Current and Projected National Security Threats to the United States

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INTRODUCTION

Good afternoon Chairman Levin, Senator McCain, and members of the committee. Thank you for this opportunity to testify today and your continued support to the dedicated men and women of the Defense Intelligence Agency. Our nation faces a variety of complex national and transnational threats and challenges. My testimony will outline the state of the insurgencies in Iraq and Afghanistan, the current threat from global terrorism and proliferation of Weapons of Mass Destruction. Finally, I will discuss defense related developments in states and regions of concern and other transnational issues.

CONFLICT IN IRAQ

The situation in Iraq will remain an extremely complex and challenging security environment as the conflict remains fundamentally a sectarian struggle for power and the right to define Iraq's future identity. We have seen recent developments that give hope for progress. These include efforts to address problems associated with de-Ba'athification and increased cooperation between Sunni Arab tribes and the government in al Anbar Province. Prime Minister Maliki has made gestures to the Sunni minority such as offers to reinstall some Saddam-era military leaders and the issuance of arrest warrants for Ministry of Interior personnel accused of abuses. Sadrist members of the Council of Representatives ended their boycott of the council and the council passed a national budget. Some rogue elements from Muqtada al-Sadr's movement have also been expelled from his organization. Finally, the Government of Iraq seems committed and is making initial efforts to move forward with the Baghdad Security Plan.

We note the continued development and increased capability of the Iraqi Security Forces (ISF) and police. The ISF will meet initial manning, training, and equipment milestones, improving unit capabilities. Nevertheless, the ISF will remain dependent on Coalition support. ISF units continue to struggle with sectarian militia influence and instilling discipline in their formations to gain legitimacy with the population.

Despite these positive developments, significant challenges to U.S. and Coalition Forces remain. As the recent Iraq National Intelligence Estimate noted, Iraqi society's growing polarization, the persistent weakness of the security forces—and the state in general—and all sides' ready recourse to violence are collectively driving an increase in violence. Unless efforts at reversing these conditions show measurable progress in the next 12 to 18 months, the security situation will continue to deteriorate at rates comparable to late 2006.

The Sunni Arab-based insurgency remains fundamentally strong, adaptable, and capable despite ongoing security operations, some limited progress in the political arena and some improvements in the ISF. Improvised Explosive Devices (IED) use increased in 2006 and was responsible for roughly 60% of Coalition casualties. Greater insurgent emphasis on anti-helicopter tactics is responsible for downing approximately eight Coalition and contractor helicopters in the past month. Insurgents also began combining toxic industrial chemicals, such as chlorine gas, with their IEDs. Overall attacks averaged approximately 180 per day in January 2007, equal to the previous high in October 2006. The daily average of attacks against Iraqi Security Forces in January remained consistent with recent months averaging approximately 30 per day. Daily attacks on civilians in January averaged almost 50 per day, up from the previous high in October 2006 of approximately 40 per day.

We have noted a change in the character and dynamics of the conflict. The perception of unchecked violence is creating an atmosphere of fear, hardening sectarianism, empowering militias and vigilante groups, hastening a middle-class exodus, and shaking confidence in government and security forces. The sectarian violence, an inexperienced and weak central government, immature institutions, problems in providing basic services, and high unemployment are encouraging more Iraqis to turn toward sectarian groups, militias, and insurgents for basic needs, threatening the unity of Iraq. Moreover, robust criminal networks act as insurgent and terrorist force multipliers. Many Sunni Arabs, motivated by fear, financial incentive, perceptions of marginalization,

and exclusion from Iraqi government and security institutions, act as insurgent sympathizers, capable of supporting the insurgency.

Since 2003, the fight to define post-Saddam Iraq has been primarily an intra-Arab conflict to determine how power and authority will be distributed. We note that conditions for the further deterioration of security and stability exist within this ongoing struggle. Although a significant breakdown of central authority has not occurred, Iraq has moved closer to this possibility because of weak governance, increasing security challenges, and the lack of a national compact.

Conflict in Iraq is in a self-sustaining cycle in which violent acts increasingly generate retaliation. Insecurity rationalizes and justifies militias, in particular Shi'a militias and increases fears in the Sunni Arab community. The result is additional support, or at least acquiescence, to insurgents and terrorists such as AQI. Shi'a militants, most notable Jaysh al-Mahdi, account for some of the increases in violence.

Baghdad is the center of the Shi'a and Sunni Arab conflict as both groups fight for territory and political influence. Sectarian attacks constitute most of the violence in mixed-ethnic areas in and around the capital, while Coalition Forces remain the primary target in the Shi'a South and Sunni West.

Iraqi Security Forces, particularly the Ministry of Interior forces, are infiltrated and influenced by members of the Supreme Council for Islamic Revolution in Iraq's Badr organization and Muqtada al-Sadr's Jaysh al-Mahdi. The Jaysh al-Mahdi often operates under the protection or approval of Iraqi Police. Many Sunnis view the ISF as a Shi'a led tool of oppression. Some Jaysh al-Mahdi cells may operate outside Sadr's direct guidance and conduct independent operations.

Attacks by terrorist groups account for only a fraction of insurgent violence, yet the high-profile nature of their operations and tactics have a disproportionate impact. Al-Qaida in Iraq (AQI) is the largest and most active of the Iraq-based terrorist groups.

in electricity production and distribution creates drag on the economy while undermining the average Iraqi citizen's support for the central government and Coalition.

The situation in Iraq is complex and difficult, involving counterinsurgency operations, counterterrorism, stability operations, and nation building. In this tenuous environment, DIA judges that continued Coalition presence is the primary counter to a breakdown in central authority. Such a breakdown would have grave consequences for the people of Iraq, stability in the region, and U.S. strategic interests. No major political figure in Iraq has endorsed the notion of civil war or partition, and most political and religious leaders continue to restrain their communities. Although leaders across the political spectrum who are participating in the government continue to talk and search for a positive way forward, the challenges to bringing stability and security with a cohesive, unified, and effective government remain significant.

CONFLICT IN AFGHANISTAN

The Taliban-led insurgency is a capable and resilient threat to stability in Afghanistan, particularly in the Pashtun south and east. Despite absorbing heavy combat losses in 2006, the insurgency strengthened its military capabilities and influence with its core base of rural Pashtuns. Overall attacks doubled in 2006 from the previous year. Suicide attacks quadrupled from 2005 levels and large-scale operations - those involving 50 or more fighters - increased significantly as well. A sustained international military and Afghan security presence in the volatile Pashtun south and east alongside credible civil administration is essential for solidifying central government control. Otherwise, the Afghan government may find itself in a stalemate with insurgents where it maintains control over cities and insurgents retain freedom of movement in the Pashtun dominated countryside.

Al-Qaida's strategic objectives—re-establishing the Islamic caliphate, unified by a common ideology rooted in a violent rejection of apostasy and characterized by fervent opposition to Western influence in traditionally Islamic countries—compel al-Qaida's

AQI's attacks against Iraqi government targets and Coalition Forces continue with a particular intent to accelerate sectarian violence and destabilize Baghdad. AQI is one of the most visible perpetrators of anti-Shi'a attacks in Iraq and has capitalized on the current cycle of sectarian violence by increasing perceptions its operations are in defense of Sunni interests. AQI will continue to attempt to dominate the news cycle with sensational attacks. Ansar al-Sunna, the second most prominent terrorist group in Iraq, also poses a threat to stability in Iraq; however its longstanding ties to AQI are increasingly strained. Hard numbers for foreign fighters in the Iraq insurgency are unavailable. DIA judges less than 10% of insurgents are foreign fighters. The majority of these individuals are used as suicide bombers.

The building, training, and deploying of Iraqi Security Forces and police is progressing, although politicization of the security ministries remains a challenge. The ISF are meeting the initial manned, trained, and equipped milestones, have improved unit capabilities, and are increasingly taking the lead in security operations. They remain generally dependent on Coalition support. We judge the Iraqi Security Forces are presently unable to stand alone against Sunni insurgents, al-Qaida in Iraq and Shi'a militias.

Iraqi government officials continue attempts to achieve national reconciliation, but attacks against civilians, a key driver of ethno-sectarian conflict, also continue. Political leaders' inability to resolve key issues such as federalism, de-Ba'athfication, amnesty for insurgents, and militia integration also contribute to continued Sunni Arab discontent, fueling support for terrorist and insurgent groups. Sectarian differences limit the effectiveness of government as groups maintain hard-line stances on contentious issues.

The Iraqi economy has experienced moderate growth despite the security situation, which continues to impede and increase overall costs of reconstruction. However, the inability to realize significant improvements in the oil and fuels sector and

commitment to the Afghan jihad, help shape its strategy there, and help to recast Afghanistan as a critical battleground in a broader battle against the West and apostate regimes. In a July 2005 letter, Ayman al-Zawahiri framed the jihad in Afghanistan as a vanguard for ultimately establishing an Islamic state in the Levant, Egypt and neighboring states in the Arabian Peninsula and Iraq; multiple public statements by Zawahiri have since repeated this point.

The Afghan government is maintaining generally favorable and stable relations with most, but not all, of its neighbors. Afghanistan's relations with Pakistan are strained due to continued Taliban reliance on safe-haven in Pakistan.

In 2006, efforts by the government and provincial governors resulted in the greatest poppy eradication in four years. However, the Afghan drug trade remains a major source of revenue for insurgents and is a corrupting influence over government officials. Poppy cultivation will continue unless improved alternative livelihood programs, law enforcement, and judicial reform are implemented.

President Karzai's administration has been struggling to improve its performance and expand its presence. Although the Afghan government has established national-level political institutions by drafting a new constitution, holding a legitimate presidential election, and creating a democratically elected National Assembly, local governments receive limited resources from Kabul and struggle to provide effective governance. Additionally, the Afghan National Army and Police have been unable to effectively promote security, particularly in the volatile south and east. They remain hindered by a shortage of skilled personnel, tribal and ethnic rivalries, and corruption.

Nearly five years after the Taliban's fall, many Afghans expected the situation to be better by now and are beginning to blame President Karzai for the lack of greater progress. These unrealized expectations contributed to an erosion of support for his administration. Nevertheless, President Karzai is still the most powerful political figure in Afghanistan. President Karzai will need to secure successes in the months ahead to

convince Afghans that his administration can counter and eventually defeat the Taliban. DIA assesses the Taliban led insurgency will remain a threat in 2007 and its attacks will increase this spring.

WAR ON TERRORISM

Al Qaida and Sunni Extremists. Developments over the last year have highlighted the continuing threat posed by terrorism to the security of the United States. The United States and its allies achieved major successes against al-Qaida and its associated movement, including the elimination or capture of key leaders and the disruption of major plots. These achievements unfortunately highlight the resiliency of these groups and resonance of their message. In June 2006, Canadian authorities detained 17 individuals who were planning a series of attacks in Ontario province to include bombings, seizing Canadian Parliamentary buildings and a broadcast center, and taking hostages. Also, documents captured in a raid on an al-Qaida in Iraq (AQI) safehouse in Iraq revealed AQI was planning terrorist operations in the U.S. The disrupted plots underscore both the accomplishments achieved in union with our partners in the War on Terrorism and the continuing danger posed by al-Qaida. Despite being forced to decentralize its network, al-Qaida retains the ability to organize complex, mass-casualty attacks and inspire others.

Al-Qaida remains the most dominant terrorist organization and the most significant threat to U.S interests worldwide. In 2006, al-Qaida remained a loose network, broadly defined by the strategic objective of re-establishing their version of an Islamic caliphate, and unified by a common ideology rooted in the violent rejection of Western influence, especially in traditionally Islamic countries. Al-Qaida has consistently recovered from losses of senior leadership. Despite the deaths and capture of key operatives, new but less experienced leaders step forward and remain committed to transnational terrorist operations, including in the United States. Additionally, al-Qaida's increasing cooperation with like-minded groups has improved its ability to facilitate, support, and direct its objectives. For example, in his 2006 9/11 anniversary video,

Zawahiri announced that the Algerian Group for Salafist Preaching and Combat formally aligned itself with al-Qaida.

Al-Qaida senior leadership in Afghanistan and Pakistan remain under pressure from U.S. and our Global War on Terrorism partners' military and intelligence efforts, hindering their ability to direct global operations. The increased number of statements issued last year by al-Qaida leadership, in particular Ayman al-Zawahiri, indicate the continuing strategic role Usama bin Ladin and al-Zawahiri seek to play despite their isolation. This rhetoric is designed primarily to provoke Arab and Islamic audiences to undertake militant activities, regardless of locale or affiliation, in order to broaden and deepen their perceived global struggle; it is also designed to maintain influence over that struggle, to maintain recruitment and morale, and to place local insurgencies into the context of the wider global struggle.

AQI is the largest and most deadly of the Iraq-based terrorist groups. It continues to target Iraqi government interests and Coalition Forces. AQI conducts the most provocative anti-Shi'a attacks in Iraq - a hallmark of its strategy since 2003. It has instigated cycles of sectarian violence by characterizing its operations as defending Sunni interests. Furthermore, AQI continues to pose a regional and a desire to become a global threat. Seized documents and interrogations reveal AQI's intent to continue external attack planning.

CBRN Terrorism. Some terrorist groups see employing chemical, biological, or radiological materials as low-cost, high-impact options for achieving their goals. Even an inefficient dissemination of these materials, or a hoax incident, could have a substantial psychological and economic impact. Reporting continues to indicate that non-state actors, specifically al-Qaida, continue to pursue CBRN options. Usama bin Ladin has openly declared his interest in such materials since the 1990s. The recent press claim made by the al-Qaida in Iraq leader asking for nuclear scientists to make 'germ' and 'dirty' weapons reinforces al-Qaida's interest and desire to acquire CBRN materials. CBRN-related information is widely available, and if terrorists were to use

unconventional materials in an attack, we believe they likely would use low-level biochemical agents such as ricin, botulinum toxin or toxic industrial chemicals such as cyanide. In addition to these low-level biochemical agents, al-Qaida exhibited an interest in anthrax, mustard, and sarin prior to Operation ENDURING FREEDOM. We also judge that al-Qaida and other terrorist groups have the capability and intent to develop and employ a radiological dispersal device. At this time, we do not believe that al-Qaida has a nuclear weapon capability, although acquisition remains a goal; the acquisition of sufficient weapons usable nuclear material remains al-Qaida's key obstacle to an improvised nuclear capability.

Other Terrorist Groups. Lebanese Hizballah continues training Iraqi Shi'a militias. Hizballah also continues to provide support to Palestinian terrorist elements to facilitate attacks in Israel. Iran's Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF) has the lead for its transnational terrorist activities, in conjunction with Lebanese Hizballah and Iran's Ministry of Intelligence and Security (MOIS).

The Revolutionary Armed Forces of Colombia (FARC) continues to view U.S. government and DoD personnel as legitimate targets in Latin America. The FARC has held three U.S. DoD contractors hostage since 2003. The possibility of the FARC targeting U.S. interests and persons will remain as long as we are directly involved in Colombian counter-drug and counter-terrorism efforts.

Islamic World. Favorable opinion of Sunni extremists is waning among Muslims worldwide. Muslim casualties in the 2005 Amman bombings accelerated the decline that began in response to al-Qaida's attacks against Iraqi civilians. In a summer 2006 multi-country poll conducted by a U.S. non-governmental organization, approximately 25% of Jordanians expressed a lot or some confidence in Usama bin Ladin compared to 60% the year before. In Pakistan, approximately 38% of respondents stated they had some level of confidence in Usama bin Ladin, compared to 51% in May 2005.

Opinions of the West remain low in many Muslim countries. The caricatures of the Prophet Muhammad eroded the good will gleaned from U.S. relief efforts. Many Muslims believe the cartoons were deliberate insults and part of a Western besiegement of Islam. Muslim public opinion will continue to be sensitive to perceived affronts to Muslim values.

The Sunni-Shi'a divide remains largely a vehicle for Muslim power politics. Sunni and Shi'a governments will continue cooperation through their surrogates when presented with a common enemy, such as the coalition in Iraq or Israel. Where the sponsors' interests diverge—as with their spheres of influence in Iraq or on the African periphery of the Islamic world—conflict will increase as competition for influence intensifies.

Islamic extremist groups will continue to attempt to gain popular support by exploiting governments' shortcomings in governance, corruption, economic development, and provision of critical services.

Extremism in Europe remains more a secular issue than a religious one. Many within Europe's burgeoning Muslim population increasingly voice discontent through extremism and violence with Europe's integration attempts. Extremism throughout the West will continue to be spread primarily through radical clerics, the Internet, and in prisons.

Egypt. Egypt is generally supportive of US goals and objectives. Most recently, President Mubarak's government has tried to mediate between HAMAS and Israel to secure the release of a captured Israeli soldier. Egypt's overall security environment is generally stable although susceptible to terrorist attacks as demonstrated by the April attacks on the Multinational Forces and Observers mission and on civilian targets in the Sinai Peninsula.

Other Persian Gulf States. Gulf Cooperation Council (GCC) states are stable, but leaders are concerned that instability in Iraq, the threat of terrorism, and a more aggressive Iran will directly affect them. Counterterrorism cooperation is improving, with pledges being made to increase regional effectiveness in the war on terrorism. There has also been progress in developing legal frameworks for the prosecution of terror planners and facilitators, although prosecution in the courts remains difficult. Despite GCC-wide acknowledgement of the Sunni extremist threat, two Sunni regimes with substantial Shi'a minorities – Saudi Arabia and Kuwait – and one with a Shi'a majority – Bahrain – have a fear of their Shi'a population's ability to threaten internal stability; a concern likely related to their fear of Iranian hegemony.

Pakistan. Pakistan's direct assistance has led to the death or capture of numerous al-Qaida terrorists. A series of counterterrorism successes earlier this year delayed al-Qaida attack planning and temporarily diminished leadership resources. Nevertheless, the Afghanistan Pakistan border area remains a haven for al-Qaida's leadership and other extremists. In a September accord with the Pakistan government, North Waziristan tribes agreed to curtail attacks into Afghanistan, cease attacks on Pakistani forces, and expel foreign fighters. However, the tribes have not abided by most terms of the agreement. Al-Qaida's network may exploit the agreement for increased freedom of movement and operation.

The Pakistan government remains at odds with Afghanistan over the Taliban's presence in Pakistan. Additionally, Pakistan-based militants continued attacks against India undermine Pakistan's ability to make lasting peace with its neighbor.

Southeast Asia. Thailand continues to struggle with entrenched Muslim separatist unrest in its southern-most provinces. Approximately 400 individuals were killed in shootings, arson attacks, and bombings in 2006 – approximately the same number as 2005 – although we cannot confirm that all such incidents were insurgency related. The insurgency is home grown, although local Muslim extremists have sought to emphasize solidarity with "oppressed" Muslims worldwide in order to incite hatred

against Thailand's Buddhist majority. The government, installed following the September coup, has adopted a conciliatory approach that it hopes will ease tensions; but the insurgency is a decentralized movement and many younger militants appear intent to continue the struggle.

Separatist unrest elsewhere in Southeast Asia has been largely contained, in part, through government reconciliation efforts. Indonesia continues to successfully advance last year's historic peace accord that ended the 29-year conflict in the Aceh province, with elections on 11 December. Sporadic separatist violence in Indonesia's Papua province poses no serious security threat. The Philippines also achieved success sustaining a ceasefire in its Muslim south with the Moro Islamic Liberation Front, although a risk of resumed fighting persists in the absence of an agreement. Elsewhere in the south, Philippine military operations since August have increased pressure on the terrorist Abu Sayyaf Group and Jemaah Islamiyah operatives on Jolo Island. These groups nonetheless are intent on continuing attacks, posing a persistent threat to American interests.

WEAPONS OF MASS DESTRUCTION

NBC Weapons. After global terrorism, the proliferation of weapons of mass destruction (WMD) remains the most significant threat to our homeland, deployed forces, allies, and interests. Increased availability of information together with technical advances has the potential to allow many new countries to develop nuclear, biological, and chemical weapons. This is an area of increasing concern.

North Korea continued to develop its WMD capability in 2006. North Korea's October detonation of a nuclear device marked its first nuclear test and an attempt to win international recognition as a nuclear power after a decades-long program to develop these weapons. North Korea could have produced several nuclear weapons from plutonium produced at its Yongbyon facilities. While North Korea may agree to give up plutonium production, major uncertainties surround the conditions under which the North

would entirely abandon its nuclear weapons capability or of the likelihood of the North transferring nuclear weapons-related technology abroad. North Korea's resources include a biotechnical infrastructure that could support the production of various biological warfare agents. DIA believes North Korea has had a longstanding chemical weapons stockpile of nerve, blister, blood, and choking agents.

Iran also continues to develop its WMD capabilities. Although Iran claims its program is focused on producing commercial electric power, DIA assesses with high confidence Iran remains determined to develop nuclear weapons. In 2007, DIA expects further progress including completion of a nuclear reactor Fuel Manufacturing Plant and installation of additional centrifuges at Natanz. Iran has a growing biotechnology industry, significant pharmaceutical experience, and the overall infrastructure that could be used to support a biological warfare program. DIA believes Iran is pursuing development of biological weapons. Iran has a large and growing commercial chemical industry that could be used to support a chemical agent mobilization capability.

DIA expects China's nuclear weapons stockpile to grow over the next ten years as new ballistic missile systems reach operational status. DIA also believes China has produced sufficient weapon-grade fissile material to meet its military nuclear weapons requirements for the immediate future. DIA believes China continues to maintain some elements of an offensive biological weapons program. China possesses a sufficiently advanced biotechnology infrastructure to allow it to develop and produce biological agents.

Russia maintains a full compliment of nuclear weapons. Although thousands of warheads have been dismantled, Russia relies on nuclear weapons as its primary means of deterrence and will continue to maintain and improve its forces and warheads. While we expect Russia to meet strategic nuclear warhead limits mandated by the 2002 Strategic Offensive Reduction Treaty (Moscow Treaty), we also believe they will continue to maintain a relatively large stockpile of non-strategic nuclear warheads. Russia's nuclear warhead and material security programs have improved. However, we

continue to be concerned with the insider threat, terrorist attacks, and Russia's commitment to maintaining security improvements. We judge Russia also continues research and development that could support its chemical and biological warfare programs.

India and Pakistan are building larger stockpiles of fission weapons and are likely to work on advanced warhead and delivery system designs to increase the effectiveness of these weapons. Both nations have the infrastructure to support biological and some aspects of their chemical warfare programs.

Syria has pursued development of a strategic deterrent principally based on ballistic missile, chemical, and, to a limited extent, biological warfare programs, as a means of countering Israel's conventional force superiority. Syria's biotechnical infrastructure is capable of supporting limited biological agent development. DIA assesses Syria has a program to develop select biological agents. Syria has had a chemical weapons program for many years and already has a stockpile of the nerve agent sarin, which can be delivered by aircraft or ballistic missiles.

Ballistic Missiles. North Korea has an ambitious ballistic missile development program and has exported missiles and missile technology to other countries, including Iran and Pakistan. North Korea continues to develop the Taepo Dong 2, which could reach parts of the United States and is capable of carrying a nuclear payload. On 4-5 July 2006, North Korea conducted seven widely-published launches. The Taepo Dong 2 space launch vehicle/intercontinental ballistic missile was flight-tested for the first time and failed shortly after launch. Despite the failure of the Taepo Dong 2, North Korea successfully tested six theater ballistic missiles, demonstrating the capability to target U.S. forces and our allies in South Korea and Japan. North Korea is also developing a new intermediate-range ballistic missile and a new short-range, solid-propellant ballistic missile. Export of North Korea ballistic missiles will continue to be a concern.

Iran's ballistic missile forces continue to train extensively in highly publicized exercises. These exercises enable Iranian ballistic missile forces to hone wartime operations skills and new tactics. Iran continues its efforts to develop and acquire ballistic missiles capable of striking Israel and central Europe. It is fielding increased numbers of theater ballistic missile, and claimed it has incorporated anti-missile defense tactics and capabilities into its ballistic missile forces.

China continues to modernize and expand its ballistic missile forces to improve survivability and conventional war-fighting capabilities. It also continues to field a large number of conventional short-range ballistic missiles opposite Taiwan and is currently developing a number of new mobile conventional medium range systems. Beyond increasing the capabilities of its theater ballistic missile force, China continues to develop and test three strategic long-range missile systems -- the DF-31 and DF-31A road-mobile ICBMs and the JL-2 SLBM. China remains committed to developing conventional ballistic missiles capable of targeting US and allied military assets in the region to deter intervention in a Taiwan crisis.

Russia remains committed to maintaining formidable strategic nuclear forces as a credible nuclear deterrent and symbol of great power status. Russia began fielding its new road-mobile SS-27 intercontinental ballistic missile in 2006 and fielding silo-based variants is ongoing.

Cruise Missiles. Advances in anti-ship cruise missiles, land-attack cruise missiles, and armed unmanned aerial vehicles will continue to threaten deployed U.S. forces and our allies. The number of systems achieving operational status, exports, and the sale of dual-use technology continues to fuel this threat. Advancements in anti-ship cruise missiles including the capability for land-attack will present a challenge in countering these missiles.

China's development of a Tomahawk-class ground-launched land-attack cruise missile continues and will enable it to execute strikes in the Asian theater. Iran continues

to pursue development and production of improved anti-ship cruise missiles. During the conflict with Israel, Lebanese Hizballah became the first non-state actor to launch an anti-ship cruise missile. In several unsuccessful attacks, Hizballah also launched probable Iranian-supplied unmanned aerial vehicles; at least one was armed with explosives. Pakistan continues flight-testing indigenous land-attack cruise missiles. The Indian Navy has begun taking delivery of the ship-launched version of the Russian/Indian Brahmos supersonic anti-ship cruise missile.

Major Exporters. North Korea and entities in Russia and China continue to sell technologies applicable to WMD and missiles for revenue and diplomatic influence. Russian entities continue to support missile programs and civil nuclear and biotechnology projects in other countries. Some of these projects can have weapons applications.

Chinese entities continue to supply key technologies to countries with WMD and missile programs, though it appears to be living up to its 1997 pledge to limit nuclear cooperation with Iran.

North Korea remains committed to selling missiles and related technologies. Although sales have declined to most customers due to its increasing international isolation, North Korea's relationship with Iran and Syria remain strong and of principal concern.

Non-governmental entities and individual entrepreneurs remain a concern. Past revelations regarding the A.Q. Khan nuclear proliferation network demonstrate how a complex network of suppliers with the requisite expertise and access to the technology, middlemen, and front companies can successfully circumvent international controls and support multiple nuclear weapons programs. Other examples of WMD-related supplier networks include those headed by Chinese national Q.C. Chen, which operated various supplier organizations over the past several years. Chen has been subjected to U.S. sanctions in violation of the Iran Non-Proliferation Act.

OTHER STATES AND REGIONS OF CONCERN

North Korea. North Korean military forces continue to suffer the consequences of the North's economic decline. Nevertheless, they remain capable of initiating an attack on South Korea. Its large force provides the regime with an effective deterrent against the prosperous and modern South and the self-perceived option of employing threats to further North Korean national security goals.

No immediate prospect of regime collapse is evident. Kim Jong Il continues to maintain tight control over the military, government, and communist party. North Korea's pervasive ideological indoctrination has helped foster extreme nationalism which contributes to the strength of the regime.

Levant Conflict. The Israel Defense Forces (IDF) damaged some of Hizballah's arsenal and many of its buildings, but Hizballah's leadership remains unscathed and probably has already replenished its weapons stockpiles with Iranian and Syrian assistance. Lebanon was compelled to deploy the Lebanese Armed Forces (LAF) to the south, though the LAF has not moved to disarm Hizballah. Additionally, the Lebanese government has now been told it is accountable for what occurs on all Lebanese territory as a result of UN Security Council Resolution 1701.

Hizballah leaders claimed victory and grew more assertive in their political demands as demonstrated by opposition demonstrations in Beirut. Hizballah is currently focused on asserting political dominance in Lebanon. Iran and Syria remain committed to Hizballah's survival. Israeli defense officials have publicly opined that due to the fluid situation, the conflict could reignite during the summer of 2007.

Iran. Iran continues to push for a reduced U.S. military presence in the Persian Gulf and Central Asia and weakened ties between the U.S. and its key Arab allies. Iran does not expect to militarily defeat any US-led coalition in the event of a conflict. Rather, it seems intent on imposing greater costs than western leaders and publics are

willing to bear. As shown in its highly publicized Noble Prophet exercises, Iran intends to rely on asymmetric tactics, using its ballistic missiles, naval attacks in the restricted waters along its coast against U.S. forces, and possibly a strategic terror campaign to disrupt U.S. war plans. Iran has sought to improve its capabilities through equipment upgrades, procurement, and exercises. Iran may be in the process of receiving the SA-15 air defense system from Russia, adding to its short-range air defense capability. Iran may also eventually acquire other advanced defense systems. Anti-ship cruise missiles, a small boat fleet, sea mines, and submarines comprise Iran's efforts to contest access to the Persian Gulf.

Meanwhile, Iran is attempting to expand its own regional influence. Iran seeks to bring Iraq into its sphere of influence and is providing economic aid to both win Iraqi hearts and minds and to gain an economic foothold. Iran is assisting Iraq's infrastructure needs; it recently agreed to supply kerosene to Kurdish areas, and intends to build a gas pipeline and rail lines between the two countries. Iran is also providing lethal aid to some Shi'a elements.

Iran probably is pursing a dual-track policy in Afghanistan of publicly promoting Afghan stability, while possibly supporting some insurgent groups. This approach reflects Iran's intent to maximize political influence, hedge against uncertainty in Afghanistan by building relationships with several groups, and maintain pressure on U.S. forces.

Iran also continues to support Hizballah for countering Israeli and U.S. efforts in the region, especially after Hizballah's perceived success against Israel during clashes in July 2006.

Syria. Syria continues to support and help arm Hizballah to protect Syrian interests in Lebanon and provide leverage against Israel, which it continues to view as its greatest threat. Syrian interference in Lebanon is likely to continue, aimed at influencing

Lebanon's policies on Hizballah, Israel, and the UN investigation of the assassination of former Lebanese Prime Minister Hariri.

The Syrian leadership is trying to balance a complex mix of objectives in Iraq. These include preventing U.S. success in Iraq and encouraging our eventual withdrawal, while at the same time improving relations with the Baghdad government, supporting a unified Iraq, and avoiding a full-blown Iraqi civil war. Syria remains the primary insurgent gateway into Iraq due to corruption, smuggling networks, and cross-border tribal ties.

Syria continues to make minor improvements to its conventional forces. It did not make any major weapons acquisitions in 2006, continuing a trend begun in the mid-1990s. Instead, the Syrian military has focused its limited defense procurement dollars on low cost-high impact weapons such as anti-tank guided missiles, advanced tactical surface-to-air missiles like the SA-24, and upgrades to existing platforms. Syria also maintains an active chemical weapons program.

We judge the regime is generally stable with no cohesively organized opposition supported by a domestic constituency. The regime considers Islamic extremism its greatest internal threat.

China. The People's Republic of China (PRC) is in the midst of a more-than-decade-long military modernization program. The program's announced defense budget in 2006 was approximately $35 billion—a 14% increase from 2005—but we assess actual spending to be higher. PRC leaders remain focused on improving the quality of military personnel and developing or acquiring long-range, precision-strike missiles, modern fighter aircraft, a blue-water navy, and improved amphibious forces. China took delivery of the final three SS-N-27B-capable KILO-class submarines over the past year, completing its contract with Russia for eight of these submarines. China continued fielding its first indigenously built fourth-generation F-10 fighters. In addition, China remains focused on counterterrorism, domestic security, and maritime deployments,

which hone its ability to respond to domestic instability and tensions in the East China or South China Seas.

China's strategic course appears to focus primarily on internal issues, and its foreign policy is driven by several related internal concerns: continuing economic development, maintaining communist party control, and safeguarding internal stability. Recent PRC publications assert China's commitment to peaceful development. However, a major driver of Chinese foreign policy is the acquisition of adequate supplies of resources and materials for its development. China's energy demands, particularly petroleum, have risen sharply. China is the world's second largest consumer and third largest importer of oil, importing over 40 percent of its needs. China's continued search for energy may become a point of contention between itself and the West, potentially affecting its policy towards Iran, a key Chinese energy supplier.

Unification with Taiwan remains a long-term national goal. China's cross-strait policy through the Taiwan Presidential Elections in 2008 is to "prevent Taiwan independence." As long as Taiwan takes no further action toward independence, we judge China—assessing long-term military, economic, and diplomatic trends favors its interests—will not try to force unification. Also, recent political difficulties by Taiwan's President Chen Shui-bian probably reassured China's leaders over the course of its present policy.

China remains committed to resolving North Korea's nuclear issue through the Six-Party Talks and voted in the UN Security Council to support international sanctions on the Kim Jong Il regime after North Korea's provocative nuclear weapons test and multiple missile launches. The talks produced an agreement in February 2007 on initial actions to implement the September 2005 Joint Statement on denuclearizing the Korean Peninsula.

Russia. Presidential succession politics will preoccupy Russia over the next two years. As the end of President Putin's second term draws near in 2008, the battle for

power and property will take increasing precedence over policymaking. We judge defense policy will not be a significant issue in the campaign and, whichever candidate is elected, it will not likely result in significant changes in Russian defense policy the first year in office.

Russian leaders view a strong military as a necessary component to return their country to great power status. They believe Russian strategic and non-strategic nuclear capabilities are key factors in deterring aggression. To meet future mission requirements, modernization initiatives are ongoing, with primary emphasis on the SS-27 ICBM and Bulava SLBM strategic systems. In the general purpose forces, training activity within units of the Permanently Ready Force (PRF), which form the backbone of Russia's conventional capability, is at their highest post-Soviet level. In 2006, Russian military participation in exercises with foreign militaries increased by over 50 percent over the 2005 level. No 2006 exercise rose to the significance of the 2005 Russo-Chinese exercise, although additional Russian naval exercises in the Black Sea and an increased number of air/ground exercises with Central Asian and European countries were notable. Modernizing the country's outdated equipment and planning conversion to all-contract manning remain significant challenges despite increased defense spending. Converting the PRF to an all-volunteer force is likely to take longer than planned, since Russia is having significant problems in both attracting new and retaining already-signed contractees. Dissatisfaction comes primarily from perceived low pay, hostile service conditions, inadequate housing, poor family support, and other unfulfilled government promises.

Russia has made progress in suppressing North Caucasus separatists by employing more effective counterinsurgency operations and co-opting insurgents to fight former compatriots. Although weakened, small insurgent groups continue attacks on Russian targets in the region.

Russia opposes closer integration of former Soviet countries with the West. It has been especially adamant that Georgia abandon its western-leanings and has condemned

the Georgian government for its "anti-Russian" policies. Russia remains steadfast in its peacekeeping commitments in the Georgian separatist area of Abkhazia and South Ossetia, although its presence there is a source of contention between Russia and Georgia.

Russia opposes comprehensive sanctions on Iran, in part to protect its own economic interests with Iran. Russia continues to press Iran to cease uranium enrichment activities, if only temporarily, and tone down its inflammatory rhetoric.

Russia's primary focus on the North Korean nuclear issue is to prevent an escalation to war. It stresses the necessity of the Six-Party Talks to resolve the conflict in a peaceful way. Russia viewed North Korea's October 2006 nuclear test as a blow to the nonproliferation regime.

Latin America. Nearly a dozen presidential elections in 2006 produced winners ranging from pro-business center-right to market-friendly social democrats and radical populists. Venezuela's President Chavez won re-election and is following his mentor, Cuban President Fidel Castro, and President Chavez's vision for the continent. Venezuela cooperates with Cuban projects abroad. Key to this ideology is President Chavez's agenda to neutralize U.S. influence throughout the hemisphere. Regional military spending is increasing, Venezuelan purchased weapons and services from Russia, Iran, and China. Since 2005, Venezuela signed contracts with Russia for 24 Su-30MK2 advanced fighter aircraft, 50 transport and attack helicopters, and 100,000 assault rifles. President Chavez found allies in the newly-elected presidents of Bolivia and, to a lesser extent, Ecuador and Nicaragua.

In Cuba, Raul Castro is firmly in control as Cuba's acting president and will likely maintain power and stability after Fidel Castro dies, at least for the short-term. Raul Castro has widespread respect and support among Cuban military leaders who will be crucial in permanent government succession.

Africa. While there has been progress towards democracy and the diplomatic resolution of conflict in much of Africa, such advances remain fragile. In Sudan, despite a peace agreement that ended a 21-year long civil war between the north and south, violence and human insecurity in Darfur, Sudan are the worst since 2003-2004. Sudan is pursuing a military solution, using Arab "Janjaweed" militias to attack rebels and civilians. The African Union Mission in Sudan (AMIS) lacks the capacity to contain the violence, but the Sudanese government continues to oppose converting AMIS into a UN force. Since 2003, fighting has displaced over 2.2 million people, resulted in over 200,000 deaths, and contributed to instability in neighboring Chad and Central African Republic. Finally, statements from senior al-Qaida leaders have advocated attacks against UN or NATO peacekeepers if deployed to Darfur, creating an additional threat to Western forces.

In Nigeria, upcoming presidential elections will test the strength of the fledgling democracy as the public prepares for the first civilian-to-civilian transfer of power since independence. The potential for violence remains high as candidates from the predominantly Muslim north and Christian south compete for office. Among the leading issues is administration of Nigeria's oil wealth. Violence over control and access to oil in the Niger Delta has resulted in the kidnapping of oil workers, destruction of oil facilities, and a 25% reduction in oil production over the past year. Nigerian security forces have been unable to secure the vast oil infrastructure from militant attacks. Some oil companies warn that continued violence may prompt them to curtail future operations.

Somalia's Transitional Federal Government (TFG) is attempting to establish its legitimacy, and provide security and governance in Mogadishu. Somali nationalists and reorganizing remnants of the former Council of Islamic Courts (CIC) are initiating insurgent-style attacks to undermine the TFG and drive Ethiopian forces out of Somalia. We assess members of East Africa al-Qaida (EAAQ) and former CIC forces fled south to Kismayo and Ras Kamboni on the Kenyan border with Ethiopian forces in pursuit, intending to eliminate senior EAAQ leaders and their training camps before withdrawing.

In January, the Ethiopian government announced it achieved its goals in Somalia and began redeploying a major portion of its combat forces to Ethiopia.

TRANSNATIONAL ISSUES

Insurgencies. Insurgencies continue in other parts of the world. The only major insurgency in Latin America is the Revolutionary Armed Forces of Colombia (FARC). Its power and scope has waned under President Uribe's counterinsurgency efforts and that trend is expected to continue in 2007. Additionally, President Uribe may reach a peace agreement with the National Liberation Army (ELN), Colombia's second largest insurgent group. Colombia will also continue efforts to complete the complex paramilitary demobilization. In Sri Lanka, fighting between government forces and the Liberation Tigers of Tamil Eelam (LTTE) intensified since last summer. The situation is likely to remain unstable, marked by flare-ups of fighting and LTTE bombings and assassinations. Clashes between government and rebel forces in Eastern Chad continue. The looting of the UN humanitarian key supply point in Abeché during the most recent attacks has impeded international humanitarian efforts in eastern Chad. Recent government successes against rebels have diminished insurgent violence in eastern Chad and reduced the prospects of an imminent rebel attack toward N'djamena. Inter-tribal violence between black African and Arab tribes continues fueling tensions along the Chadian-Sudanese border.

Global Defense Spending. Non-U.S. global defense spending grew in real terms by 2.5 percent in 2006, amounting to an estimated $738 billion. China ranked first with spending of $80-115 billion, according to DIA estimates. Russia was second at about $90 billion. The top ten countries account for almost two-thirds of total spending, or $480 billion. Of the top ten spenders, China and South Korea increased spending in real terms the most, by 9.6 percent and 9.9 percent respectively. Surging economies allowed Russian defense spending to grow an estimated 6.4 percent and Indian by 4.2 percent. Defense spending by oil exporters, Iran and Venezuela, grew 6.7 percent and 12.5 percent respectively. We judge these trends will continue in 2007.

China and India are major buyers of advanced weapons systems and military technology, with acquisitions for the past two years of $3.4 billion and almost $12 billion, respectively. When combined with joint doctrine, increased training, and supported by adequate logistics, these advanced systems have the ability to significantly improve military capabilities. Venezuela emerged as a major arms buyer with acquisitions valued at $4.3 billion for the past two years. Venezuela has turned to Russia for hi-tech weaponry, including multi-role fighters with advanced air-launched missiles. Pakistani and Iranian purchases also have grown in the past two years, with Pakistan signing arms contracts worth almost $3 billion and Iran almost $1.7 billion.

Russia and China are of particular note as proliferators of conventional weapons. Russia is a leading arms exporter, with major sales of advanced weapons and military-related technology to China, India, Iran, and Venezuela. Items include multi-role fighter aircraft, ground equipment, major surface combatants and submarines, advanced air defense systems, and sophisticated communication and radar systems. Chinese sales declined to approximately $500 million in 2006 after surging to over $2 billion in 2005. China is a leading supplier to sub-Saharan Africa.

International Crime. Some terrorist organizations, primarily the FARC and the Taliban, derive income from opiates and stimulants in drug-producing regions, like Afghanistan, South America, and Asia. In addition to direct profits from drug sales and the distribution of opiates and narcotics, some groups, like the Taliban, derive income from taxation along the drug trafficking route. For the Revolutionary Armed Force of Columbia (FARC), the drug-trade is an integral source of revenue. Some South American based supporters of Lebanese Hizballah are suspected of sending a portion of their profits from narcotics trade to the group in Lebanon.

Space and Space-Denial Capabilities. Russia and China continue to be the primary states of concern regarding military space and counter-space programs. As the availability of space technology and services continues to increase, other nations already

possessing capabilities in key areas will acquire military and commercial space-based assets. Increasing levels of international cooperation, along with the growing number of commercial space consortia, is allowing the proliferation of advanced satellite technologies and knowledge of space systems operations to become available to nations lacking a domestic space capability. These developments provide some countries new or more capable communications, reconnaissance, and targeting capabilities as most space systems have dual-use, military-civilian applications.

Several countries continue to develop capabilities that have the potential to threaten U.S. space assets, and some have already deployed systems with inherent anti-satellite capabilities, such as satellite-tracking laser range-finding devices and nuclear-armed ballistic missiles. A few countries are seeking improved space object tracking and kinetic or directed energy weapons capabilities. Earlier this year China successfully tested an anti-satellite (ASAT) weapon system that destroyed an old Chinese weather satellite in orbit. This successful test demonstrates China's capability, should it choose, to eventually deploy an ASAT system that could threaten U.S. satellites. However, developing these technologies is financially taxing, and most countries other than China assessed to be pursuing these capabilities are not expected to acquire them within the next few years. Other states and non-state entities are pursuing more limited and asymmetric approaches that do not require excessive financial resources or a high-tech industrial base. These efforts include denial and deception, electronic warfare or signal jamming, and ground segment physical attack.

Information Operations (IO). Information technology (IT) is integral to virtually all aspects of US national and economic security. IT also is a truly global industry, and the US is growing ever more dependent on foreign suppliers in order to maintain our political, military, and economic position. The increasing role of international companies and foreign individuals in information technologies and services used by US critical infrastructures raises the specter of persistent, stealthy subversion, particularly by hostile foreign intelligence and military services with computer network operations (CNO) capabilities, but also by international terrorist or criminal organizations. The exclusion of

foreign-origin products from sensitive networks or applications will become increasingly difficult to implement or verify.

Russia has the most highly developed, capable, and well-resourced IO capability among potential foreign adversaries. Russian foreign and military intelligence, as well as the Russian Security Service, have active offensive and defensive CNO programs. Assessed capabilities include insider recruitment, cryptology, viruses, software and hardware attacks, and remote penetration.

China has developed an apparent large scale CNO program, including military exercises to refine and implement concepts. China's robust presence in the global IT hardware and software supply chain enhances its technical expertise and IO capability. China is the number one IT hardware provider for U.S. consumers, accounting for 42 percent of U.S. IT hardware imports in 2005. As such, U.S. dependence on China for certain items critical to the U.S. defense industry and the waning of U.S. global IT dominance are valid concerns that demand vigilance.

Public Health Security. The uncontrolled spread of disease remains a significant international health concern. A nation's inability to control or contain diseases within its borders can have a negative impact worldwide. Conversely, rapid and effective responses enhance international safety. Thailand recently limited the spread of the H5N1 avian influenza by rapidly controlling outbreaks among poultry. Indonesia's continued struggle to control H5N1 raises the risk for an international pandemic. H5N1 remains a serious threat, with approximately 110 human infections and 80 deaths in 2006. H5N1 is only one of many potential infectious threats.

Damage to industrial or hazardous material storage facilities during armed conflict also poses catastrophic health risks. During Hizballah missile attacks in July 2006, Israel moved significant amounts of potentially hazardous materials from the Haifa area to prevent the potential release of toxic industrial chemicals. Trans-boundary environmental issues also pose health and security threats. In 2006, in Cote d'Ivoire, the

illegal dumping of hazardous waste shipped from other countries resulted in 10 deaths and triggered mass demonstrations.

Underground Facilities. The rising importance of hardened or deeply buried facilities to potential adversarial nations and non-national organizations is becoming more apparent each year. Whether those nations and non-government organizations are classified as rogue, major, or emerging powers, or terrorist groups, their critical military, leadership and national security assets are increasingly protected by these facilities. The growth and sophistication of Hard and Deeply Buried Targets (HDBTs) is especially significant among countries whose support for terrorism and potential possession of WMD constitute threats to world peace and U.S. Security. Of concern is what these countries have learned from U.S. military successes over the last decade in the Balkans, Afghanistan, and Iraq. Their new and modified facilities incorporate features that make them more survivable against known U.S. weapons. Moreover, these countries are exporting underground construction techniques, and construction equipment.

CONCLUSION

Our nation is engaged in a long war against terrorism and violent extremism. We are faced with a multitude of issues and events that affect our national security. The intelligence professionals of the Defense Intelligence Agency will continue to provide critical information to our warfighters, defense planners, and national security policy makers. In concert with our fellow Intelligence Community members and allies, we are supporting our Soldiers, Sailors, Airmen and Marines engaged in combating insurgents in Iraq and Afghanistan and terrorists globally. This effort remains our first priority. We are also focusing considerable resources to prevent or counter the proliferation of Weapons of Mass Destruction. Finally, we are carefully monitoring states of concern and other transnational issues.

Over the past few years, the Defense Intelligence Agency, like the rest of the Intelligence Community, has made major strides to improve our core business processes

of intelligence collection, all-source analysis, and information management. With your support, the Defense Intelligence Agency has expanded our human and technical collection. Our human intelligence collectors are better trained, supported, and integrated with their Intelligence Community counterparts and our own military forces across the globe. In all-source analysis, we have increased the number of analysts with advanced and technical degrees. Those analysts are equipped with better information technology systems and more rigorously trained in the use of cutting edge analytic techniques. Improvements in our information management systems and procedures are critical to achieving the information sharing environment mandated by the Intelligence Reform and Terrorism Prevention Act. Today analysts, collectors, and our customers, to include national security policy makers, warfighters, the weapons acquisition community, law enforcement agencies, and our coalition partners, are better connected and have greater access to our information and all-source analysis. Much has been accomplished; however, more needs to be done. With your continued support, I am confident we will achieve greater levels of security for our citizens, our national interests, and those of our allies. Thank you.