

Global Security Assessment
for the
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Dr. Thomas Fingar
Deputy Director for Analysis

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HOUSE ARMED SERVICES COMMITTEE

GLOBAL SECURITY ASSESSMENT

STATEMENT FOR THE RECORD

INTRODUCTION

Chairman Skelton, Ranking Member Hunter, Members of the Committee, thank you for the invitation to offer my assessment of threats to our nation.

I am joined today by John Kringen, Director for Intelligence, Central Intelligence Agency, and Robert Cardillo, Deputy Director for Analysis, DIA.

REFORMS PROMOTE INFORMATION SHARING, SENSE OF COMMUNITY

The judgments I will offer the Committee are based on the efforts of thousands of patriotic, highly skilled professionals, many of whom serve in harm's way. I am proud to be part of the world's best Intelligence Community and pleased to report that it is even better than it was last year as a result of reforms mandated by the President and the Congress. These reforms promote better information sharing, the highest standards of analytic rigor, the most innovative techniques of acquiring information, and a stronger sense of community across our sixteen agencies.

DIVERSITY OF
THREATS/GLOBALIZATION
MANDATE GLOBAL
COVERAGE

We know that the nation requires more from our Intelligence Community than ever before because America confronts a greater diversity of threats and challenges than ever before. Globalization, the defining characteristic of our age, mandates global intelligence coverage. Globalization is not a threat in and of itself; it has more positive than negative characteristics. But globalization does facilitate the terrorist threat, increases the danger of WMD proliferation, and contributes to regional instability and reconfigurations of power and influence—especially through competition for energy. Globalization also exposes the United States to mounting counterintelligence challenges. Our comparative advantage in some areas of technical intelligence, where we have been dominant in the past, is being eroded. Several nonstate actors, including international terrorist groups, conduct intelligence activities as effectively as capable state intelligence services. A significant number of states also conduct economic espionage. China and Russia’s foreign intelligence services are among the most aggressive in collecting against sensitive and protected US targets.

This array of challenges to our national security is shaped by dramatic advances in telecommunications, technology, new centers of economic growth, and the consequences of crises within traditional cultures.

NONSTATE ACTORS AND
HOSTILE STATES ASSAULT
INTERNATIONAL ORDER

As a result of these and other challenges exacerbated by globalization, many nation states are unable to provide good governance and sustain the rule of law within their borders. This enables nonstate actors and hostile states to assault these fundamental building blocks of international order, creating failed states, proxy states, terrorist safehavens, and ungoverned regions that endanger the international community and its citizens. More to the point, it threatens our national security and support for freedom and democracy, notably in Iraq and Afghanistan, where our troops and those of our allies are helping to defend freely elected governments and sovereign peoples against determined insurgents and terrorists.

TERRORIST THREATS—THE
PRE-EMINENT CHALLENGE

Terrorist threats to the Homeland, to our national security interests, and to our allies remain the pre-eminent challenge to the Intelligence Community, operationally and analytically. Working closely with our international partners, we have scored remarkable successes and disrupted terrorist plots aimed at murdering thousands of US and allied citizens. Despite these

successes, we must maintain maximum vigilance, flexibility, and operational aggressiveness to counter the constant evolution and adaptive capability of our enemies. To support these efforts, we must understand the enemy, his intentions, and his capabilities. Much of what the Intelligence Community has learned in the past year corroborates its previous judgments, but we now have a deeper understanding of the enemy we face.

AL-QA'IDA—THE
GREATEST THREAT

Al-Qa'ida is the terrorist organization that poses the greatest threat to US interests, including to the Homeland. We have captured or killed numerous senior al-Qa'ida operatives, but we also have seen that al-Qa'ida's core elements are resilient. They continue to plot attacks against our Homeland and other targets with the objective of inflicting mass casualties. They continue to maintain active connections and relationships that radiate outward from their leaders hiding in Pakistan to affiliates throughout the Middle East, North and East Africa, and Europe.

CONVENTIONAL
EXPLOSIVES MOST
PROBABLE AL-QA'IDA
ATTACK

Use of conventional explosives continues to be the most probable al-Qa'ida attack scenario. The thwarted UK aviation plot last summer and the other major threat reports that we have been tracking all involve conventional bombs. Nevertheless, we receive reports indicating that al-Qa'ida and other groups are attempting to acquire chemical, biological, radiological, and nuclear weapons or materials.

LONDON PLOTS

Recent events in London highlight the morphing threat that we face. While investigations have yet to uncover signs that the plotters were under the control of al-Qa'ida, they certainly appear to have been inspired by Usama Bin Ladin's message and used known al-Qa'ida tactics. The plotters, most of whom had been in the UK only for a short-time, constructed homemade bombs from widely available components, and hoped to inflict large-scale civilian casualties via multiple attacks against popular gathering spots and major transportation. While these particular attackers were mostly unsuccessful, their intent, commitment, and ability to obtain bomb-making material (similar to what we saw in several disrupted Western homegrown terrorists cells in 2006) are warning signs of what al-Qa'ida-inspired terrorists aim to achieve. All members of the IC are supporting the UK's investigation and running down any possible links between the UK plotters and the United States.

HIZBALLAH THREAT

In addition to al-Qa'ida, its networks and affiliates, I must mention the terrorist threat from Hizballah, which is backed by Iran and Syria. As a result of last summer's hostilities, Hizballah's self-confidence and hostility toward the US as a supporter of Israel could cause the group to increase its contingency planning against US interests.

INTERNATIONAL COOPERATION

We know from experience since 9/11 that countering terrorism depends on unprecedented levels of international cooperation. Our successes so far against al-Qa'ida and other jihadists—and our ability to prevent attacks abroad and at home—have been aided considerably by the cooperation of foreign governments, among them Iraq, the U.K., Saudi Arabia, Turkey, Pakistan, Afghanistan, and many others. They, too, are targets of terror. As illustrated by al-Qa'ida's plots in the U.K., Kurdish separatist attacks in Turkey, and the recent bombings in Algeria, terror is a worldwide scourge.

MAJOR ACCOMPLISHMENTS

It is important to note our shared successes, with a focus, not on taking credit, but on demonstrating results. I will highlight four major accomplishments.

- In the U.K., as noted earlier, a plot to perpetrate the worst terrorist slaughter of innocent civilians since 9/11 was thwarted.
- And in Pakistan Abd al-Rahman al-Muhajir and Abu Bakr al-Suri, two of al-Qai'da's top bomb makers were killed in April 2006.
- We eliminated al-Qa'ida-in-Iraq's murderous leader, Abu Musab al'Zarqawi in June 2006.
- Also in Iraq, we have severely damaged Ansar al Sunna's leadership and operational capacity.

Again, let us emphasize that we, the United States, do not and could not accomplish our counterterrorism mission unilaterally. Our role varies from situation to situation. What does not vary is our requirement for good intelligence and committed partners, which we have in all parts of the world—because terrorists have killed far more non-Americans than Americans and far more Muslims than non-Muslims.

IRAQ, AFGHANISTAN, AND

The two countries where the United States military is

PAKISTAN

engaged in combat—Iraq and Afghanistan—face challenges that are significantly exacerbated by terrorism. And Pakistan, despite its ongoing efforts, continues to face terrorism’s many challenges, while that country also raises other concerns for us.

IRAQ—SECTARIAN
DIVISIONS, SECURITY
FORCES

In Iraq, Coalition and Iraqi forces are taking part in the Baghdad Security Plan to reduce violence, combat terrorism, and create an environment conducive to national reconciliation. The multiparty government of Nuri al-Maliki continues halting efforts to bridge the divisions and restore commitment to a unified country, and it has made limited progress on key legislation, most notably in reaching some compromises on draft hydrocarbon legislation. The Prime Minister and President jointly submitted a draft de-Bathification reform law to the legislature at the end of March, but it has not yet come up for consideration. Another important first step was taken to prepare for local elections when the government established an independent electoral commission to begin the planning process.

Iraqi security forces —especially the Iraqi Army— have become more numerous and more capable than last year at this time. Nine Iraqi Army divisions, 31 brigades, and 95 battalions are in the operational lead for their areas of responsibility.

IRAQ AT A PRECARIOUS
JUNCTURE

Despite these positive developments, communal violence and scant common ground between Shias, Sunnis, and Kurds continues to polarize politics.

Prime Minister Maliki’s national reconciliation agenda is still only at its initial stages. As the Intelligence Community (IC) noted in the National Intelligence Estimate (NIE) published in January, even if violence is diminished, given the current winner-take-all attitude and sectarian animosities infecting the political scene, Iraqi leaders will be hard pressed to achieve sustained political reconciliation.

The religious Shia foundation of Maliki’s government—the Unified Iraqi Alliance—does not present a unified front. It is split over the creation of federal regions, and the two largest factions—loyal to the Supreme Iraqi Islamic Council and Muqtada al-Sadr respectively—are bitter rivals. One Shia party, the Fadila Party, has left the coalition.

Provision of essential public services remains inadequate; oil output is below pre-war levels; hours of electrical power

available have declined and remain far below demand; and inflationary pressures have grown since last year.

With political reconciliation showing few appreciable gains, we have noted that Iraqis increasingly resort to violence. The struggle among and within Iraqi communities over national identity and the distribution of power has eclipsed attacks by Iraqis against the Coalition Forces as the greatest impediment to Iraq's future as a peaceful, democratic, and unified state.

IRAQ—PROSPECTS FOR
STABILITY AND KEY
ISSUES

The IC stated in the most recent Iraq NIE that the current security and political trends in Iraq are moving in a negative direction. It is too early to assess whether the new strategy being implemented in Iraq will allow lasting improvements to the situation.

If violence is reduced and a window for political compromise is created, increased stability in Iraq will depend on how several issues evolve. As we outlined in January, these issues include:

- The ability of the Iraqi government to establish and nurture effective national institutions that are based on national rather than religious or ethnic interests; and within this context, the willingness of the security forces to pursue extremist elements of all kinds.
- The extent to which the Shia feel sufficiently secure in their political position: despite their recent electoral victories and overall political ascendancy, the Shia at present remain deeply insecure about their hold on power. This insecurity is manifested in the Shias' refusal to make real concessions to the Sunnis on a range of issues, such as easing of de-Bathification and clamping down on radical Shia militias.
- The extent to which Arab Sunnis develop trust and participate in the new political order: now, many remain unwilling to accept their minority status, continue to resist violently this new political order, and distrust the Shia-led government and its commitment to their security.
- The extent to which divisions within the Shia and the Sunni are addressed: profound intra-group divisions among the Shia and Sunnis complicate the situation, because no single leader can speak for or exert control over these groups.

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- The extent to which extremists—most notably al-Qa’ida in Iraq (AQI)—are suppressed: these groups continue to conduct high-profile, often mass casualty attacks that are effective accelerants for the self-sustaining sectarian struggle between Shia and Sunnis.

And lastly, the extent to which Iraq’s neighbors can be persuaded to stop the flow of militants and munitions across their borders: Iran’s lethal support for select groups of Iraqi Shia militants clearly exacerbates the conflict in Iraq, as does Syria’s continued provision of safehaven for expatriate Iraqi Bathists and its inability or unwillingness to stop the flow of foreign jihadists into Iraq.

IRAQ AND REGIONAL CONCERNS

Friends of the United States in the region are concerned about the consequences of growing instability in Iraq. Many are increasingly apprehensive about Iraqi ethnosectarian strife agitating their populations and all of our allies in the region are nervous about the growing role of radical Islamists, the spreading of Iranian influence, and refugee flows.

AFGHANISTAN— RESURGENCE OF THE TALIBAN; DRUG TRADE; CORRUPTION

This year is difficult for Afghanistan. Afghan leaders must build central and provincial government capacity, confront pervasive drug cultivation and trafficking, and, with the United States, NATO, and other allies, arrest the resurgence of the Taliban. The insurgency probably does not directly threaten the government, but it continues to deter economic development and undermine popular support for President Karzai.

Afghan leaders continue to face critical challenges in building central and provincial government capacity and in confronting pervasive drug cultivation and trafficking. The country faces a chronic shortage of resources and of qualified and motivated government officials, while the drug trade contributes to endemic corruption at all levels of government. We have noted the dangerous nexus that exists between drugs and the insurgents and warlords who derive funds from cultivation and trafficking.

Lastly, diminishing the safehaven that the Taliban and other extremists have found in Pakistan continues to be a necessary but insufficient condition for ending the insurgency in Afghanistan.

PAKISTAN'S CHALLENGES

Which brings me to Pakistan, where aggressive military action against extremists has been costly for that country's security forces and has caused the government concern over the potential for tribal rebellion and a backlash by sympathetic Islamic political parties. With tribal opposition to the US military presence in Afghanistan and Iraq widespread and elections expected later this year, the situation will become even more challenging—for President Musharraf and for the US.

- Moreover, democracy has not been fully restored since the Army took power in 1999 and Musharraf's suspension of Pakistan's Chief Justice in March has brought thousands of protesters into the streets and increased public demand for a fully democratic system.

PAKISTAN'S RELATIONS WITH INDIA

The three-year peace process between Pakistan and India has reduced tensions in the region and both sides appear committed to improving the bilateral relationship. The Mumbai train bombings last year disrupted, but ultimately did not derail, the composite dialogue and a mechanism for exchanging information on terrorist attacks has been established.

Nonetheless, New Delhi's concern about terrorist attacks on Indian soil remains a dominant theme in relations, and risks derailing rapprochement. Although both New Delhi and Islamabad are fielding a more mature strategic nuclear capability, they do not appear to be engaged in a Cold War-style arms race based on a quest for numerical superiority.

PROLIFERATION: STATES OF KEY CONCERN

After terrorism, the ongoing efforts of nation-states and terrorists to develop and/or acquire dangerous weapons and delivery systems constitute the second major threat to the safety of our nation, our deployed troops, and our friends.

TRACKING DANGEROUS TECHNOLOGIES

The time when only a few states had access to the most dangerous technologies has been over for many years. Dual-use technologies circulate easily in our globalized economy, as do the scientific personnel who design and use them. As a consequence, it is more difficult for us to track efforts to acquire, for nefarious purposes, these widely available components and technologies.

IRAN ASSESSED AS DETERMINED TO DEVELOP

Iran and North Korea are the states of most concern to us. The United States' concerns about Iran are shared by many

NUCLEAR WEAPONS

nations, including many of Iran's neighbors. Iran is continuing to pursue uranium enrichment and has shown more interest in protracting negotiations and working to delay and diminish the impact of UNSC sanctions than in reaching an acceptable diplomatic solution. We assess that Tehran is determined to develop nuclear weapons—despite its international obligations and international pressure. This is a grave concern to the other countries in the region whose security would be threatened should Iran acquire nuclear weapons.

NORTH KOREAN THREAT

North Korea's threat to international security remains grave. Last July, Pyongyang flight-tested missiles and in October it tested a nuclear device. We remain concerned that it could proliferate these weapons abroad. Indeed, Pyongyang has a long history of selling ballistic missiles, including to several Middle Eastern countries. Its nuclear weapon and missile programs also threaten to destabilize Northeast Asia, a region that has experienced several great power conflicts over the last one hundred years and now includes some of the world's largest economies.

On 13 February, the Six-Party Talks in Beijing produced an agreement on steps intended to lead to a declaration of all DPRK nuclear programs and a disablement of all existing nuclear facilities. The agreement is the initial step in the denuclearization process, but its implementation has been delayed by procedural obstacles that were overcome last month. We will look closely for signs of progress.

REGIONAL CONFLICTS, INSTABILITY, AND RECONFIGURATIONS OF POWER AND INFLUENCE

As noted at the outset of this statement, globalization is contributing to conflicts, instability, and reconfigurations of power and influence. These consequences of globalization manifest themselves most clearly at the regional level, although at times we can see the effects across regions. Again, the attempt by states or non-state actors to co-opt, dominate, turn into proxies, or destroy other nation states is our primary concern. This is the explicitly stated goal of al-Qa'ida's leadership vis-à-vis Iraq and the Levant, and it is an accurate appraisal of the foreign policy aims of states like Iran. However they occur, violent conflicts in a given state—as we see in Africa today—can swiftly lead to massive humanitarian tragedies and, potentially, regional wars.

THE MIDDLE EAST: AN EMBOLDENED IRAN

Iran's influence is rising in ways that go beyond the potential threat posed by its nuclear program. The fall of the Taliban and

Saddam, increased oil revenues, HAMAS control of Gaza, and Hizballah's perceived success last summer in fighting against Israel embolden Iran in the region. Our Arab allies fear Iran's increasing influence, are concerned about worsening tensions between Shia and Sunni Muslims, and face domestic criticism for maintaining their decades-old strategic partnerships with Washington.

Iran's growing influence has coincided with a shift to a more hard-line government. Iranian President Ahmadi-Nejad's administration—staffed in large part by hardliners imbued with revolutionary ideology and deeply distrustful of the US—has stepped up the use of more assertive and offensive tactics to achieve Iran's longstanding goals.

IRAN—ETHNIC UNREST

However, Ahmadi-Nejad's supporters suffered setbacks in last year's Assembly of Experts and local council elections and elite criticism of Ahmadi-Nejad's policies—especially his management of the Iranian economy— and hardline rhetoric remains. Ethnic tensions in Iran's Baloch, Kurdish, Arab, and, to a lesser extent, Azeri areas continue to fester, creating concern in Tehran about the potential for broader ethnic unrest. However, we see no viable opposition movement. While record oil revenues and manageable debt suggest that Iran is capable, for now, of weathering shocks to the economy, inflationary pressures, exacerbated by Ahmadi-Nejad's expansionary fiscal and monetary policies, are harming Iran's consumer and investment climates and causing employment opportunities to decline. A substantial decline in oil prices could create broader economic problems for the regime.

IRAN—ACTIVE IN IRAQ

Iran continues to be active in Iraq, seeking to influence political, economic, religious, and cultural developments to ensure a non-threatening, cooperative, and Shia-dominated regime to its west. Tehran also seeks to ensure the US bears increasing costs for its presence in Iraq, experiencing setbacks that could drive a US decision to depart and dissuade the US from attacking Iran.

Iran uses radio, television, and print media to influence Iraqi public opinion and help promote pro-Iranian individuals in the Iraqi government at all levels. It has offered financial and other support to its political allies in the Unified Iraqi Alliance.

We assess that the Qods Force—a special element of Iran's

Islamic Revolutionary Guards Corps—is involved in providing lethal support to select groups of Shia militants in Iraq. This support comes in the form of weapons and weapons components traced to Iran as well as military training to include the use of these weapons. Support from the Qods Force helps enable Iraqi Shia groups to attack Coalition forces.

IRAN—MILITARY POWER

Iranian conventional military power would threaten Persian Gulf states and challenge US interests during a time of crisis. Iran is enhancing its ability to project its military power—primarily with ballistic missiles and naval power—to deter potential adversaries and achieve hegemony in the Gulf. It seeks the removal of US forces based in the region by alternately cajoling and trying to intimidate regional allies into withholding support for US policy, and by raising the political, financial, and human costs to the US and our allies of our presence in Iraq. Tehran views its growing inventory of ballistic missiles (it already has among the largest inventory of these missiles in the Middle East), as an integral part of its strategy to deter—and if necessary retaliate against—forces in the region, including US forces.

IRAN—TERRORISM AND HIZBALLAH

We assess that Iran regards its ability to conduct terrorist operations abroad as a key element of its national security strategy: it considers this capability as helping to safeguard the regime by deterring US or Israeli attacks, distracting and weakening Israel, as enhancing Iran’s regional influence through intimidation, and as helping to drive the US from the region.

At the center of Iran’s terrorism strategy is Lebanese Hizballah, which relies on Tehran for a substantial portion of its annual budget, military equipment, and specialized training. Hizballah is focused on its agenda in Lebanon and supporting anti-Israeli Palestinian terrorists, but, as indicated earlier, it has in the past made contingency plans to conduct attacks against US interests in the event it feels its survival—or that of Iran—is threatened. Tehran also leverages Hizballah to provide training and guidance to JAM Special Groups conducting attacks against Coalition targets in Iraq.

SYRIA’S REGIONAL POLICIES

Syria has strengthened longstanding ties with Iran and grown more confident about its regional policies, largely due to what it sees as vindication of its support to Hizballah and its perceptions of its success in overcoming international attempts

to isolate the regime. Damascus has failed to crack down consistently on militant infiltration into Iraq and continues to attempt to reassert control over Lebanon. Lebanon remains in a politically dangerous situation as Damascus, Hizballah, and other pro-Syrian groups attempt to topple the government of Prime Minister Siniora.

PALESTINIAN
TERRITORIES/HAMAS

In the Palestinian territories, the situation is precarious as forces loyal to HAMAS and Fatah remain poised to renew fighting and HAMAS and Fatah political leaders spar publicly over which Palestinian government legitimately represents all Palestinians. HAMAS' routing of Fatah security forces in Gaza have resulted in the de facto creation of rival governments, with a Gaza-based HAMAS government and a West Bank-based Fatah government under President Abbas. Tensions are likely to remain high as HAMAS leaders publicly have rejected the Abbas-appointed emergency government headed by Salam Fayyad, saying that the former government continues to function as the legitimate one.

CONFLICT AND CRISIS IN
SUB-SAHARAN AFRICA

In Sub-Saharan Africa, the picture is mixed. We see the consolidation of democracy in such countries as Senegal, Mali, Mauritania, and Kenya, and the persistence of political crises and violent conflict in others. Many of Africa's past and present crises have occurred in countries run by entrenched regimes with little to no real democratic foundations and weak control of areas outside the capital; Sudan and Somalia are cases in point. While violent conflict has abated somewhat since the early 2000s in West and Central Africa, turmoil and conflict threaten large portions of the sub-Saharan region, especially in the Horn of Africa.

DARFUR KILLING DOWN,
DISPLACEMENTS UP

Although the large-scale killing and organized massacres so common in Darfur in 2003-04 have ended, continuing violence and instability have boosted the number of refugees and internally displaced persons (IDPs) to unprecedented levels. Some 2.1 million IDPs now reside in Darfur, about 400,000 of whom have been displaced since the signature of the Darfur Peace Agreement (DPA) in May 2006. In addition, 235,000 Darfur refugees have fled to neighboring Chad. The conflict—which has claimed some 200,000 lives since early 2003—also has become more complex in the last two years, complicating prospects for a political solution. On the rebel side, since 2005 insurgents have sub-divided from two main groups into more

than a dozen, which, along with bandits, are now responsible for most attacks against civilians, peacekeeping forces, and humanitarian workers. On the government side, tensions have been growing between Khartoum and some of the "Arab" militias on which it relied to carry out its scorched-earth counter-insurgency. Though an expected dry season offensive by the government did not occur this year, Sudan's air force repeatedly bombed the site of a rebel unification conference. The Darfur conflict has also increasingly spilled over into neighboring Chad and, to a lesser extent, Central African Republic. With the governments of Chad and Sudan supporting each others' rebels, the fighting in Chad has created some 180,000 IDPs, 90,000 since the beginning of this year, and caused 20,000 Chadian refugees to flee into Darfur.

DARFUR DIPLOMACY

Already facing the prospect that its southern region will choose to secede in a referendum scheduled for 2011, Khartoum fears additional concessions to the Darfur rebels and deployment of UN peacekeepers to the region would lead to the disintegration of Sudan. Nonetheless, under pressure from various quarters including its major economic partner, China, Khartoum has grudgingly agreed to allow deployment of a joint AU-UN "hybrid force" of about 20,000 that would replace the current undermanned and overstretched 7,000-person AU peacekeeping force. Khartoum's continued foot-dragging and numerous political and logistical obstacles will complicate full deployment of the hybrid force and probably delay it past the new year, but the new force could increase the security of civilian populations. Similarly, a proposal by the Sarkozy government in France to deploy a UN-authorized military and police mission to provide security inside Chad for populations near the Sudan border could encourage implementation of a Saudi-brokered agreement in early May by which N'djamena and Khartoum agreed not to support each others' rebels.

SOMALIA TURMOIL

The rapid collapse of the Council of Islamic Courts (CIC) in the face of Ethiopia's December 2006 intervention and the arrival in Mogadishu of the Transitional Federal Government (TFG) radically altered the political dynamics in southern Somalia. Though the CIC has been destroyed as an organization, some of those affiliated with it—clan elements and certain radical Islamists, some affiliated with al-Qa'ida—violently oppose the TFG. TFG, Ethiopian, and African Union Forces in Mogadishu have faced almost daily attacks this spring, including multiple suicide attacks in and around the

capital since March. TFG efforts to establish a viable national government are also hampered by many of the same obstacles that have kept any single group from establishing a viable government in Somalia since the country collapsed in 1991. Notably, in a society divided into numerous clans and sub-clans, each of which is reluctant to see one group rise above the others, the TFG leadership has been unable or unwilling to expand its clan base. A proposed National Reconciliation Congress has been postponed four times since April for political and security reasons, and TFG efforts to limit participation and control the conference agenda limit the likelihood that it can be used to bring more Somalis under the TFG umbrella. Moreover, the TFG is widely perceived by Somalis to be little more than a pawn of Ethiopia, yet its continued survival, certainly in Mogadishu, remains dependent on the support provided by the Ethiopian military. Continued turmoil, incited in part by those, like Eritrea, who are supporting the TFG's enemies as a way of punishing Ethiopia, could enable extremists to regain their footing and heightens interstate tensions throughout the region. An effort to replace the temporary Ethiopian presence with a Somali-supported international force remains limited to an undermanned 1,600-man Ugandan force affiliated with the African Union.

NIGERIA'S UNCERTAIN FUTURE

Nigeria's national elections in April were marred by some of the worst vote rigging and mismanagement in the country's history and undermined the country's already tenuous democratic transition. Newly installed President Yar'adua will need to overcome his lack of legitimacy and perceived political weakness to address colossal economic and security challenges. The Nigerian population is increasingly demoralized from worsening living conditions in the face of much publicized improvements in the country's macroeconomic indicators in recent years. Insecurity continues to shut in at least 600,000 b/d in oil-production and could take more off line with little advance warning. Many other parts of the country also suffer from rampant crime, political gangsterism, and ethnic and religious cleavages. The likelihood of a political crisis and major unrest will increase if Yar'adua is unable to consolidate his power and implement comprehensive political and economic reforms that alleviate public frustrations. Instability in Nigeria would threaten other countries in the region.

LATIN AMERICA—

Gradual consolidation of democracy has remained the

GRADUAL CONSOLIDATION
OF DEMOCRACY

prevailing tendency in Latin America, despite the challenge to democratic tenets in a few countries. Moderate leftists who promote macroeconomic stability, poverty alleviation, and the consolidation of democratic institutions continue to fare well, as do able conservative leaders. Indeed, the overall health of Latin American democracy is reflected in the results of a survey by a reputable Latin America polling survey: fifty-eight percent of the respondents said that democracy is the best system of government. This number is up five percentage points, compared to results from the same poll in 2005.

At the same time, individuals who are critical of free market economics and have friendly relations with Venezuela's President Chavez won the presidency late last year in two of Latin America's poorest countries, Ecuador and Nicaragua—both after Evo Morales' victory in Bolivia in December 2005.

STRONG SHOWING OF
LEFTIST CANDIDATES

The strong showing of presidential candidates with leftist populist views in several other countries during the elections of 2006 speaks to the growing impatience of national electorates with corruption—real and perceived—and the failure of incumbent governments to improve the living standards of large elements of the population. Public dissatisfaction with the way democracy is working is especially troubling in the Andes.

VENEZUELA—STRUGGLE
AGAINST US
“IMPERIALISM”

Democracy is most at risk in Venezuela and Bolivia. In both countries, the elected presidents, Chavez and Morales, are taking advantage of their popularity to undercut the opposition and eliminate checks on their authority.

In Venezuela, Chavez reacted to his sweeping victory last December by increasing efforts to deepen his self-described Bolivarian Revolution while maintaining the struggle against US “imperialism.” He revoked the broadcasting license of a leading opposition television station, on 28 May, and has nationalized the country's main telecommunications enterprise and largest private electric power company. He has forced US and other foreign petroleum companies to enter into joint ventures with the Venezuelan national petroleum company or face nationalization. Negotiations on compensation and the autonomy remaining to the companies that have chosen to stay in Venezuela are pending. Chavez is among the most stridently anti-American leaders anywhere in the world and will continue to try to undercut US influence in Venezuela, the rest of Latin America, and elsewhere internationally. He is attempting to

establish relationships with nations such as Iran, China, and Russia that will lessen his country's longstanding economic ties to the US.

CHAVEZ'S WEAPONS PURCHASES

Chavez's effort to politicize the Venezuelan Armed Forces and to create a large and well-armed military reserve force are signs that he is breaking with the trend in the region toward more professional and apolitical militaries. He has purchased modern military equipment from Russia, including 24 SU-30 multi-role fighters, which can perform air-to-air, strike, and anti-ship roles, and is moving toward upgrading other force projection capabilities. These weapons purchases increasingly worry his neighbors and could fuel defense spending by his neighbors.

Cuba remains Venezuela's closest ally. Fidel Castro's protracted convalescence leaves the day-to-day governing responsibilities to his brother Raul. Key drivers in influencing events in post-Fidel Cuba will be elite cohesion in the absence of Cuba's iconic leader and Raul Castro's ability to manage what we assume to be high public expectations for improved living conditions. This year may mark the end of Fidel Castro's domination of Cuba; but significant, positive political change is unlikely immediately. Although Raul Castro has solidified his own position as successor, it is too soon to tell what policy course he will take once Fidel has left the scene.

MEXICO—PRESIDENT CALDERON'S DYNAMISM

In Mexico, President Felipe Calderon's public security initiatives, early efforts to address poverty, and quick handling of political controversies have been highly popular and have put to rest attempts to question the legitimacy of his presidency. His government is taking steps to address problems that affect both Mexican and US security concerns, including drug smuggling, human trafficking, and associated violence.

CROSS-CURRENTS IN ASIA

The rise of China and economic prosperity more generally—except for North Korea—are changing Northeast Asia in unprecedented ways. Trade and investment, driven by China's successful integration into the world economy through the World Trade Organization framework, is rapidly bringing the countries of this region closer together; but Asia still lacks mature, integrating security mechanisms, beyond the US security treaties with Japan and South Korea.

CHINA—BEIJING’S FOREIGN
POLICY

In 2006, Chinese leaders increasingly moved to align Beijing’s foreign policy with the needs of domestic development, identifying opportunities to strengthen economic growth, gain access to new sources of energy, and mitigate what they see as potential external threats to social stability. These Chinese priorities are motivating Beijing’s engagement with problematic regimes like those in Sudan and Iran. At the same time, China places a priority on positive relations with the United States while strengthening ties to the other major powers, especially the EU and Russia.

PRC leaders continue to emphasize development of friendly relations with the states on China’s periphery to assure peaceful borders. In the past year, China achieved notable success in improving relations with Japan under newly elected Prime Minister Abe. In addition to establishing strong bilateral ties, Beijing actively engages with many multilateral organizations, including ASEAN.

CHINA—RAPID MILITARY
MODERNIZATION

Beijing continues its rapid rate of military modernization, initiated in 1999. Although this reinforces concerns about Chinese intentions toward Taiwan, we assess that China’s aspirations for great power status, threat perceptions, and security strategy would drive its modernization effort even if the Taiwan problem were resolved, but military priorities probably would shift from preparations for a potential conflict to programs designed to enhance China’s status. The Chinese are developing more capable long-range conventional strike systems and short- and medium-range ballistic missiles with terminally guided maneuverable warheads able to attack US carriers and airbases. Moreover, in January the Chinese tested a direct ascent counterspace weapon that successfully intercepted and destroyed a Chinese weather satellite.

CHINA—MAINTAINING
DOMESTIC STABILITY AND
ECONOMIC GROWTH

Maintaining domestic stability remains one of Beijing’s top priorities. Rural discontent, which has frequently erupted in an increasing number of local demonstrations and riots, could undermine continued rapid economic growth if not addressed. Hu Jintao’s “harmonious society” program is an attempt to address these concerns by enhancing environmental protection, social service, and rule of law, while strengthening the Communist Party’s position. The 11th Five-Year Plan enacted in 2006 seeks to put economic growth on a more secure footing by attempting to address rural complaints and extending economic prosperity to more disadvantaged segments of

Chinese society. Implementation of this program would require a major shift of resources to the countryside, greater accountability of provincial leaders to Beijing, and stronger efforts to root out local corruption.

Lastly, some aspects of China's financial system are unhealthy, with state-owned banks maintaining large balances of non-performing loans. We nevertheless see a low risk of severe financial crisis over the next five years; China is introducing market measures to the financial sector, and has massive foreign exchange reserves, current and capital account surpluses, and low exposure to short-term foreign currency debt.

INDIA—ECONOMIC
GROWTH AND REGIONAL
ROLE

We expect that India's growing confidence on the world stage as a result of its sustained high rates of economic growth will make New Delhi a more effective partner for the United States but also a more formidable interlocutor in areas of disagreement, particularly in the WTO.

New Delhi seeks to play a role in fostering democracy in the region, especially in Nepal and Bangladesh, and will continue to be a reliable ally against global terrorism, given the fact that India is a major target for Islamic extremists, in part because of the insurgency in Kashmir.

EURASIA IN FLUX

Fifteen years after the dissolution of the USSR, post-Soviet Eurasia remains in a state of flux—more so even than a year ago—but increasingly subject to Russian assertiveness

RUSSIA—SUCCESSION
MANEUVERING

As Russia moves toward a presidential election in March 2008, succession maneuvering has intensified and increasingly dominates Russian domestic and foreign policy. Against that backdrop, the last year has seen expanded Kremlin efforts to stifle political opposition and widen state control over strategic sectors of the economy. Those trends are likely to deepen as the succession draws closer.

Meanwhile, high energy prices and abundant oil and gas reserves continue to fan Kremlin aspirations for Russia to become an energy superpower. A flush economy and perceived policy successes at home and abroad have bolstered Russian confidence, enabled increased defense spending, and emboldened the Kremlin to pursue foreign policy goals that are

not always consistent with those of Western institutions. Indeed, Russia is attempting to exploit the leverage afforded it by high energy prices, increasingly using strong-arm tactics against neighboring countries.

RUSSIA'S RELATIONSHIP
WITH THE US AND WORLD

Russian assertiveness will continue to inject elements of rivalry and antagonism into US dealings with Moscow, particularly our interactions in the former Soviet Union, and will affect our ability to cooperate with Russia on issues ranging from counterterrorism and nonproliferation to energy and democracy promotion in the Middle East. The steady accumulation of problems and irritants threatens to harm Russia's relations with the West more broadly.

GEORGIA

Future developments in Georgia may become intertwined with events outside the region, particularly in Kosovo. If Kosovo gains independence without a negotiated settlement over the next year, Russia has suggested that it might respond by recognizing breakaway regions in Georgia, a risky step.

OTHER EURASIAN STATES:
UKRAINE

Ukraine's political situation remains unsettled. The Orange Revolution brought lasting changes, including greater media freedom and a strengthened role for civil society. Though improvements to the political process resulted in free and fair parliamentary elections in March 2006, the long-standing power struggle between President Yushchenko and Prime Minister Yanukovich continues to buffet Ukrainian politics and national policy. This rivalry has led to the recent dissolution of Parliament and the calling of new legislative elections for September. Political-economic reform efforts and attempts to integrate further with the West have suffered due to this extended period of political uncertainty.

CENTRAL ASIA—
AMERICAN INTERESTS

American interests in Central Asia face increasing challenges that could provide fertile soil for the development of radical Islamic sentiment and movements. Furthermore, cooperation on democratization efforts has been limited.

- There is no guarantee that elite and societal turmoil across Central Asia would stay within the confines of existing autocratic systems. In the worst, but not implausible case, central authority in one or more of these states could be challenged, leading to potential for increased terrorist and criminal activities.

ENERGY SECURITY AND
COMPETITION FOR
SUPPLIES

Energy resources have long been a critical element of national security, but globalization, unprecedented increases in demand, and the interactive effects of energy and other issues have both magnified and broadened the significance of developments in the global energy system. We have entered a new era in which energy security has become an increasing priority not only for the US and the West, but also rapidly developing economies such as China and India, which are becoming major energy consumers.

This means that developments in the energy arena, narrowly defined, have significant and often multiple consequences in other areas. For example, high and surging demand for oil and gas fueled by five years of unusually robust world economic growth have resulted in higher hydrocarbon prices and windfall profits for producers. Producer nations are benefiting from higher prices and several countries hostile to US interests are reaping the potential political, economic, and even military advantages that such resources bring.

INTELLIGENCE READINESS
AND GLOBAL COVERAGE

Each of these national security challenges is affected by the accelerating change and transnational interplay that are the hallmarks of 21st century globalization. Globalization has transformed the way we communicate and conduct business, but it also has transformed the way we think about challenges and opportunities and in the way we define and confront our foes. Indeed, it is not too much of a stretch to say that events anywhere can—and often do—affect our interests and the security of our nation and our people. As a result, the Intelligence Community must maintain global coverage and the highest level of readiness to anticipate challenges and respond to them.

INTELLIGENCE
TRANSFORMATION
EXAMPLES

Therefore, I offer a few examples that demonstrate the extent to which the Intelligence Community is transforming the way we work with one another and are achieving a higher level of intelligence readiness than was the case before 9/11.

NCTC

The first example is a strengthened National Counterterrorism Center, which in last two years has fully assumed its central role in our nation's efforts against global terrorism worldwide.

- The key agencies involved are physically present and integrated into NCTC's work.

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- NCTC draws on 30 different networks in performing its analytic and information-sharing functions.
 - NCTC convenes all the key players in our CT intelligence mission three times a day to ensure complete coordination and face-to-face communication.

INFORMATION SHARING

The second improved readiness example is the impact of our information sharing reform initiatives. Nothing improves intelligence readiness faster than information sharing with the right authorities, friends, and allies. Under the Senate-confirmed Chief Information Officer and the Program Manager for the Information Sharing Environment, we have:

- Implemented a classified information sharing initiative with key US allies.
- Established the Unified Cross Domain Management office with DoD to oversee development and implementation of common technologies that enable highly classified networks to share information with users and systems that have lower or no clearances;
- Developed and rolled out “blue pages” that provide contact information for all agencies with counterterrorism responsibilities in the US Government;
- Released the Information Sharing Environment Implementation Plan and Privacy Guidelines, which provide the vision and road map for better information sharing within the Intelligence Community and with our fellow Federal, State, local, and tribal counterparts, as well as with foreign governments and the private sector; and
- We are nearing completion of a significant simplification of “Sensitive but Unclassified” rules for the US Government, which should further improve information sharing with state and local partners.

COVERAGE OF SUDDEN FLARE-UPS, EMERGING CRISES

A third example of our intelligence readiness addresses the critical question of global coverage and dealing with sudden flare-ups. We have developed a new model for assessing and then tasking IC organizations to “lift and shift” collection resources in response to emerging crises.

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- Application of this process in support of intelligence efforts against the summer 2006 Lebanon/Hizballah/Israel crisis proved very effective in focusing Community efforts.
 - The same model is being used against the ongoing Darfur crisis and in Somalia.

MISSION MANAGERS— ACTING ACROSS THE IC

Finally, we have the Mission Managers for Terrorism, Iran, North Korea, Counterproliferation, Counterintelligence, and Cuba and Venezuela. These are senior executives, empowered to act across the IC, to achieve full coordination, synergy, and cooperation. In two cases noted earlier—Iraq and China—where the United States has, justifiably, the largest intelligence investment, I join our most senior IC members in being deeply and directly engaged as a team.

CONCLUSION

This requirement for readiness and global coverage does not mean that all places and problems are equally important at a given point in time. We must and do accord greater attention to those that are most dangerous, most difficult, and most important to the policymakers, warfighters, and first responders who depend on information and insights from the Intelligence Community. The challenge we face is not catching up to globalization or getting ahead of globalization—it is recognizing the degree to which our national security is inextricably woven into the fabric of globalization.

In intelligence, our focus on the military, foreign, counterintelligence, and domestic dimensions of the threat must be all of a piece, seamlessly integrated to thwart attacks, prevent surprises, and provide policymakers with the time and insight they need to make decisions that will keep Americans safe.