two key factors driving these changes are increased overhead reconnaissance capabilities and greater lethality, range, and accuracy of precision-guided munitions.

In the past year, our potential adversaries have constructed dozens of deep underground facilities for their ballistic missile forces, including theater and intercontinental ballistic missiles. The use of underground facilities complicates the Intelligence Community's ability to monitor ballistic missile activities, and it improves the survivability of these weapons.

Iran and North Korea protect major elements of their nuclear programs in underground facilities. In the 2006 conflict with Lebanon, Hizballah complicated Israeli targeting by using underground facilities to store weapons, conduct operations, and launch rockets; construction of underground havens by terrorist organizations is continuing.

Contributing to a large increase in underground facility construction are recent and rapid advances in commercially available Western tunneling technology. As potential adversaries improve their ability to build underground facilities, the U.S will find it harder to locate and successfully target these critical facilities.

SPACE AND COUNTER-SPACE

The international proliferation of space-related expertise and technology is increasing, largely through commercial enterprises, and is helping other nations acquire space and space-related capabilities, including some with direct military applications.

Because most space technologies have both civilian and military uses, this trend is providing a growing list of countries and non-state groups with more capable communications, reconnaissance, navigation and targeting capabilities. Insurgents in Iraq, for example, have been captured in possession of commercial satellite imagery.

Russia and China are developing systems and technologies capable of interfering with or disabling vital U.S. space-based navigation, communication and intelligence collection capabilities. Other countries have already deployed systems with inherent capabilities to support or conduct anti-satellite (ASAT) engagements, such as satellite-tracking, systems capable of jamming satellite communications, and laser range-finding devices. However, these technologies are costly and most countries that want them are not expected to buy them soon. Aside from Russia and China, countries and non-state actors interested in acquiring counterspace capabilities will likely develop denial and deception techniques to defeat space-based imagery collection, conduct electronic warfare or signal jamming, and conduct physical attacks on ground-based space assets.

China's space and counterspace capabilities have significant implications for U.S. space-based communications, intelligence, surveillance and reconnaissance (ISR) operations. China operates communications, ISR, navigation and Earth resource systems with military applications and will continue to deploy more advanced satellites through the next decade. In addition to its direct ascent ASAT program successfully tested in January 2007, China is developing jammers and kinetic and directed-energy weapons for ASAT missions. By adapting technologies from its manned and lunar space programs, China is improving its ability to track and identify satellites — a prerequisite for anti-satellite attacks.

Russia is making progress modernizing its already formidable space and counterspace capabilities. Efforts are underway to improve Russian navigation, communications, ballistic missile launch detection, and intelligence-gathering satellites. Russia also is enhancing its extensive space surveillance and tracking systems, and maintains a number of systems, such as exoatmospheric antiballistic missiles and satellite-tracking laser range-finding systems, with inherent counterspace applications, and continues to research or expand directed-energy and signal jamming capabilities that could target satellites.

ADVANCED AND IMPROVISED WEAPONS

Improvised weapons and advanced weapons such as IEDs, long-range rockets, and highly accurate guided missiles give non-state actors the capability to inflict losses against technologically superior opponents at a relatively low cost and with little training. The use of these weapons can produce operational and strategic-level effects beyond the battlefield when used to their maximum effect at the tactical level and publicized through the media or internet. This exposure provides terrorist and insurgent groups with a magnified politico-military potential that exceeds their historical norm.

For example, Hizballah inflicted significant Israeli casualties and challenged Israeli ground operations and plans while using scores of advanced anti-tank guided missiles against Israeli ground forces during the summer 2006 Lebanon conflict. Hizballah also heavily damaged an Israeli warship with an anti-ship cruise missile, a military capability once limited to nation-states that Hizballah was not known to possess prior to the conflict.

Advanced shoulder-launched anti-tank missiles and man-portable air defense systems are increasingly available to non-state actors through uncontrolled exports, falsified end-user statements, gray market transfers, ransacked armories and/or direct

supply from sympathetic regimes. Of concern, these weapons are easy to conceal, transport, and use; therefore, are ideal terrorist weapons. These weapons can be used singly or in combination with other asymmetric warfare tactics against high-value and lightly-defended targets such as distinguished personnel, critical infrastructure, and civil transportation.

The threat posed by IEDs is significant. The September 2008 attack on the U.S. Embassy in Yemen combined small arms fire with multiple suicide bombers and suicide vehicle-borne IEDs. The IED threat is a function of the relatively low technological barrier for constructing them, the relative ease in acquiring or manufacturing the explosives, and the growing number of readily available training manuals that demonstrate how to build and effectively deploy them. Terrorist and insurgent groups regularly modify their tactics, techniques, and procedures in an attempt to mitigate counter-IED efforts as well as to avoid previous operational mistakes.

Terrorist and insurgent groups no longer are limited to using stolen commercial explosives or military ordnance for building IEDs. Many groups are using homemade explosives that are manufactured from commercially available chemicals. Several terrorist groups are capable of producing homemade explosive mixtures that equal or exceed the power of military-grade explosives.

CONCLUSION

While combat operations and operations against transnational terrorists continue, other potential threats endure and evolve. Today's focus against the terrorist threat does not preclude the potential for conflict among major nation-states which could intersect vital U.S. interests. In response, defense intelligence must remain able to provide timely and actionable intelligence across the entire threat spectrum to policymakers and military decision-makers so they can maximize our nation's opportunities while minimizing risks.

UNCLASSIFIED

In close cooperation with the broader Intelligence Community, DIA continues to implement important structural and procedural reforms to strengthen analysis and collection while also expanding information sharing across intelligence disciplines, agencies and with our closest allies.

During this critical period of conflict and change, your continuing support is vital. On behalf of the men and women of DIA and across the defense intelligence enterprise, thank you for your continuing confidence.

Our people take great pride in their work. They understand it is an honor and a unique responsibility to conduct such sensitive work on behalf of the American people. It is a privilege for me to serve with them and to have this opportunity to represent their work to you today.

Thank you. I would be pleased to answer your questions at this time.