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Statement for the Record

Current and Projected National Security Threats
to the United States

Lieutenant General Michael D. Maples, U.S. Army
Director, Defense Intelligence Agency

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Good afternoon Mr. Chairman, Ranking Member McCain and distinguished members of this committee. Thank you for this opportunity to testify on current and projected threats to the United States.

My testimony today reflects the work of thousands of collectors, analysts and support personnel, many of whom are deployed worldwide and often to dangerous and remote locations. They take great pride in providing the very best military intelligence to a broad range of customers, including the President of the United States, Congress, the Secretary of Defense, Chairman of the Joint Chiefs of Staff, the U.S. Combatant Commands, allies and our servicemen and women in combat.

Whether defense intelligence is informing national policy or enabling command decisions, we remain acutely aware at all times that lives depend upon on the accuracy, speed and thoroughness of our work. On behalf of the civilian and military men and women of DIA and across the defense intelligence enterprise, thank you for your support.

My testimony begins with an assessment of today's global strategic environment, followed by trends and developments in Iraq and Afghanistan. I will also discuss today's global terrorist threat before addressing countries, regions and transnational issues of special interest.

GLOBAL STRATEGIC ENVIRONMENT

The United States is presently operating within an unusually complex environment marked by an accelerating operational pace and a broad spectrum of potential threats. That spectrum is bounded on one side by traditional nation-state regional powers within recognized borders and armed with large military inventories and on the other by non-state terrorist or criminal networks operating in the gaps and seams between nations, cultures, laws and belief systems.

The environment includes ongoing combat operations, ascending and aspiring regional powers, the proliferation of weapons of mass destruction (WMD), evolving alliances, competition for resources and ideological conflicts that are

fueling novel challenges to the established order in regions of vital interest to the United States.

While the United States still projects a dominant influence across the world's military and security landscape, other nation-states and non-state actors are aggressively seeking advantage.

Today's unprecedented access to information gives individuals and events the potential for a real-time, unfiltered worldwide audience which can influence global leadership and popular perceptions. This can compress time available for decision-making and the considerations that historically have been addressed separately at the tactical, operational and strategic levels of conflict.

This uncertain and dynamic environment also fosters the conditions that can simultaneously enable and mask strategic surprise, whether initiated by design or miscalculation.

In this setting, DIA collects and analyzes intelligence against a broad range of highly dissimilar potential threats and adversaries. While our priority today is to provide the best intelligence in support of current military operations, we continue to meet our additional, broader responsibilities.

CURRENT OPERATIONS

IRAQ

A number of trends across Iraq turned more positive for the Coalition and Iraqi government in 2007, though none are yet irreversible.

Overall violence across the country has declined to the lowest level since April 2005 and violence against Coalition forces is at the lowest level since March 2004. This is largely the combined result of Coalition and Iraqi operations, tribal security initiatives, Concerned Local Citizen groups and accommodations with former insurgents.

Muqtada Al-Sadr's "freeze" order helped lower violence levels in Baghdad and southern Iraq, although some Iranian-supported Jaysh al-Mahdi elements still target Coalition and Iraqi forces, Sunni civilians and competing Shi'a groups.

Al-Qaida-in-Iraq (AQI) and other active Sunni Arab insurgents moved most of their operations to more permissive Northern provinces where they are

trying to exploit Arab fears of Kurdish expansionism and related territorial disputes.

AQI remains the most active terrorist group in Iraq. It continues to target the Iraqi government and Coalition Forces while also trying to reignite sectarian violence. Successful Coalition and ISF targeting of AQI leaders, the widespread emergence of local security groups through the Sahawa or Awakening movement, Coalition support for local security initiatives and accommodation with former insurgents have significantly reduced the ability of AQI and other irreconcilable insurgent groups to operate in central and western Iraq. In response, AQI is targeting anti-AQI Concerned Local Citizen (CLC), or "Sons of Iraq" local security groups in Anbar, Diyala and other provinces. AQI remains able to launch high-profile attacks. With its continued commitment to external attack planning, AQI also remains a threat beyond Iraq.

Sunni insurgent groups remain active at lower levels throughout central and northern Iraq. Some align with larger groups such as the 1920 Revolution Brigades, but most operate at a more local level.

Tribal opposition grew out of frustration with AQI's terrorist tactics against Sunni civilians and AQI encroachment upon traditional tribal authorities and economic activities. In response, some former insurgents joined the ranks of the tribal "awakening" movements in many areas. This cooperation is generally localized and rooted in the many intertwining family, tribal and neighborhood ties between insurgents and tribes. Once they feel the threat from AQI has ended, the tribes and other reconciled Sunni groups may reconsider these alliances of convenience if they continue to feel politically disenfranchised and do not receive the economic, infrastructure and other benefits from cooperation with the Coalition and the Government of Iraq (GOI) and/or believe their security is threatened. Recent passage of the Provincial Powers law, which requires provincial elections to be held by October 2008, is likely to help defuse growing inter-tribal disputes in western Iraq.

Sunni Arab relations with Coalition Forces have greatly improved, as have those between local Sunni security groups and the GOI despite lingering mutual mistrust. Greater stability has enabled reconstruction and the central government has recently shown more willingness to fund projects in Sunni-majority areas. Tribal awakening movements and other Concerned Local Citizen local security

groups want many of their members to be accepted into the formal Iraqi Security Forces or receive other government and civilian jobs. In the near term, Sunni Arabs are likely to continue cooperating with Coalition Forces, at least partly to pressure Iraq's government to increase Sunni representation across the government and security forces and gain a greater share of resources. Some Sunni Arab groups now favor a continued U.S. troop presence primarily as a way to counter Iranian influence, although others remain opposed to a continued Coalition presence.

During 2007, Shi'a parties and militants increasingly fought at the local and national levels for political and security dominance, particularly over southern Iraq's religious and economic spoils. Despite the Sadrist freeze, the intra-Shi'a conflict will likely continue and could intensify in the run-up to provincial elections, the Coalition drawdown, the transfer of additional provinces to Iraqi control and the federalism debate.

Shi'a parties in the government generally support the Coalition, but want more autonomy and a bi-lateral security agreement with the United States. The Sadrists still strongly oppose the Coalition's presence. The Iraqi Shi'a religious authority (Marja'iyah) supports Sunni-Shi'a reconciliation and the Iraqi Government.

Expanding Kurdish influence across northern Iraq's disputed territories is fueling ethnic tensions and violence between Kurds and Arabs. The Kurds will leverage their political and military strength to ensure that disputed areas come under Kurdish control. They seek to accomplish this through the Article 140 referendum process and by placing Kurdish forces in key locations. Increased Kurdish economic development, resulting from regional laws passed without Baghdad's approval or blessing may exacerbate the ethnic divide.

Turkey has attempted to disrupt and degrade cross-border Kurdish terrorist activity with some limited artillery, air-strikes and ground operations into northern Iraq. Ankara has indicated an intent to conduct additional operations against the Kurdish People's Congress, or KGK (previously called the PKK) in response to the perceived threat. A sustained, large-scale Turkish operation could jeopardize stability in northern Iraq.

Iran continues to provide money, weapons and training, often through the IRGC-QF, to some Iraqi Shi'a militants despite pledges by senior Iranian officials

to stop such support. The weapons include very deadly Explosively Formed Penetrators (EFPs) with radio-controlled, remote arming and sophisticated passive infrared detonators, mortars, rockets, rocket-propelled grenades and launchers, small arms ammunition and explosives.

The IRGC-QF is part of the Iranian government. It covertly trains, funds and arms Iraqi insurgents and militias. It also offers strategic and operational guidance aimed at undermining Iraqi stability. Approximately 12,000 Iraqi Shi'a operatives that had been exiled to Iran entered Iraq at the start of the war in 2003. The IRGC-QF's partner, Lebanese Hizballah, has trained Iraqi insurgents in Iraq, Iran and Lebanon. Lebanese Hizballah provides insurgents with the tactics and technology to conduct kidnappings, small unit tactical operations and employ sophisticated improvised explosive devices, among the lessons learned from that group's operations in southern Lebanon.

One of the signature weapons of this war is the Improvised Explosive Device (IED), which can be employed in a variety of ways. Efforts to defeat these weapons and the networks that design, build, emplace and fund them draw persistent counter-responses. The steady flow of new IED technologies and highly creative emplacement and employment methods underscore the enemy's ability to adapt and react quickly and efficiently.

The Iraqi Security Forces (ISF) improved their overall capabilities in 2007. While the ISF is increasingly leading counterinsurgency operations, the force still depends upon Coalition combat service support. Iraq's army has grown substantially with the addition of two more divisions, the decision to fill out other divisions and a new policy permitting combat units to man 120-percent over authorized levels. ISF numbers have grown partly due to more successful recruitment among recently engaged Sunni tribal leaders and former regime commissioned and non-commissioned officers. This also is increasing Sunni Arab representation in the ISF. Today, there are approximately 450,000 trained members of the ISF including army, local and national police, border enforcement, and air force, navy and special operations forces. The ISF inventory includes more than 350 armored personnel carriers, 3,000 cargo trucks, 150 tanks, 25 helicopters, 15 fixed-wing aircraft, three transport aircraft and 30 patrol boats.

However, the ISF still suffers from a lack of trained, qualified and experienced leaders at the tactical level. This fosters a climate in which

individuals remain vulnerable to improper political and criminal influence. Iraq's army is trying to increase the number and quality of its leaders. And a new military justice system will help enforce the rule of law. That will help security forces win popular recognition as the legitimate guarantor of Iraq's security.

The flow of foreign terrorists into Iraq and the number of associated suicide attacks have declined. The Saudi grand mufti's 1 October condemnation of foreign terrorists and Usama Bin Ladin's December 2007 message in which he spoke of mistakes in Iraq could weaken AQI's appeal to foreign recruits. At the same time, the nations where foreign fighters originate or transit have increased their counter-terrorism efforts, especially targeting foreign fighter transport networks.

AFGHANISTAN

Although the Taliban cannot conduct sustained conventional operations, it has increased attacks every year since 2002. Violence in 2007 grew by thirty-three percent over levels in 2006. Statistics also show twenty-one percent increases in suicide bombings and the use of improvised explosive devices and a forty-seven percent increase in small arms attacks. Some of these trends reflect the International Security Assistance Force's (ISAF) increased engagements in expanded operational areas.

Through violence and intimidation, the Taliban-led insurgency continues to undermine the development of a stable Afghanistan. While the insurgency remains concentrated in the Pashtun dominated south and east, it expanded in 2007 to some western areas that lack an effective security and government presence.

The Taliban play to an international audience through press releases, videos and the Internet, sometimes with al-Qaida's support. The Taliban lost several key commanders in 2007. However, they can sustain operations with steady access to local Pashtun and some foreign fighters. Al-Qaida's presence in Afghanistan is increasing to levels unseen since 2001-2002. Al-Qaida supports the Afghan insurgency with personnel, training and resources, particularly in Afghanistan's south and east.

Insurgents in Afghanistan have expanded their use of some tactics and techniques that have proven effective in Iraq, such as kidnappings, suicide attacks

and the occasional use of EFPs, demonstrating the adaptive nature of the threat. They also still cross the porous Afghan-Pakistani border despite pledges by local tribal groups to the Pakistani government that they would remove foreign fighters from their midst while also preventing insurgent border transits.

Iran seeks to expand its influence in Afghanistan, mainly along its eastern border, while challenging the coalition's presence and influence in Afghanistan. Tehran advances its goals through legitimate business and humanitarian efforts along with weapon shipments that include EFPs, rocket propelled grenades, mortars, rockets, small arms ammunition and explosives.

Afghanistan's army and police forces are growing slowly and unevenly both in numbers and effectiveness. The Afghan army has made progress by fielding eleven of fourteen projected infantry brigades. A third of Afghanistan's combat arms battalions can lead combat operations, albeit with Coalition support. In contrast, Afghan National Police (ANP) forces still require considerable training and Coalition support to fulfill their mission. The Afghan National Army (ANA) has grown from 31,000 to approximately 49,000 over the last year. The ANP has grown from 56,000 to 75,000 over the same period and is expected to grow to 82,000 by the end of this year. Recent polls show that the Afghan people generally view the army as one of the most trusted Afghan institutions. However, the Afghan government continues to struggle against violence, corruption, narcotics and foreigners opposed to a unified and strong Afghanistan.

NATO member nations continue to negotiate how to achieve counter-insurgency goals in Afghanistan. Differences exist over manning levels and the relative utility of hard and soft methods, such as use of force, reconstruction and reconciliation programs. Budget constraints and competing global deployments will limit some allies from contributing more personnel and equipment to the ISAF which now includes approximately 42,000 troops from all 26 NATO and some non-NATO nations. NATO allies engaged in combat operations in Afghanistan have performed well, but low domestic support for ISAF among some allied nations will limit their willingness to engage in more direct combat due to concerns over potential casualties.

The Afghan government is likely to progress slowly even with NATO and ISAF's continued help. Afghanistan will remain vulnerable to insurgent violence,

the narcotics trade, foreign influences and disruptive political maneuvering ahead of the 2009 Afghan presidential election.

Afghan popular discontent will endure in areas where corruption persists, select Pashtun tribes remain disenfranchised, the promise of reconstruction is not kept and in areas with poor security. The Taliban insurgency and foreign terrorists will continue to attack the Afghan government's resolve and the international community's commitment to build a stable Afghanistan.

TRANSNATIONAL TERRORIST THREAT

Still the most significant terrorist threat to U.S. interests worldwide, al-Qaida remains committed to using violence to displace Western influences across the Islamic world with its own interpretation of Islamic rule.

During 2007, al-Qaida expanded its support to the Afghan insurgency, continued to plan, support and direct transnational attacks against the West from its safe-haven inside Pakistan's ungoverned regions while also expanding the threat it poses to Pakistan itself.

We know from the past that al-Qaida is interested in recruiting operatives who can travel easily and without drawing scrutiny from security services. As such, Europe could be used as a platform from which to launch attacks against the United States.

Al-Qaida continues efforts to obtain chemical, biological, radiological and nuclear capabilities. In September 2006, Al-Qaida-in-Iraq leader Abu Ayyub al-Masri publicly called upon scientists to help the terrorist group develop such weapons. These efforts will likely persist.

Al-Qaida's threat to Pakistan itself grew in 2007, marked explicitly by Usama bin Ladin's September appeal that Pakistanis rise up against President Musharraf. This is broadly consistent with previous assassination attempts against Musharraf and previous calls from other senior al-Qaida members such as Ayman al-Zawahiri. Al-Qaida may step up attacks across Pakistan to accelerate and exploit internal instability with likely targets also including U.S. and Western interests.

Usama bin Ladin issued six statements between September and December 2007, his first public statements since July 2006 and first live video since October

2004. The spate of statements by the group's leaders, including Ayman al-Zawahiri, signals their continued health and control over the movement despite their isolation. The messages are designed to encourage donors, enlist recruits, maintain control over the movement and discourage the West.

Al-Qaida has consistently recovered from senior leadership losses. Despite the deaths and capture of key figures, mid-level operatives rise to advance plans and operations. Al-Zawahiri and Abu Yahya al-Libi have issued statements throughout the year, but from late April to early June, several others issued statements in rapid succession, each emphasizing various themes to different audiences. They included al-Zawahiri, Abu al-Yazid, Adam Gadahn and Abu Yahya al-Libi. This array of speakers is likely meant to signal to internal and external audiences that al-Qaida's viability transcends bin Ladin and al-Zawahiri.

Al-Qaida pursued partnerships in 2007 with compatible regional terrorist groups to extend the organization's financial and operational reach while also seeking to portray a sense of momentum under the al-Qaida brand.

In November 2007, al-Zawahiri announced a merger between the Libyan Islamic Fighting Group (LIFG) and al-Qaida, following the 2006 merger with the Algerian Salafist Group for Preaching and Combat (GSPC).

Al-Qaida selects regional terrorist groups for "franchises" based upon their religious and ideological beliefs, capabilities and adherence to al-Qaida's global agenda. Al-Qaida uses such mergers to foster public perceptions of its worldwide influence, pursue its transnational agenda and to strike U.S. and Western interests in new areas.

Regional groups believe such mergers enhance their status and strengthen their ability to recruit and raise funds. However, such mergers require most regional groups to subordinate their local agendas to al-Qaida's global aspirations, which can spark internal friction. A regional group's mistakes can also tarnish the al-Qaida brand, as al-Qaida-in-Iraq demonstrated in 2006-2007 when it failed to rally the Sunni Arab population to its banner and instead sparked violent tribal opposition in al-Anbar and beyond.

As these mergers multiply, the threat to U.S. and Western interests may increase as new franchises adopt al-Qaida's targeting priorities, namely Western interests. For example, following its 2006 merger, the GSPC -- renamed al-Qaida

in the Lands of the Islamic Maghreb – increased its focus on targeting Western interests.

Al-Qaida's mergers with the GSPC and LIFG demonstrate its effort to expand into Africa. Lebanon may be another region ripe for al-Qaida expansion.

East Africa al-Qaida and an increasing number of associated Somali extremists operating across the largely lawless territory of Somalia continue to pose the greatest threat to U.S. and Western interests across the region.

Since Ethiopia's late 2006 intervention in Somalia, anti-government militants, remnants of the Council of Islamic Courts and Somali extremists associated with the East Africa al-Qaida have regrouped mainly in Mogadishu. They conduct assassinations, bombings and suicide attacks against the Somali government, Ethiopian troops and the African Union Mission in Somalia. While regional counterterrorism operations have killed or captured some key operatives, local al-Qaida and their associates still operate with relative freedom.

Following the February 12th killing of Hizballah terrorist leader Imad Mughniyah, Hizballah publicly threatened Israel and reprisal attacks against Israeli and/or Jewish interests are likely. Hizballah has a near global reach and previously has demonstrated a retaliatory capability with attacks in Buenos Aires during the 1990's. If Hizballah perceives significant U.S. involvement, attacks against U.S. interests are also likely.

NATIONS AND REGIONS OF INTEREST

IRAN

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

Diplomacy, economic leverage and active sponsorship of terrorist and paramilitary groups are the tools Tehran uses to drive its aggressive foreign policy. In particular, Tehran uses terrorism to pressure or intimidate other countries. More broadly, it serves as a strategic deterrent. Tehran assesses that its use of terrorism provides benefits with few costs and risks largely because it believes it

successfully conceals its involvement in such tactics. Iran continues to provide lethal aid to Iraqi Shi'a militants and Afghan insurgents while simultaneously providing weapons, training and money to Lebanese Hizballah, its strategic partner.

In recent years, weapons that are unique to the IRGC-QF and Lebanese Hizballah have been used by Iraqi Shi'a militants in anti-Coalition attacks, especially EFPs. Coalition forces have also recovered Iranian-made munitions, including EFPs, in Afghanistan.

Within the country's borders, modernization of Iran's conventional military inventory has traditionally favored naval and air defense forces over ground and air units.

Ongoing naval modernization is focused on asymmetric equipment such as fast missile patrol boats as well as anti-ship cruise missiles and naval mines. Iran recently launched an additional mini-sub and started an additional product line for the MOWJ corvette. Iranian broadcasts claim that Iranian UAVs have monitored U.S. aircraft carrier operations in the Persian Gulf.

Since early 2007, Iran has begun to invest heavily in advanced air defenses, reversing decades of neglect in this arena. Iran began taking delivery of the advanced SA-15 tactical surface-to-air missile systems and in December 2007 announced it will acquire the strategic, long-range SA-20. Iran's procurement of modern SAMs with automated command, control and communications systems will improve its ability to protect senior leadership and key nuclear and industrial facilities.

While not investing in major new ground systems since at least early 2005, Iran is building an asymmetric capability to counter more advanced, adversary ground forces, including through enhancements to its *Basij* volunteer forces, which would play a large role in an asymmetric fight.

Regular Iranian ballistic missile training continues throughout the country. Iran continues to develop and acquire ballistic missiles that can hit Israel and central Europe, including Iranian claims of an extended-range variant of the Shahab-3 and a new 2,000-km medium range ballistic missile (MRBM) called the Ashura. Beyond the steady growth in its missile and rocket inventories, Iran has boosted the lethality and effectiveness of existing systems with accuracy improvements and new sub-munition payloads.

We judge that Iran halted its nuclear weaponization and covert uranium conversion and enrichment-related work in 2003, but we assess that Tehran at a minimum is keeping open the option to develop nuclear weapons. Iran continues to develop its enrichment program in defiance of U.N. Security Council resolutions. Iran is producing uranium enrichment feed material at Esfahan, claims to be enriching uranium in 3,000 centrifuges at Natanz and is working on more advanced centrifuges. It also continues to build a heavy water reactor at Arak which will be capable of producing plutonium that could be processed for use in a weapon.

Tehran continues to seek dual-use biotechnical materials, equipment and expertise which have legitimate uses, but also could enable ongoing biological warfare efforts. We assess that Tehran maintains dual-use facilities intended to produce chemical warfare agents in times of need and conducts research that may have offensive applications.

NORTH KOREA

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

North Korea's large, forward-positioned, but poorly-equipped and poorly-trained military is not well-suited to initiate major military operations against the Republic of Korea (ROK). The long-range artillery the North has positioned very near the DMZ is complimented by a substantial mobile ballistic missile force with an array of warhead options to include WMD that can strike U.S. forces and our allies in the ROK and Japan. The North relies upon these capabilities to ensure its sovereignty and independence.

Development of the Taepo Dong 2, which has the potential to reach the continental United States with a nuclear payload, continues despite a failed July 2006 test launch. North Korea also continues work on an intermediate range ballistic missile.

Although North Korea has halted and disabled portions of its nuclear program, we do not know the conditions under which Pyongyang would entirely abandon its nuclear weapons capability. It could have stockpiled several nuclear weapons from plutonium produced at Yongbyon and it likely sought a uranium enrichment capability for nuclear weapons. It may also have proliferated nuclear weapons-related technology abroad. North Korea may be able to successfully mate a nuclear warhead to a mobile ballistic missile.

North Korea has had a longstanding chemical warfare program and we believe North Korea's chemical warfare capabilities probably included the ability to produce bulk quantities of nerve, blister, choking and blood agents. We believe that Pyongyang possesses a sizeable stockpile of agents. North Korea has yet to accede to the Chemical Weapons Convention and is not a member of the Australia Group.

North Korea possesses a biotechnical infrastructure that could support the production of biological warfare agents. North Korea continues to research bacterial and viral biological agents that could support an offensive biological warfare program. This biological infrastructure combined with its weapons industry give North Korea a potentially robust biological warfare capability.

North Korea is stable and leadership succession, should it occur due to Kim's sudden death, is more likely to be smooth than not. Should the Six-Party Talks break down, the North is likely to respond with resumed production of fissile material at Yongbyon while also increasing rhetoric intended to encourage a return to dialogue on the North's terms. In such a scenario, additional missile or nuclear tests could occur.

CHINA

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

The People's Liberation Army (PLA) is building its own sophisticated aircraft, surface combatants, submarines and weapon systems while still buying others overseas. For example, China is integrating Russian-produced KILO-class

submarines and SOVREMENNY-class destroyers into the navy as well as S-300 PMU2 surface-to-air missiles and Su-27 aircraft into the air force. China has developed and begun to deploy indigenous SAM systems which, together with SAMs imported from Russia, provide Beijing with a modern, layered, ground-based air defense capability to defend important assets. China bought four S-300 PMU-2 (SA-20) air defense battalions and intends to buy four more. This increases its engagement range out to 200 km. China is developing a layered maritime capability with medium-range anti-ship ballistic missiles, submarines, maritime strike aircraft and surface combatants armed with increasingly sophisticated anti-ship cruise missiles.

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

China is looking beyond a potential Taiwan contingency and is pursuing capabilities needed to become a major regional power. The navy already operates a large surface and an increasingly modern submarine fleet and may be seeking to operate an aircraft carrier. The air force is developing an extended-range, land-attack cruise-missile-capable bomber. However, China must still integrate new doctrinal concepts and it also lacks the overseas bases needed for extended operations. Although China may not achieve a true regional power-projection capability in the next decade, it most likely will increase maritime patrols of disputed oil fields and its Exclusive Economic Zone.

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

Moving away from its historical reliance upon mass conscription, China is trying to build a more professional military workforce -- one able to engage

successfully in modern warfare. The PLA seeks to rejuvenate its officer corps, strengthen military education, reform its non-commissioned officer corps, improve military quality of life and combat corruption. However, the PLA still appears to be encumbered by centralized control and a lingering mistrust of individual initiative.

China is developing missiles of all ranges. The CSS-10 Mod-X-2 (DF-31A) intercontinental ballistic missile (ICBM) can strike the continental United States and is joining China's operational inventory along with the less-capable DF-31. Other future ICBMs could include some with multiple, independently-targeted reentry vehicles (MIRVs). Development continues on the conventional DF-21 (CSS-5) medium-range ballistic missile (MRBM) variants which can hold U.S. regional assets at risk.

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

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

Growing capabilities in counter-space, cyber warfare, electronic warfare and long-range precision strike could help China achieve strategic surprise. Nevertheless, China's security strategy emphasizes strategic defense, which

integrates diplomacy, economics and information with conventional military operations. If Beijing adheres to this strategy, we will have indications of Beijing's concerns along with warning of imminent crises.

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

China's total military-related spending for 2007 could be as much as \$85 to \$125 billion. China has made marginal improvements in military budget transparency, but the PLA's disclosed budget still does not include large costs for strategic forces, foreign acquisitions, military-related research and development and paramilitary forces. China's accounting opacity reflects a lack of institutional capacity as well as an unwillingness to comply with international standards for reporting military spending. China also remains reluctant to share details about its growing ASAT capabilities.

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

RUSSIA

Russia is trying to re-establish a degree of military power that it believes is commensurate with its renewed economic strength and general political confidence. Perceived Western encroachment into its claimed areas of interest and Islamic or insurgent threats along its periphery are driving Russia's current military activities and modernization efforts.

Russia's widely publicized strategic missile launches, increased long-range aviation flights and *Kuznetsov* carrier strike group deployment are meant to signal Moscow's continued global reach and relevance to domestic and international audiences.

Russia has made a major commitment of almost 5 trillion rubles to its 2007-2015 budget to develop and build new conventional and nuclear weapon systems, with Moscow's priority on maintenance and modernization of the latter.

Development and production of advanced strategic weapons such as the SS-27/TOPOL-M ICBM and the Bulava-30 Submarine Launched Ballistic Missile (SLBM) continues. In April, Russia rolled out the first Dolgorukiy-class ballistic missile submarine (SSBN) designed to carry the Bulava-30 SLBM which continues testing despite several publicized failures.

Russia is developing a new Iskander weapon system that will incorporate the SS-26/STONE short-range ballistic missile and a cruise missile. Both missile systems share common launch equipment, command and control infrastructure and can engage multiple targets in near real-time. In the future, other weapons may be incorporated into the Iskander weapons complex such as artillery and multiple rocket launchers.

Russia announced it had deployed three more Topol-M (SS-27) road-mobile ICBMs in December 2007 at Teykovo, in addition to the three Topol-Ms already on alert there since December 2006. Russian officials said they also deployed four more SS-27s in silos at Tatishchevo, increasing the total to 48. Russian media reports say Russia flight-tested its developmental RS-24, a MIRVed version of the Topol-M, twice in 2007 and it expects to deploy it in 2009 after several more tests. Russia claims the MIRVed Topol-M can penetrate any missile defense.

Russia retains a relatively large stockpile of non-strategic nuclear warheads. Nuclear weapons or material diversion remains a concern despite increased security measures. Some nuclear facilities and research reactors remain vulnerable to internal theft, sabotage or a well-executed terrorist attack. Since the early 1990s, Russian scientists familiar with Moscow's chemical weapons development program have been publicizing information on chemical agents designed to circumvent international arms control agreements and to defeat Western detection and protection measures. Such work may be continuing today.

Russia may consider using chemical or even biological agents in counterterrorism situations as demonstrated by its use of chemical incapacitants to resolve the Dubrovka Theater hostage situation in 2002.

Russian conventional force capabilities continue to also grow, albeit at a measured pace. Readiness improvements are seen primarily among the conventional “permanently ready forces” (PRF). Russia has increased training and readiness levels in these units above the lowest points of the mid-1990s. However, Russia is finding it hard to improve training quality and modernize equipment while also increasing recruitment and retention rates for the volunteers needed in the PRF and the non-commissioned officer cadre.

Russia unilaterally suspended participation with the Conventional Armed Forces in Europe (CFE) Treaty in late 2007 after claiming that the agreement was outdated and biased. Moscow seeks to pressure NATO members to ratify the adapted CFE treaty. Russia’s refusal to abide by treaty equipment limits, provide required treaty data or accept or conduct inspections undermines trust and will make it harder to monitor key European security issues.

Russia opposes closer integration of former Soviet countries with the West and wants to continue its presence in the so-called “frozen conflict” areas. Peacekeeping forces in the Georgian separatist areas of Abkhazia and South Ossetia and other military forces in Moldova continue to be a major source of friction between Russia and respective national governments.

Russia signed more than \$10 billion in arms sales agreements in 2007, marking a second consecutive year of high sales. Russia recently signed large contracts with several countries, including Algeria, India, Iran, Syria, Venezuela and Vietnam while new agreements with China have declined. Pending sales include advanced weapons such as MiG-29M and Su-30MK multi-role fighter aircraft, GEPARD and KRIVAK-class frigates, KILO-class submarines, BMP-3 armored infantry fighting vehicles, T-90 main battle tanks and advanced surface-to-air missile systems.

Russia will continue to produce advanced fighter aircraft for export to countries such as Venezuela, Algeria, India and Malaysia while also seeking additional warplane sales to South America and Middle East. Moscow also continues to aggressively market its air defense systems, ballistic missile systems and related automated command and control systems to Iran, China, Syria and other countries.

SYRIA

Syria is trying to balance a complex mix of objectives throughout the region, particularly in Lebanon and Iraq.

Damascus seeks improved relations with the Iraqi government while at the same time it still harbors Iraqis with ties to insurgents and other oppositionists in Iraq.

Syria also seeks to strengthen its influence in Lebanon through its continuing support to Hizballah and other pro-Syrian allies. Its primary goal there is to ensure the selection of a president and cabinet that will accommodate Syrian interests in Lebanon. With significant influence over the Lebanese government, Syria may be able to stymie the United Nations' investigation into former Lebanese Prime Minister Hariri's assassination. More broadly, Syria wants to protect its interests in any Israeli-Lebanese peace deal and in wider Middle East diplomatic efforts.

Internally, Syria is trying to counter domestic Islamic extremists. And in response to Western pressure, Damascus does block some foreign terrorist movements from Syria into Iraq.

With regard to its external defense, Syria was impressed by Hizballah's combat performance against Israel in 2006 and likely will try to incorporate the terrorist group's small-unit tactics into its own military doctrine. In particular, it is trying to emulate Hizballah's successful and aggressive use of anti-tank guided missiles (ATGMs). While its military remains in a defensive posture and inferior to Israel's forces, Syria is upgrading its missile, rocket, antitank, aircraft and air defense inventories. It reportedly has contracted for thousands of additional Russian ATGMs. Syria is investing in anti-tank guided missiles as a weapon of choice against Israeli armor and seeks the most capable missiles available. Press reports indicate that Syria may give advanced anti-tank missiles to Hizballah.

Syrian military training in 2007 focused on blocking an Israeli invasion and reportedly included increased urban and guerilla warfare training.

Syrian contracts with Russia may also include new MiG-31 and MiG-29M/M2 fighter aircraft and 96K6 Pantsyr-S1E self-propelled short-range gun and missile air-defense systems. Media reports indicate that Syria successfully

launched an improved version of its SCUD D ballistic missile in 2007; one with greater accuracy and which is more difficult to intercept.

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

Syria also has a program to develop select biological agents as weapons. The program is judged to be in the research and development stage, with Syria's biotechnical infrastructure capable of supporting limited biological agent development. However, Syria is not known to have successfully weaponized biological agents in an effective delivery system.

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

LEVANT

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

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

Iran and Syria jointly continue to support anti-Israel terrorist and militant groups in Lebanon and the Palestinian territories. However, the alliance between secular Arab Syria and theocratic Persian Iran is not a natural one. And, it may

erode if Syria is accommodated significantly in any diplomatic agreement with Israel.

HAMAS' rise to power in the Gaza Strip, the split in the Palestinian Authority and the ongoing rivalry between HAMAS and Fatah complicate Israeli-Palestinian peacemaking efforts. Continued attacks on Israel from the Gaza Strip increase the chances of major Israeli military action there.

Since taking control of the Gaza Strip in June 2007, HAMAS has been readying itself for an expected Israeli attack by adopting tactics similar to those Hizballah used successfully against Israel in Lebanon during 2006. Israel believes HAMAS has smuggled into the Gaza Strip, mainly through tunnels to Egypt, large quantities of arms and munitions which likely include dozens to hundreds of Soviet-era anti-tank missiles and possibly man-portable air defense systems. The military wing of HAMAS appears intent on transforming itself from a guerilla or terrorist force into a military-style organization like Hizballah.

The Lebanese military's defeat of Fatah al-Islam militants in 2007 strengthened that national institution amidst growing instability. However, the persistent political impasse over the presidency and cabinet, the rearming of militias and Syria's effort to maintain its influence in Lebanon are significant destabilizing influences.

Al-Qaida and other Islamist terrorist groups have tried to develop support and operate in Lebanon and the Palestinian territories.

PAKISTAN

While Pakistan continues to strengthen its conventional and strategic forces, there is growing recognition of the need for more effective counter-insurgency and counter-terrorism capabilities against the extremist threat across the Federally Administered Tribal Area (FATA) and Northwest Frontier Province (NWFP).

This new focus, however, is unlikely to displace India as Pakistan's perceived traditional, preeminent threat over the near term.

Islamabad has adopted a military, political, administrative and economic strategy focused on the FATA. Pakistan has added more border posts, begun counter-insurgency training, fenced portions of the border and seeks to obtain counter-insurgency equipment while also expanding paramilitary forces.

Pakistan lacks the transport and attack helicopters and upgraded communication gear needed to prosecute more effective and sophisticated counter-insurgency operations. Much of the Pakistani army also lacks the knowledge and language skills required to successfully operate across the tribal frontier's complicated cultural terrain. While Frontier Corps troops understand the culture and region better and speak the local language, they have even less equipment and less training than the military.

Although efforts to improve these deficiencies are underway, it will take three to five years before results can be expected on the battlefield.

Recent skirmishes in Swat, NWFP, indicate that when police stand and fight, they can counter militant attacks. Because the militants are unable to sustain attacks in the face of a military response, they often muster enough forces to overwhelm paramilitary and police units and then generally break contact before the military is able to engage them.

So far, Pakistani military operations in the FATA have not fundamentally damaged al-Qaida's position in the region. The tribal areas remain largely ungovernable and, as such, they will continue to provide vital sanctuary to al-Qaida, the Taliban and regional extremism more broadly.

Al-Qaida exploits this permissive operating environment to support the Afghan insurgency while also planning attacks against the U.S and Western interests worldwide. Together with militant groups, al-Qaida uses this sanctuary to train and recruit operatives, disseminate propaganda and obtain equipment and supplies. And they consider Pakistan's army and other Pakistani government interests as legitimate targets. Former Prime Minister Bhutto's assassination underscores the threat's severity and reach.

On matters of external defense, Pakistan seeks to maintain stability and a balance of power across the region through continued improvements to its nuclear and conventional forces.

Pakistan continues to develop its nuclear infrastructure, expand nuclear weapon stockpiles and seek more advanced warheads and delivery systems. We presently have confidence in Pakistan's ability to safeguard its nuclear weapons, though vulnerabilities exist.

Strategic rivalry with India continues to drive Pakistan's development of an expanding array of delivery systems, with recent and growing emphasis on cruise

missiles. Likely as a way of countering India's emerging anti-ballistic missile capabilities, Islamabad is building cruise missiles such as the Hatf-VII/Babur for ground-launch and the Hatf-VIII/Ra'ad for air-launch. Pakistan may pursue other launch platforms and missions for these missiles.

Meanwhile, Pakistan continues to develop the Hatf-II/Abdali short-range and the Hatf-VI/Shahen II medium-range ballistic missiles. These will join a missile inventory that already includes nuclear- and conventionally-armed short- and medium-range ballistic missiles. While Islamabad has shown no interest in developing inter-continental ballistic missiles, Sino-Pakistani space cooperation will likely give Islamabad access to the requisite technologies.

Pakistan is modernizing conventional forces with aircraft from the United States, Chinese frigates and fighters and possibly German submarines

Responding to media reports speculating on U.S. unilateral military action inside Pakistan's borders, Pakistani representatives have stated that any unauthorized military strike by Coalition forces on Pakistani soil would be considered an "enemy act." Nevertheless, Islamabad welcomes intelligence sharing, technical cooperation and equipment and armaments in support of its counterterrorism and counterinsurgency missions.

ARABIAN GULF

Gulf Cooperation Council (GCC) states remained stable despite increased reports of terrorist activity in the region during 2007. Saudi Arabia continues aggressive counterterrorism efforts while other Gulf Arab states are pursuing modest improvements of their own.

GCC states remain wary of Tehran's intentions towards Iraq, the Levant and among Gulf Shi'a, but most are unwilling publicly to confront Iran's regional interference or nuclear potential. Gulf leaders prefer diplomatic solutions to these issues, fearing that Iran could launch retaliatory strikes, cause economic disruption or interfere in their internal affairs if it is confronted with military force.

While GCC countries have individually sought to improve their defensive capabilities, they have had less success in integrating their military capabilities. An example is the unsuccessful effort to establish an integrated air defense system.

Gulf leaders believe that catastrophic sectarian civil war in Iraq would likely follow an abrupt withdrawal of U.S. forces. Most harbor reservations about Iraqi Prime Minister Nuri al-Maliki's ability to represent all Iraqi factions and make progress toward national unity. Also, they are highly suspicious of Iran's influence over the current Iraqi government.

SOUTHEAST ASIA

The Jemaah Islamiyah (JI) and Abu Sayyaf Group (ASG) are the terrorist groups that pose the greatest threat to U.S. interests in Southeast Asia. The JI, which is based mainly in Indonesia, works regionally with other Islamic extremist and separatist groups, including with the ASG, to achieve its goal of establishing a global caliphate.

In Indonesia, elite counterterrorist police units arrested the JI leader and a senior operative in June 2007; although other senior operatives remain at large. While JI has not carried out a large-scale attack in Indonesia since the 2005 attack in Bali, raids by Indonesian authorities revealed caches of weapons and explosives -- clear signs that the group maintains the interest and capability to conduct attacks.

Elsewhere in Indonesia, the government continues to successfully advance the August 2005 peace accord that ended the 29-year separatist conflict in the Aceh province, with a former rebel leader elected governor during Aceh's provincial elections in December 2006. Still, sustained attention and cooperation remain necessary to prevent backsliding, particularly given reintegration and economic challenges. Sporadic separatist violence in Indonesia's Papua province and low-level insurgency in Sulawesi pose no serious security threats.

The Philippine government has successfully sustained a ceasefire in its Muslim south with the Moro Islamic Liberation Front (MILF), reaching an agreement with the MILF in November 2007 on territorial land boundaries for an expanded Muslim autonomous region. However, a comprehensive peace accord has remained elusive. Absent the resolution of the final obstacles, there is the risk of resumed fighting. While Philippine counterterrorism efforts have disrupted some attacks, ASG and other terrorists retain the capability to conduct operations.

Thailand also continues to struggle with entrenched Muslim separatist unrest in its southern-most provinces, presenting a major challenge for the recently

installed democratic government in Bangkok. An estimated 2,700 people have been killed in near-daily assassinations and bomb attacks since the previous spike in violence, which occurred in 2004. Increased military operations in the South since last summer have failed to significantly impact the rate of insurgent attacks.

While the insurgency is indigenous, some local Muslim extremists proclaim their solidarity with “oppressed” Muslims worldwide. Successive Thai governments have failed to reduce insurgent violence in the South and address insurgent grievances. Despite Bangkok’s increased efforts to crack down on insurgent activity, continued high-profile attacks underscore rebel resiliency. The military, which remains the dominant actor on Bangkok's policy vis-a-vis the South, will have to improve its efforts to win "hearts and minds" if underlying Muslim dissatisfaction is to be resolved entirely.

AFRICA

The United States faces no major military threat in Africa, although there are serious challenges to our interests.

In Nigeria, militants threaten Western oil interests by attacking oil facilities, kidnapping workers and disrupting production. The government seeks a peaceful solution, but no agreement has been reached yet and the militants themselves are divided.

Continuing post-election violence in Kenya underscores the fragility of the region’s democratic institutions. The stakes are high in Kenya as it is a key U.S. ally against transnational terrorism and East Africa’s major economic power.

In Sudan, humanitarian concerns in Darfur continue to escalate. The government and rebels remain at odds, despite efforts to negotiate a peaceful solution. International efforts to deploy an enlarged peacekeeping force have yet to be realized. Elsewhere in Sudan, tensions are rising over delays in implementing the North-South peace agreement.

Propped up with Ethiopian troops, Somalia’s transitional government remains shaky and threatened by Islamist and clan insurgents. If the government collapses, warlords and others with terrorist affiliations are likely to refill the vacuum.

Tensions between Ethiopia and Eritrea persist, threatening a renewal of war between the two countries over a disputed border region.

LATIN AMERICA

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

Despite his defeat in the recent referendum, Venezuelan President Chavez continues efforts to expand his power and confront U.S. regional influence. His government has expressed a desire to buy submarines, transport aircraft and an air defense system. Venezuela has already purchased advanced fighters, attack helicopters and assault rifles

Colombian counter-insurgency operations have degraded Revolutionary Armed Forces of Colombia field units and operations and led to increased desertions. Drug trafficking organizations cooperatively ship cocaine worldwide in an effort to maintain their dominant position as global suppliers.

While Bolivia's Morales continues to consolidate power with Venezuelan and Cuban help, continued opposition efforts to derail his draft constitution and calls for regional autonomy likely will challenge and perhaps destabilize his government.

The broad support that acting Cuban President Raul Castro receives from the military, security services and the Communist Party will likely enable him to maintain stability, security and his own position following Fidel Castro's announced exit.

Raul has displayed a preference for making decisions over the years in a collegial fashion. This suggests that the leadership group's consensus will inform policymaking. The Cuban military's support for Raul Castro shows no signs of reversing.

UNGOVERNED REGIONS

Ungoverned – or Under-Governed – areas are territories beyond any sovereign nation’s control and, as such, lie outside the reach of traditional tools of statecraft. They often serve as training and recruitment safe havens for terrorist groups, insurgents, maritime pirates, criminal networks, gray/black market arms merchants or drug traffickers. Populations within ungoverned areas serve as fertile recruiting grounds for such non-state terrorist or criminal networks.

TRANSNATIONAL ISSUES OF CONCERN

WMD AND DELIVERY SYSTEMS

The proliferation and potential use of Weapons of Mass Destruction (WMD) against U.S. forces, the American people, our allies and interests remains a grave, enduring and evolving threat.

Non-state terrorist networks continue to seek this capability while nation-states expand their WMD capabilities and the survivability, accuracy and range of the associated delivery systems.

Since mid-2006, several U.N. Security Council Resolutions have authorized sanctions against Iranian and North Korean nuclear and ballistic missile programs. While these actions have impeded some acquisition and support efforts, they have not stopped the programs themselves. Further frustrating sanction efforts is the inconsistent interpretation and enforcement of the resolutions by several key nations.

Motivated by economic and strategic interests, entities in China and North Korea continue to supply technologies, components and raw materials in support of WMD and missile programs, especially across the Middle East and South Asia.

Such technology transfers have lasting consequences. China’s provision of solid-propellant missile technology more than 15 years ago helped Pakistan develop the Hatf-VI/Shahen II medium-range and Hatf-II/Abdali short-range ballistic missiles. Other examples include an agreement between China and Turkey regarding a short range ballistic missile (SRBM), Beijing’s active

marketing of their latest developmental SRBM, the P12; and Egyptian SCUD production from North Korea.

While some of these transferred items are proscribed under various WMD-related control regimes, many others are dual-use with legitimate industrial applications. Examples include: multi-axis computer numerically controlled machine tools that have applications in nuclear and missile programs, but are also commonly used throughout legitimate industry. Specialty metals such as 7000-series aluminum used in nuclear and missile programs is also commonly used in aircraft and other industries.

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

Non-governmental entities and individual entrepreneurs also remain a great concern. These organizations and the proliferation networks (front companies, shippers, facilitators) they tie into are often able to sidestep or outpace international detection and export control regimes. By regularly changing the names of the front companies they use, exploiting locations in countries with more permissive environments or lax enforcement and avoiding international financial institutions, these organizations are able to continue supplying WMD and ballistic missile programs to countries of concern.

Most state programs now emphasize self-sufficiency to reduce reliance upon external suppliers which also limits their vulnerability to detection and interdiction.

For example, Iranian weapon makers advertise their ability to manufacture guidance and control components, such as dynamically tuned gyros. Instead of importing ballistic missile systems, Tehran now produces the SCUD B and C, Shahab-3 and Fateh-110 even though it still depends on outside sources for many of the related dual-use raw materials and components.

While these indigenous capabilities are not always a good substitute for foreign imports, particularly for more advanced technologies, they prove adequate in many cases.

Consequently, as some countries forego imports in favor of indigenous WMD-related production, they position themselves anew as potential “secondary proliferators.” One example is North Korea’s proliferation of ballistic missile systems based on Soviet designed SCUD missiles they acquired in the 1980s.

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

Overall, the threat posed by ballistic missile delivery systems is likely to continue increasing while growing more complex over the next decade. Current trends indicate that adversary ballistic missile systems, with advanced liquid- or solid-propellant propulsion systems, are becoming more flexible, mobile, survivable, reliable and accurate while also presenting longer ranges. Pre-launch survivability is also likely to increase as potential adversaries strengthen their denial and deception measures and increasingly base their missiles on mobile sea- and land-based platforms. Adversary nations are increasingly adopting technical and operational countermeasures to defeat missile defenses. For example, China, Iran and North Korea exercise near simultaneous salvo firings from multiple locations to defeat these defenses.

SPACE AND COUNTER-SPACE

The growing distribution of space-related knowledge and technology largely through commercial uses is helping other nations acquire space and space-related capabilities, including some with direct military applications.

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

Russia and China remain the top military space and counterspace states of concern. China successfully tested an anti-satellite (ASAT) missile in January 2007. Some countries have already deployed systems with inherent ASAT capabilities, such as satellite-tracking and laser range-finding devices.

China, Russia, Germany, India, Israel, Japan, South Korea and Sweden seek improved space object tracking and kinetic or directed energy weapons capabilities. However, these technologies are costly and most countries that want them are not expected to buy them soon. China is developing technology that could eventually be used to counter vital U.S. space-based navigation, communication and intelligence collection capabilities.

Other states and non-state groups pursue more limited and asymmetric responses that do not require large financial investments or a sophisticated industrial base. These methods include: denial and deception, electronic warfare or signal jamming and physical attacks on ground-based space assets.

COMPUTER NETWORK THREATS

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

The scope and sophistication of malicious CNO targeting against U.S. networks has steadily increased over the last five years. This is of particular concern because of the pronounced military advantages that the United States has traditionally derived from information networks. Potential adversaries that cannot compete head-on against the United States may view CNO as a preferred asymmetric strategy to exploit our weakness while minimizing or degrading our traditional strengths.

China became the largest exporter of information technology in 2004, surpassing the United States and the European Union. Current trends suggest that China will soon become a major supplier to the United States. Overseas

production provides opportunities for hostile actors to access targeted systems by exploiting the supply chain at its origin.

Russia and China have the technical, educational and operational ability to conduct CNO against targeted networks. Russia remains the most capable cyber-threat to the United States. Several high-ranking Russian military officials have promoted CNO's potential against future adversaries. Since 2005 China has been incorporating offensive CNO into their military exercises, primarily in first strikes against enemy networks. Recent hacking activities emanating from China underscore concerns about Beijing's potential hostile CNO intelligence collection activities.

UNDERGROUND FACILITIES

Potential adversaries are going underground to deny the United States an important military advantage it has held for decades: precision-strike from the air.

Hardened and deeply buried targets (HDBTs) protect the leadership and military assets that current and potential adversaries value most. They include: command and control functions, WMD and associated delivery systems and WMD research and development (R&D). HDBTs often feature strong physical security, modern air defenses and networked communications.

The rising importance of hardened and deeply buried targets to potential adversaries grows each year. Whether those nations are rogue, major, or emerging powers, they increasingly protect their important military and security assets underground. This is most true for nations that support terrorism and whose potential possession of WMD makes these facilities a special concern. Recent and rapid advances in commercially available Western tunneling technology helps these nations and non-state actors build underground sanctuaries that are effectively immune to the kinds of precision-strike weapons used by the U.S. in the 1991 Persian Gulf War.

In the 2006 conflict in Lebanon, Hizballah complicated Israeli targeting by using HDBTs to store weapons, conduct operations and launch rockets.

Major elements of Tehran's nuclear program are protected and concealed within hardened and tunneled underground facilities.

As potential adversaries improve their ability to build underground facilities, the United States will find it harder to destroy these targets successfully with conventional penetrating munitions.

ADVANCED AND IMPROVISED WEAPONS

Improvised munitions and highly-accurate long-range guided weapons help non-state actors inflict losses against technologically superior opponents at a relatively low cost and with little training.

These weapons can produce operational and even strategic-level effects beyond the battlefield when used to their maximum effect at the tactical level and publicized through the media or Internet. This provides terrorist and insurgent groups with a magnified politico-military potential that exceeds their historical norm.

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

Very advanced and portable anti-tank and anti-aircraft missiles are increasingly available to non-state groups through uncontrolled exports, falsified end-user statements, gray market transfers, ransacked armories and/or direct supply from sympathetic regimes. MANPADS were recovered in the Horn of Africa during 2007. These weapons can be used in ambush and sniper attacks against high-value and lightly-defended targets such as political facilities, vehicles and aircraft.

The threat posed by improvised and suicide weapons, such as those used in Iraq and Afghanistan lies in the relatively low technological barrier to their construction, the relative ease in acquiring or manufacturing their ingredients and the growing availability of information about how to build and deploy them. The variety and sophistication of improvised explosive devices is largely limited only by the ingenuity of those who design, build and emplace them.

NON-STATE ACTORS

When available in combination, advanced weapons, sophisticated information technologies, ungoverned spaces and external sponsorship give non-nation-state criminal or terrorist groups the chance to develop credible military, intelligence and counter-intelligence capabilities once limited to nation-states.

Largely unencumbered by traditional internal and external governance responsibilities aside from attending to their own supporters, these groups can operate beyond the reach of traditional statecraft tools such as economic and diplomatic sanctions.

The premier example is Lebanese Hizballah, a terrorist group functioning as a state within a state in South Lebanon. While the group runs substantial and diverse social, cultural, economic and political programs, it also fields significant and growing military, intelligence and counter-intelligence capabilities, as it demonstrated in 2006 against Israel.

While ideology and political goals drive non-state actors such as Lebanese Hizballah, crime is a motivating factor for others. The Revolutionary Armed Forces of Colombia (FARC) presents formidable intelligence capabilities and the group has access to hundreds of millions of dollars from drug trafficking, extortion and kidnapping.

Such non-state actors pose a significant threat to the United States mainly because they are less responsive to traditional statecraft tools. Additionally, when they serve as proxies, these groups allow sponsor nations to conduct deniable terrorist, covert action or intelligence activities.

As the proliferation of weapon and information technology accelerates, non-state actors will have more opportunities to develop very capable conventional and asymmetric military, intelligence and counter-intelligence abilities, perhaps matching or even exceeding those of some advanced nations, including U.S. allies. This could further destabilize regions critical to U.S. interests.

HEALTH SECURITY

Infectious diseases can undermine U.S. national security and international economic stability. Pandemic influenza remains a major threat, with H5N1 avian influenza lurking in animal populations as a potential human pandemic strain. Reluctance by China and Indonesia to share avian influenza samples with international health authorities limits our ability to track changes in this dangerous virus. Drug-resistant pathogens, such as tuberculosis, also pose significant threats and are amplified in some regions by HIV co-infection. New international health regulations may increase visibility of these threats; however, lack of laboratory capacity and intentional under-reporting will continue to hamper efforts to control disease outbreaks.

CRIME

Terrorist and insurgent groups that engage in commercial or criminal activity can achieve more autonomy and resilience than groups that rely mainly upon external donations. By sustaining themselves with locally-derived criminal and commercial proceeds, terrorist and insurgent groups can limit some of the constraints and vulnerabilities associated with external donor relationships. Conversely, criminality can have corrosive and divisive effects on terrorist cadres' internal cohesion, ideological commitment and discipline.

The Revolutionary Armed Forces of Colombia (FARC) generates substantial income from the illegal drug trade, weapons smuggling, extortion and kidnapping. Lebanese Hizballah receives some funds from associates who profit from the drug trade. Some terrorist and insurgent groups in Iraq sustain themselves with funds generated from kidnapping, smuggling, oil theft, fraud and extortion. The Taliban also derive substantial operating resources from kidnappings and their involvement in Afghanistan's opium production.

FINAL THOUGHTS

The very complex environment in which the U.S operates today is full of risk and threats, but also opportunities to influence and shape positive outcomes.

Our allies and potential adversaries are not set to static courses, but instead adapt and react quite quickly to changes in our common environment.

While combat operations against transnational terrorists continue, other potential threats endure and evolve. Today's current focus against the terrorist threat does not foreclose the possibility that conflict among major, nation-states could intersect vital U.S. interests. Additionally, aspiring or ascending nation-state adversaries could present direct military challenges to vital U.S. interests with little or no warning.

As such, defense intelligence must remain able to provide timely and actionable intelligence across the entire threat spectrum to policymakers and decision-makers at all levels so they can maximize our nation's opportunities while minimizing its risks.

In conjunction with the broader Intelligence Community, we have important structural and procedural reforms underway within DIA and across the defense intelligence enterprise. We are strengthening collection while also expanding information sharing across intelligence disciplines, agencies and with our closest allies.

In particular, we are improving the number and quality of our defense Human Intelligence (HUMINT) collectors, which prove most valuable against the hardest targets. We are standardizing the rigorous training for HUMINT collectors within DIA and across the defense intelligence enterprise while also improving their collaboration with the National Clandestine Service.

At the same time, DIA is attracting additional employees with critical language skills in areas of special interest with expanded financial incentives.

We are also reaching new levels of cooperation with our allies in analysis. There is stronger recognition today that no single agency or country possesses all the analytic depth needed to solve our toughest intelligence and military challenges.

To strengthen defense intelligence support to customers at all levels, we established the Defense Intelligence Operations Coordination Center (DIOCC) in

October 2007. The DIOCC provides us the ability to focus our intelligence collection resources on the intelligence priorities of the Department of Defense and the Nation. Operating with the National Intelligence Coordination Center (NIC-C), we have the potential to integrate and synchronize national, defense and homeland intelligence operations and requirements.

Tying much of this together is the Department of Defense Intelligence Information System (DoDIIS) which provides a secure information backbone for the flow of classified knowledge to the U.S. and allied defense intelligence communities.

As a combat support agency, DIA is focusing even more intently on providing our regional Combatant Commanders with the intelligence they need to be successful in both combat and global shaping operations.

We continue to invest in our intelligence professionals through the establishment of performance standards and training programs that enhance their professional capabilities.

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

Our personnel are very proud of what they do. They are honored to have the opportunity to work on behalf of the American people. It is a privilege for me to serve with them and to have this opportunity to share their work with you today.

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

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