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CURRENT AND FUTURE WORLDWIDE THREATS TO THE NATIONAL SECURITY OF THE UNITED STATES

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HEARING CONTENTS:

WITNESSES

Honorable George J. Tenet [\[View PDF\]](#)
Director of Central Intelligence

Vice Admiral Thomas R. Wilson, USN [\[View PDF\]](#)
Director, Defense Intelligence Agency

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Statement by the Director of Central Intelligence

George J. Tenet

for the

Senate Armed Services Committee

7 March 2001

The Worldwide Threat in 2001: National Security in a Changing World

As I reflect this year on the threats to American security, what strikes me most forcefully is the **accelerating pace of change** in so many arenas that affect our nation's interests. Numerous examples come to mind: new communications technology that enables the efforts of terrorists and narcotraffickers as surely as it aids law enforcement and intelligence, rapid global population growth that will create new strains in parts of the world least able to cope, the weakening internal bonds in a number of states whose cohesion can no longer be taken for granted, the breaking down of old barriers to change in places like the Koreas and Iran, the accelerating growth in missile capabilities in so many parts of the world—to name just a few.

Never in my experience has American intelligence had to deal with such a dynamic set of concerns affecting such a broad range of US interests. Never have we had to deal with such a high quotient of uncertainty. With so many things on our plate, it is important always to establish priorities. For me, the highest priority must invariably be on those things that threaten the lives of Americans or the physical security of the United States. With that in mind, let me turn first to the challenges posed by international terrorism.

TRANSNATIONAL ISSUES

We have made considerable progress on terrorism against US interests and facilities, but it persists. The most dramatic and recent evidence, of course, is the loss of 17 of our men and women on the USS Cole at the hands of terrorists.

The threat from terrorism is real, it is immediate, and it is evolving. State sponsored terrorism appears to have declined over the past five years, but transnational groups—with decentralized leadership that makes them harder to identify and disrupt—are emerging. We are seeing fewer centrally controlled operations, and more acts initiated and executed at lower levels.

Terrorists are also becoming more operationally adept and more technically sophisticated in order to defeat counterterrorism measures. For example, as we have increased security around government and military facilities, terrorists are

seeking out “softer” targets that provide opportunities for mass casualties. Employing increasingly advanced devices and using strategies such as simultaneous attacks, the number of people killed or injured in international terrorist attacks rose dramatically in the 1990s, despite a general decline in the number of incidents. Approximately one-third of these incidents involved US interests.

Usama bin Ladin and his global network of lieutenants and associates remain the most immediate and serious threat. Since 1998, Bin Ladin has declared all US citizens legitimate targets of attack. As shown by the bombing of our Embassies in Africa in 1998 and his Millennium plots last year, he is capable of planning multiple attacks with little or no warning.

His organization is continuing to place emphasis on developing surrogates to carry out attacks in an effort to avoid detection, blame, and retaliation. As a result it is often difficult to attribute terrorist incidents to his group, Al Qa’ida.

Beyond Bin Ladin, the terrorist threat to Israel and to participants in the Middle East peace negotiations has increased in the midst of continuing Palestinian-Israeli violence. Palestinian rejectionists—including HAMAS and the Palestine Islamic Jihad (PIJ)—have stepped up violent attacks against Israeli interests since October. The terrorist threat to US interests, because of our friendship with Israel has also increased.

At the same time, Islamic militancy is expanding, and the worldwide pool of potential recruits for terrorist networks is growing. In central Asia, the Middle East, and South Asia, Islamic terrorist organizations are trying to attract new recruits, including under the banner of anti-Americanism.

International terrorist networks have used the explosion in information technology to advance their capabilities. The same technologies that allow individual consumers in the United States to search out and buy books in Australia or India also enable terrorists to raise money, spread their dogma, find recruits, and plan operations far afield. Some groups are acquiring rudimentary cyberattack tools. Terrorist groups are actively searching the internet to acquire information and capabilities for chemical, biological, radiological, and even nuclear attacks. Many of the 29 officially designated terrorist organizations have an interest in unconventional weapons, and Usama bin Ladin in 1998 even declared their acquisition a “religious duty.”

Nevertheless, we and our Allies have scored some important successes against terrorist groups and their plans, which I would like to discuss with you in closed session later today. Here, in an open session, let me assure you that the Intelligence Community has designed a robust counterterrorism program that has preempted, disrupted, and defeated international terrorists and their activities. In most instances, we have kept terrorists off-balance, forcing them to worry about their own security and degrading their ability to plan and conduct operations.

PROLIFERATION

I would like to turn now to **proliferation**. A variety of states and groups continue to seek to acquire weapons of mass destruction and the means to deliver them.

First, let me discuss the continuing and growing threat posed to us by ICBMs.

We continue to face ballistic missile threats from a variety of actors beyond Russia and China--specifically, North Korea, probably Iran, and possibly Iraq. In some cases, their programs are the result of indigenous technological development, and in other cases, they are the beneficiaries of direct foreign assistance. And while these emerging programs involve far fewer missiles with less accuracy, yield, survivability, and reliability than those we faced during the Cold War, they still pose a threat to US interests.

For example, more than two years ago **North Korea** tested a space launch vehicle, the Taepo Dong-1, which it could theoretically convert into an ICBM. This missile would be capable of delivering a small biological or chemical weapon to the United States, although with significant targeting inaccuracies. Moreover, North Korea has retained the ability to test its follow-on Taepo Dong-2 missile, which could deliver a nuclear-sized payload to the United States.

- **Iran** has one of the largest and most capable ballistic missile programs in the Middle East. Its public statements suggest that it plans to develop longer-range rockets for use in a space-launch program, but Tehran could follow the North Korean pattern and test an ICBM capable of delivering a light payload to the United States in the next few years.
- And given the likelihood that **Iraq** continues its missile development work, we think that it too could develop an ICBM capability sometime in the next decade assuming it received foreign assistance.

As worrying as the ICBM threat will be, the threat to US interests and forces from short- and medium-range ballistic missiles is here and now. The proliferation of MRBMs—driven largely though not exclusively by North Korean No Dong sales—is altering strategic balances in the Middle East and Asia. These missiles include Iran's Shahab-3, Pakistan's Ghauri and the Indian Agni II.

I cannot underestimate the catalytic role that foreign assistance has played in advancing these missile and WMD programs, shortening their development times and aiding production. The three major suppliers of missile or WMD-related technologies continue to be **Russia, China, and North Korea**. Again, many details of their activities need to remain classified, but let me quickly summarize the areas of our greatest concern.

Russian state-run defense and nuclear industries are still strapped for funds, and Moscow looks to them to acquire badly needed foreign exchange through exports. We remain concerned about the proliferation implications of such sales in several areas.

- Russian entities last year continued to supply a variety of ballistic **missile**-related goods and technical know-how to countries such as Iran, India, China, and Libya. Indeed, the transfer of ballistic missile technology from Russia to Iran was substantial last year, and in our judgment will continue to accelerate Iranian efforts to develop new missiles and to become self-sufficient in production.
- Russia also remained a key supplier for a variety of civilian Iranian **nuclear** programs, which could be used to advance its weapons programs as well.
- Russian entities are a significant source of dual-use **biotechnology**, **chemicals**, production technology, and equipment for Iran. Russian biological and chemical expertise is sought by Iranians and others seeking information and training on BW and CW-agent production processes.

Chinese missile-related technical assistance to foreign countries also has been significant over the years. Chinese help has enabled Pakistan to move rapidly toward serial production of solid-propellant missiles. In addition to Pakistan, firms in China provided missile-related items, raw materials, or other help to several countries of proliferation concern, including Iran, North Korea, and Libya.

Last November, the Chinese Foreign Ministry issued a statement that committed China not to assist other countries in the development of ballistic missiles that can be used to deliver nuclear weapons. Based on what we know about China's past proliferation behavior, Mr. Chairman, we are watching and analyzing carefully for any sign that Chinese entities may be acting against that commitment. We are worried, for example, that Pakistan's continued development of the two-stage Shaheen-II MRBM will require additional Chinese assistance.

On the **nuclear** front, Chinese entities have provided extensive support in the past to Pakistan's safeguarded and unsafeguarded nuclear programs. In May 1996, Beijing pledged that it would not provide assistance to unsafeguarded nuclear facilities in Pakistan; we cannot yet be certain, however, that contacts have ended. With regard to Iran, China confirmed that work associated with two nuclear projects would continue until the projects were completed. Again, as with Russian help, our concern is that Iran could use the expertise and technology it gets—even if the cooperation appears civilian—for its weapons program.

With regard to **North Korea**, our main concern is P'yongyang's continued exports of ballistic missile-related equipment and missile components, materials, and technical expertise. North Korean customers are countries in the Middle East, South Asia, and North Africa. P'yongyang attaches a high priority to the development and sale of ballistic missiles, equipment, and related technology because these sales are a major source of hard currency.

The missile and WMD proliferation problem continues to change in ways that make it harder to monitor and control, increasing the risk of substantial surprise. Among these developments are greater proficiency in the use of denial and deception and the growing availability of dual-use technologies—not just for missiles, but for chemical and biological agents as well. There is also great potential of “secondary proliferation” from maturing state-sponsored programs such as those in Pakistan, Iran, and India. Add to this group the private companies, scientists, and engineers in Russia, China, and India who may be increasing their involvement in these activities, taking advantage of weak or unenforceable national export controls and the growing availability of technologies. These trends have continued and, in some cases, have accelerated over the past year.

INFORMATION OPERATIONS AND SPACE

I want to reemphasize the concerns I raised last year about our nation's vulnerability to attacks on our critical information infrastructure. No country in the world rivals the US in its reliance, dependence, and dominance of information systems. The great advantage we derive from this also presents us with unique vulnerabilities.

- Indeed, computer-based information operations could provide our adversaries with an asymmetric response to US military superiority by giving them the potential to degrade or circumvent our advantage in conventional military power.
- Attacks on our military, economic, or telecommunications infrastructure can be launched from anywhere in the world, and they can be used to transport the problems of a distant conflict directly to America's heartland.
- Likewise, our adversaries well understand US strategic dependence on access to space. Operations to disrupt, degrade, or defeat US space assets will be attractive options for those seeking to counter US strategic military superiority. Moreover, we know that foreign countries are interested in or experimenting with a variety of technologies that could be used to develop counterspace capabilities.

We are in a race with technology itself. We are creating relations with the private sector and academia to help us keep pace with ever-changing technology. Last year I established the Information Operations Center within CIA to bring

together our best and brightest to ensure that we had a strategy for dealing with the cyber threat.

Along with partners in the Departments of Justice, Energy, and Defense we will work diligently to protect critical US information assets. Let me also say that we must view our space systems and capabilities as part of the same critical infrastructure that needs protection.

NARCOTICS

Drug traffickers are also making themselves more capable and efficient. The growing diversification of trafficking organizations—with smaller groups interacting with one another to transfer cocaine from source to market—and the diversification of routes and methods pose major challenges for our counterdrug programs. Changing production patterns and the development of new markets will make further headway against the drug trade difficult.

Colombia, Bolivia, and Peru continue to supply all of the cocaine consumed worldwide including in the United States. Colombia is the linchpin of the global cocaine industry as it is home to the largest coca-growing, coca-processing, and trafficking operations in the world. With regard to heroin, nearly all of the world's opium production is concentrated in **Afghanistan** and Burma. Production in Afghanistan has been exploding, accounting for 72 percent of illicit global opium production in 2000.

The drug threat is increasingly intertwined with other threats. For example, the Taliban regime in Afghanistan, which allows Bin Ladin and other terrorists to operate on its territory, encourages and profits from the drug trade. Some Islamic extremists view drug trafficking as a weapon against the West and a source of revenue to fund their operations.

No country has been more vulnerable to the ramifications of the drug trade than Colombia. President Pastrana is using the additional resources available to him under Plan Colombia to launch a major antidrug effort that features measures to curb expanding coca cultivation. He is also cooperating with the US on other important bilateral counternarcotics initiatives, such as extradition.

A key impediment to President Pastrana's progress on drugs is the challenge from Colombia's largest insurgent group—the Revolutionary Armed Forces of Colombia or FARC—which earns millions of dollars from taxation and other involvement in the drug trade. Founded more than 35 years ago as a ragtag movement committed to land reform, the FARC has developed into a well-funded, capable fighting force known more for its brutal tactics than its Marxist-Leninist-influenced political program.

The FARC vehemently opposes Plan Colombia for obvious reasons. It has gone so far as to threaten to walk away from the peace process with Bogota to

protest the Plan. It appears prepared to oppose Plan activities with force. The FARC could, for example, push back on Pastrana by stepping up attacks against spray and interdiction operations. US involvement is also a key FARC worry. Indeed, in early October FARC leaders declared that US soldiers located in combat areas are legitimate "military targets."

The country's other major insurgent group, the National Liberation Army or ELN, is also contributing to mounting instability. Together with the FARC, the ELN has stepped up its attacks on Colombia's economic infrastructure. This has soured the country's investment climate and complicated government efforts to promote economic recovery, following a major recession in 1999. Moreover, the insurgent violence has fueled the rapid growth of illegal paramilitary groups, which are increasingly vying with the FARC and ELN for control over drug-growing zones and other strategic areas of rural Colombia. Like the FARC, the paramilitaries rely heavily on narcotics revenue and have intensified their attacks against noncombatants in recent months. Paramilitary massacres and insurgent kidnappings are likely to increase this year, as both groups move to strengthen their financial positions and expand their areas of influence.

As for Mexico, President Fox is also trying to attack the power of Mexican drug traffickers, whose activities had made Mexico a transit point for cocaine shipments into the US and a source of heroin and methamphetamine for the US drug market. He faces great challenges in doing so and has simultaneously launched high-profile initiatives to strengthen rule of law and reduce government corruption, including among Mexican law enforcement officials.

REGIONAL ISSUES

THE MIDDLE EAST

I would like to turn now to the Middle East. We are all aware of the violence between the Israelis and the Palestinians, and the uncertainty it has cast on the prospects for a near-term peace agreement. So let me take this time to look at the less obvious trends in the region—such as population pressures, growing public access to information, and the limited prospects for economic development—that will have a profound effect on the future of the Middle East.

The recent popular demonstrations in several Arab countries—including Egypt, Saudi Arabia, Oman, and Jordan—in support of the Palestinian *intifada* demonstrate the **changing nature of activism of the Arab street**. In many places in the Arab world, Mr. Chairman, average citizens are becoming increasingly restive and getting louder. Recent events show that the right catalyst—such as the outbreak of Israeli-Palestinian violence—can move people to act. Through access to the Internet and other means of communication, a restive public is increasingly

capable of taking action without any identifiable leadership or organizational structure.

Balanced against an energized street is a **new generation of leaders**, such as Bashar al Asad in Syria. These new leaders will have their mettle tested both by populations demanding change and by entrenched bureaucracies willing to fight hard to maintain the status quo.

Compounding the challenge for these leaders are the persistent economic problems throughout the region that prevent them from providing adequately for the economic welfare of many of their citizens. The region's legacy of statist economic policies and an inadequate investment climate in most countries present big obstacles. Over the past 25 years, Middle Eastern economies have averaged only 2.8 percent GDP growth—far less than Asia and only slightly more than sub-Saharan Africa. The region has accounted for a steadily shrinking share of world GDP, trade, and foreign direct investment since the mid-1970s, and real wages and labor productivity today are about the same as 30 years ago. As the region falls behind in competitive terms, governments will find it hard over the next 5 to 10 years to maintain levels of state sector employment and government services that have been key elements of their strategy for domestic stability.

Adding to this is the challenge of **demographics**. Many of the countries of the Middle East still have population growth rates among the highest in the world, significantly exceeding 3 percent—compare that with 0.85 percent in the United States and 0.2 percent in Japan. Job markets will be severely challenged to create openings for the large mass of young people entering the labor force each year.

- One-fourth of Jordanians, for example, are unemployed, and annual economic growth is well below the level needed to absorb some 60,000 new labor market entrants each year.
- In Egypt the disproportionately young population adds 600,000 new job applicants a year in a country where unemployment is already near 20 percent.

The inability of traditional sources of income such as oil, foreign aid, and worker remittances to fund an increasingly costly system of subsidies, education, health care, and housing for rapidly growing populations has motivated governments to implement economic reforms. The question is whether these reforms will go far enough for the long term. Reform thus far has been deliberately gradual and slow, to avoid making harsh economic choices that could lead to short term spikes in high unemployment.

Arab governments will soon face the dilemma of choosing between a path of gradual reform that is unlikely to close the region's widening gap with the rest of the world, and the path of comprehensive change that risks fueling independent political

activity. Choosing the former risks building tension among a younger, poorer, and more politically assertive population.

IRAQ

In **Iraq** Saddam Hussein has grown more confident in his ability to hold on to his power. He maintains a tight handle on internal unrest, despite the erosion of his overall military capabilities. Saddam's confidence has been buoyed by his success in quieting the Shia insurgency in the south, which last year had reached a level unprecedented since the domestic uprising in 1991. Through brutal suppression, Saddam's multilayered security apparatus has continued to enforce his authority and cultivate a domestic image of invincibility.

High oil prices and Saddam's use of the oil-for-food program have helped him manage domestic pressure. The program has helped meet the basic food and medicine needs of the population. High oil prices buttressed by substantial illicit oil revenues have helped Saddam ensure the loyalty of the regime's security apparatus operating and the few thousand politically important tribal and family groups loyal.

There are still constraints on Saddam's power. His economic infrastructure is in long-term decline, and his ability to project power outside Iraq's borders is severely limited, largely because of the effectiveness and enforcement of the No-Fly Zones. His military is roughly half the size it was during the Gulf War and remains under a tight arms embargo. He has trouble efficiently moving forces and supplies—a direct result of sanctions. These difficulties were demonstrated most recently by his deployment of troops to western Iraq last fall, which were hindered by a shortage of spare parts and transport capability.

Despite these problems, we are likely to see greater assertiveness—largely on the diplomatic front—over the next year. Saddam already senses improved prospects for better relations with other Arab states. One of his key goals is to sidestep the 10-year-old economic sanctions regime by making violations a routine occurrence for which he pays no penalty.

Saddam has had some success in ending Iraq's international isolation. Since August, nearly 40 aircraft have flown to Baghdad without obtaining UN approval, further widening fissures in the UN air embargo. Moreover, several countries have begun to upgrade their diplomatic relations with Iraq. The number of Iraqi diplomatic missions abroad are approaching pre-Gulf War levels, and among the states of the Gulf Cooperation Council, only Kuwait and Saudi Arabia have not reestablished ties.

Our most serious concern with Saddam Hussein must be the likelihood that he will seek a renewed WMD capability both for credibility and because every other strong regime in the region either has it or is pursuing it. For example, the Iraqis have rebuilt key portions of their chemical production infrastructure for industrial and commercial use. The plants he is rebuilding were used to make chemical weapons

precursors before the Gulf War and their capacity exceeds Iraq's needs to satisfy its civilian requirements.

- We have similar concerns about other dual-use research, development, and production in the biological weapons and ballistic missile fields; indeed, Saddam has rebuilt several critical missile production complexes.

IRAN

Turning now to Iraq's neighbor: **events of the past year have been discouraging for positive change in Iran.** Several years of reformist gains in national elections and a strong populist current for political change all threaten the political and economic privileges that authoritarian interests have enjoyed for years under the Islamic Republic—and they have begun to push back hard against the reformers.

Prospects for near-term political reform are now fading. Opponents of reform have not only muzzled the open press, they have also arrested prominent activists and blunted the legislature's powers. Over the Summer, Supreme Leader Khamenei ordered the new legislature not to ease press restrictions, a key reformist pursuit. This signaled the narrow borders within which he would allow the legislature to operate.

The reformist movement is still young, however, and it reflects on the deep sentiments of the Iranian people. Although frustrated and in part muzzled, the reformers have persisted in their demands for change. And the Iranian people will have another opportunity to demonstrate their support for reform in the presidential election scheduled for June. Although Khatami has not announced his candidacy, and has voiced frustration with the limitations placed on his office, opinion polls published in Iran show him to remain by far the most popular potential candidate for president.

The short-term gains made by shutting down the proreform press and prosecuting some of its most outspoken members is not a formula for long-term success. A strategy of suppressing the demands of the new generation coming of age risks a political explosion down the road. Some advocates of the status quo are beginning to recognize this danger as more conservatives—to include Khamenei—have endorsed the principle, if not the substance, of reform.

Despite Iran's uncertain domestic prospects, it is clear that Khatami's appeal and promise of reform thus far, as well as the changing world economy, have contributed to a run of successes for Iran in the foreign arena over the past year. Some Western ambassadors have returned to Tehran, and Iranian relations with EU countries and Saudi Arabia are at their highest point since the revolution in 1979. Higher oil prices, meanwhile, have temporarily eased the government's need to address difficult and politically controversial economic problems. They have also

taken more of the sting out of US sanctions. Iran's desire to end its isolation has not resulted in a decline in its willingness to use terrorism to pursue strategic foreign policy agendas—Tehran, in fact, has increased its support to terrorist groups opposed to the peace process over the past two years.

NORTH KOREA

I would like to shift gears to **North Korea**. P'yongyang's bold diplomatic outreach to the international community and engagement with South Korea reflect a significant change in strategy. This strategy is designed to assure the continued survival of Kim Chong-il's regime by ending P'yongyang's political isolation and fixing the North's failing economy by attracting more aid. We do not know how far Kim will go in opening the North, but I can report that we have not yet seen a significant diminution of the threat from the North to American and South Korean interests.

P'yongyang still believes that a strong military, capable of projecting power in the region, is an essential element of national power. P'yongyang's declared "military first" policy requires massive investment in the armed forces, even at the expense of other national objectives. North Korea maintains the world's fifth largest armed forces consisting of over one million active-duty personnel, with another five million reserves. While Allied forces still have the qualitative edge, the North Korean military appears for now to have halted its near-decade-long slide in military capabilities. In addition to the North's longer-range missile threat to us, P'yongyang is also expanding its short and medium range missile inventory, putting our Allies at greater risk.

On the economic front, there are few signs of real systemic domestic reform. Kim has recently shown interest in practical measures to redress economic problems, most notably with his trip to Shanghai. To date, however, Kim has only tinkered with the economic system.

External assistance is essential to the recovery of North Korea's domestic economy. Only massive food aid deliveries since 1997 have enabled the country to escape a recurrence of the famine from the middle of the last decade. Industrial operations remain low. The economy is hampered by an industrial base that is falling to pieces, as well as shortages of materials and a lack of new investment. Chronic energy shortages pose the most significant challenge.

Aid and investment from the South bring with them increased foreign influences and outside information that will contradict propaganda from the regime. Economic engagement also can spawn expectations for improvement that will outrace the rebuilding process. The risk for Kim is that if he overestimates his control of the security services and loses elite support, or if societal stresses reach a critical point, his regime and personal grip on power could be weakened. As with other authoritarian regimes, sudden, radical change remains a real possibility in North Korea.

CHINA

Let me now turn to China, whose drive for recognition as a Great Power is one of the toughest challenges we face. Beijing's goal of becoming a key world player and especially more powerful in East Asia has come sharply into focus. It is pursuing these goals through an ambitious economic reform agenda, military modernization, and a complex web of initiatives aimed at expanding China's international influence—especially relative to the United States.

Chinese leaders view solid relations with Washington as vital to achieving their ambitions. It is a two-edged sword for them. China's development remains heavily reliant on access to Western markets and technology. But they also view Washington as their primary obstacle because they perceive the US as bent on keeping China from becoming a great power.

Perhaps the toughest issue between Beijing and Washington remains Taiwan. While Beijing has stopped its saber rattling—reducing the immediate tensions—the unprecedented developments on Taiwan have complicated cross-strait relations. The election last March of President Chen ushered in a divided government with highly polarized views on relations with Beijing. Profound mutual distrust makes it difficult to restart the on-again off-again bilateral political dialogue. In the longer term, cross-strait relations can be even more volatile because of Beijing's military modernization program. China's military buildup is also aimed at deterring US intervention in support of Taiwan.

Russian arms are a key component of this buildup. Arms sales are only one element of a burgeoning Sino-Russian relationship. Moscow and Beijing plan to sign a "friendship treaty" later this year, highlighting common interests and willingness to cooperate diplomatically against US policies that they see as unfriendly to their interests—especially NMD.

On China's domestic scene, the Chinese Communist leadership wants to protect its legitimacy and authority against any and all domestic challenges. Over the next few years, however, Chinese leaders will have to manage a difficult balancing act between the requirements of reform and the requirements of staying in power.

China's leaders regard their ability to sustain economic prosperity as the key to remaining in power; for that reason, they are eager to join the WTO. Beijing views WTO accession as a lever to accelerate domestic economic reform, a catalyst for greater foreign investment, and a way to force Chinese state-owned enterprises to compete more effectively with foreign companies.

But Beijing may slow the pace of WTO-related reforms if the leadership perceives a rise in social unrest that could threaten regime stability. Chinese leaders already see disturbing trends in this regard. Their crackdown on Falungong,

underground Christians, and other spiritual and religious groups reflects growing alarm about challenges to the Party's legitimacy.

All of these challenges will test the unity of the leadership in Beijing during a critical period in the succession process. The 16th Communist Party Congress next year will be an extremely important event, as it will portend a large-scale transfer of authority to the next generation of Communist Chinese leaders. The political jockeying has already begun, and Chinese leaders will view every domestic and foreign policy decision they face through the prism of the succession contest.

RUSSIA

Yet another state driving for recognition as a Great Power is Russia. Let me be perfectly candid. There can be little doubt that President Putin wants to restore some aspects of the Soviet past—status as a great power, strong central authority, and a stable and predictable society—sometimes at the expense of neighboring states or the civil rights of individual Russians. For example,

- Putin has begun to reconstitute the upper house of the parliament, with an eye to depriving regional governors of their ex officio membership by 2002. He also created a system of seven “super districts” where Presidential “plenipotentiaries” now oversee the governors within their districts.
- He has moved forcefully against Russian independent media including one of Russia's most prominent oligarchs, Vladimir Gusinskiy, pressing him to give up his independent television station and thereby minimize critical media.

Moscow also may be resurrecting the Soviet-era zero-sum approach to foreign policy. As I noted earlier, Moscow continues to value arms and technology sales as a major source of funds. It increasingly is using them as a tool to improve ties to its regional partners China, India, and Iran. Moscow also sees these relationships as a way to limit US influence globally. At the same time Putin is making efforts to check US influence in the other former Soviet states and reestablish Russia as the premier power in the region. He has increased pressure on his neighbors to pay their energy debts, is dragging his feet on treaty-mandated withdrawals of forces from Moldova, and is using a range of pressure tactics against Georgia.

Putin has also increased funding for the military, although years of increases would be needed to deal with the backlog of problems that built up in the armed forces under Yeltsin. The war in Chechnya is eroding morale and thus the effectiveness of the military. Despite its overwhelming force, Moscow is in a military stalemate with the rebels, facing constant guerrilla attacks. An end does not appear close. There are thousands of Russian casualties in Chechnya, and Russian forces

have been cited for their brutality to the civilian population. Increasingly, the Russian public disapproves of the war. Because Putin rode into office on a wave of popular support, resolution of the conflict is an issue of personal prestige for him. Recently, Putin transferred command in Chechnya to the Federal Security Service, demonstrating his affinity for the intelligence services from which he came.

Despite Putin's Soviet nostalgia, he knows Russia must embrace markets and integrate into the global economy and that he needs foreigners to invest. Plus, public expectations are rising. Putin is avoiding hard policy decisions because Russia enjoyed an economic upturn last year, buoyed by high oil prices and a cheap ruble. But Putin cannot count on these trends to last permanently. He must take on several key challenges if Russia is to sustain economic growth and political stability over the longer term.

- Without debt restructuring, for example, he will face harsh choices through 2003. Russia will owe nearly \$48 billion spread over the next three years.
- Domestic and foreign investment is crucial to sustained growth. Moscow recently announced that capital flight last year increased to \$25 billion. Putin will need to demonstrate his seriousness about reducing corruption and pushing ahead with corporate tax reform and measures to protect investor's rights.

CENTRAL ASIA

The Caucasus and Central Asia are parts of the world that have the potential to become more volatile as they become more important to the United States. The strategic location of the Caucasus and Central Asia—squeezed between Russia, Turkey, Iran, Afghanistan, and China—make the stability of these countries critical to the future of Eurasia. Here corruption, poverty, and other social ills are providing fertile ground for Islamic extremism, terrorist networking, and drug and weapons trafficking that will have impact in Russia, Europe, and beyond. Central Asian leaders, seeking to fend off threats to their security from terrorists and drug traffickers, are looking increasingly to the West for support.

- We are becoming increasingly concerned about the activities of the Islamic Movement of Uzbekistan, an extremist insurgent and terrorist group whose annual incursions into Uzbekistan have become bloodier and more significant every year.

In addition, US companies have a significant stake in Caspian energy development. As you know, the United States supports the construction of pipelines that will bring the Caspian's energy resources to Western markets. One oil pipeline is expected to pass through both Georgia and Azerbaijan. Western companies are pursuing the construction of a gas pipeline under the Caspian Sea from Turkmenistan through Azerbaijan and Georgia en route to Turkey. Although many of

the leaders in the region through which the pipelines will flow view the United States as a friend, regime stability there remains fragile.

THE BALKANS

Let me now turn to another important region: the Balkans. It is an open question when Balkan states will be able to stand on their own. The Balkans continue to be fraught with turmoil, and the coming year promises more challenges.

Milosevic's departure was a victory for the Serbian people and the United States. America was a strong force in helping to depose this indicted war criminal who was a major obstacle to progress. Milosevic's fall through election and popular rebellion gives Serbia and what is left of Yugoslavia a chance to remake its politics and to begin to recover. It also means that Serbia can be reintegrated into Europe.

Milosevic's successors will have a hard time cleaning up the mess he left. Milosevic, his family, and cronies stole much of what had value, ran down industries, and wasted whatever resources were left. From the ashes, newly elected President Vojislav Kostunica is trying to create a legal, transparent, and effective government. Meanwhile, the Serbian economy has contracted 50 percent since 1990.

Kostunica will also face problems holding his country together. Montenegro's drive for independence presents a simmering crisis. Montenegrin President Djukanovic remains committed to negotiating a new, decentralized relationship with Belgrade. Events in the rest of Yugoslavia will have impact on Kosovo as well. Ethnic Albanians from across the political spectrum in Kosovo still insist on independence.

There are signs that Kosovo's troubles are spilling over into southern Serbia where both ethnic Albanians and Serbs live in close proximity. Most ethnic Albanians in this region seek only greater civil rights within Serbia, but militants are fighting to join the region to an independent Kosovo. This is a dangerous flashpoint with the potential for escalation. In short, we are still not at the point where we look confidently ahead to a Balkans without violence.

With regard to Bosnia, none of the three formerly warring factions—Muslims, Serbs, or Croats—wants to begin fighting again. Refugee returns continued at a brisk pace last year as in 1999, the most encouraging development since the end of the war. Disarmament of the warring factions has been generally successful, and positive developments in Croatia and Serbia have removed some sources of earlier nationalist sentiment. But there has been little progress in achieving a common vision of a unified, multiethnic Bosnia capable of standing on its own.

SOUTH ASIA

At this point, let me draw your attention to the potentially destabilizing competition in **South Asia**. I must report that relations between India and Pakistan remain volatile, making the risk of war between the two nuclear-armed adversaries

unacceptably high. The military balance in which India enjoys advantages over Pakistan in most areas of conventional defense preparedness remains the same. This includes a decisive advantage in fighter aircraft, almost twice as many men under arms, and a much larger economy to support defense expenditures. As a result, Pakistan relies heavily on its nuclear weapons for deterrence. Their deep-seated rivalry, frequent artillery exchanges in Kashmir, and short flight times for nuclear-capable ballistic missiles and aircraft all contribute to an unstable nuclear deterrence.

If any issue has the potential to bring both sides to full-scale war, it is Kashmir. Kashmir is at the center of the dispute between the two countries. Nuclear deterrence and the likelihood that a conventional war would bog down both sides argue against a decision to go to war. But both sides seem quite willing to take risks over Kashmir in particular, and this—along with their deep animosity and distrust—could lead to decisions that escalate tensions.

The two states narrowly averted a full-scale war in Kashmir in 1999. The conflict that did occur undermined a fledgling peace process begun by the two prime ministers. Now, for the first time since then, the two sides are finally taking tentative steps to reduce tension. Recent statements by Indian and Pakistani leaders have left the door open for high-level talks. And just last week [2 Feb 2001], Vajpayee and Musharraf conversed by phone perhaps for the first time ever, to discuss the earthquake disaster.

The process is fragile, however. Neither side has yet agreed to direct, unconditional talks. Tension can easily flare once winter ends or by New Delhi or Islamabad maneuvering for an edge in the negotiations. Leadership changes in either country also could add to tensions.

Kashmiri separatist groups opposed to peace could also stoke problems. India has been trying to engage selected militants and separatists, but militant groups have kept up their attacks through India's most recent cease-fire. In addition, the Kashmir state government's decision to conduct local elections—the first in more than 20 years—will provoke violence from militants who see the move as designed to cement the status quo.

Pakistan's internal problems—especially the economy—complicate the situation and further threaten what maneuvering room Musharraf may have. Musharraf's domestic popularity has been threatened by a series of unpopular policies that he promulgated last year. At the same time, he is being forced to contend with increasingly active Islamic extremists.

A word on proliferation. Last year I told you I worried about the proliferation and development of missiles and weapons of mass destruction in South Asia. The competition, predictably, extends here as well and there is no sign that the situation has improved. We still believe there is a good prospect of another round of nuclear

tests. On the missile front, India decided to test another Agni MRBM last month, reflecting its determination to improve its nuclear weapons delivery capability. Pakistan may respond in kind.

FRAGMENTATION AND FAILURE

The final point that I would like to discuss today is the growing in potential for state fragmentation and failure that we have observed this past year.

Afghanistan obviously falls into this category. The Afghan civil war will continue into the foreseeable future, leaving the country fragmented and unstable. The Taliban remains determined to impose its radical form of Islam on all of Afghanistan, even in the face of resistance from other ethnic groups and the Shia minority.

What we have in Afghanistan is a stark example of the potential dangers of allowing states—even those far from the US—to fail. The chaos here is providing an incubator for narcotics traffickers and militant Islamic groups operating in such places as Kashmir, Chechnya, and Central Asia. Meanwhile the Taliban shows no sign of relinquishing terrorist Usama Bin Ladin, despite strengthened UN sanctions and prospects that Bin Ladin's terrorist operations could lead to retaliatory strikes against Afghanistan. The Taliban and Bin Ladin have a symbiotic relationship—Bin Ladin gets safe haven and in return, he gives the Taliban help in fighting its civil war.

Events of the last few years in **Indonesia** paint a vivid picture of a state struggling to regain stability. Last year I described the difficult political transition that Indonesian President Wahid was trying to manage. He has managed to stay one step ahead of his opponents, mostly because they are unable to work together. He has survived several confrontations with the legislature, but efforts to impeach him on corruption charges will continue.

Separatist violence is rampant in Aceh and rising in two other key provinces. Muslim-Christian violence continues, and resulted in several thousand deaths last year. The country's security forces are poorly equipped, and either back away from challenges or respond too forcefully.

Indonesia's problems are worrying neighboring countries that have long considered it as the pillar of regional stability. Some Southeast Asian leaders fear a power vacuum in Indonesia would create fertile ground for international terrorist groups and Islamic activists, drug trafficking, and organized crime.

My final case study is **Africa**, a land of chronic turbulence and crises that are among the most brutal and intractable in the world. Left behind by globalization and plagued by ethnic conflicts, several African states appear to be the first of the wave of failed nations predicted by the Global Trends 2015 Report.

We are especially concerned because hotspots often set off chain reactions across the region. The brutal civil war in Sierra Leone, for example, started as an offshoot of fighting in Liberia and has now spread into Guinea. These waves of violent instability bring even worse woes in their wake, including the ethnically-based killings that are now routine in the wars in Sudan, Congo (Kinshasa), and Burundi. Coping with this unrest depletes the scant resources available to the region's governments for fighting HIV/AIDS and other epidemics.

One immediate challenge in Africa is the protection of US diplomats, military personnel, citizens, and other interests in the region. Violent unrest has necessitated a half-dozen evacuations of Embassy employees, other citizens, and Allied nationals in recent years.

CONCLUSION

I have spoken at some length about the threats we face to our national security. It is inevitable given our position as the world's sole superpower that we would attract the opposition of those who do not share our vision or our goals, and those who feel intimidated by our strength. Many of the threats I've outlined are familiar to you. Many of the trends I've described are not new. The complexity, intricacy, and confluence of these threats, however, is necessitating a fundamental change in the way we, in the Intelligence Community, do our business. To keep pace with these challenges:

- We must aggressively challenge our analytic assumptions, avoid old-think, and embrace alternate analysis and viewpoints.
- We must constantly push the envelope on collection beyond the traditional to exploit new systems and operational opportunities to gain the intelligence needed by our senior policymakers.
- And we must continue to stay ahead on the technology and information fronts by seeking new partnerships with private industry as demonstrated by our IN-Q-TEL initiative.

Our goal is simple: it is to ensure that our nation has the intelligence it needs to anticipate and counter threats I have discussed here.

Global Threats and Challenges Through 2015

**Vice Admiral Thomas R. Wilson
Director, Defense Intelligence Agency**



**Statement for the Record
Senate Armed Services Committee
8 March 2001**

The Emerging Global Security Environment

“What’s past is prologue” Shakespeare wrote. Those words have relevance today with respect to the recent and future global security environment. The 1990s were a time of transition and turmoil as familiar Cold War issues, precepts, structures, and strategies gave way to new security paradigms and problems. That transition continues, with the end nowhere in sight. In fact, I expect the next 10 to 15 years to be at least as turbulent, if not more so. The basic forces bringing stress and change to the international order – some of them outlined below – will remain largely at work, and no power, circumstance, or condition is likely to emerge capable of overcoming these and creating a more stable global environment.

Globalization – defined here as the increasing (and increasingly less restricted) flow of money, people, information, technology, ideas, etc. throughout the world – remains an important, and perhaps even the dominant, influence. Globalization is generally a positive force that will leave most of the world’s people better off. But in some ways, globalization will exacerbate local and regional tensions, increase the prospects and capabilities for conflict, and empower those who would do us harm. For instance, the globalization of technology and information – especially regarding weapons of mass destruction (WMD) and advanced conventional weapons – will increasingly accord smaller states, groups, and individuals destructive capabilities previously limited to major world powers. Encouraging and consolidating the positive aspects of globalization, while managing and containing its ‘downsides,’ will be a continuing challenge.

Globalization is independent of any national policy and can weaken the power of governments to control events within and beyond their borders. Nevertheless, many individuals, groups, and states equate globalization to ‘Americanization’ ... that is, the expansion, consolidation, and perceived dominance of US power, values, ideals, culture, and institutions. This dynamic –

in which the US is seen as both a principal proponent for and key benefactor of globalization – and the global reaction to it, will underpin many of the security challenges we face during the first two decades of the 21st century.

Not everyone shares our particular view of the future and ***disaffected states, groups, and individuals*** will remain an important factor and a key challenge for US policy.

- Some (e.g. Iran, various terrorists, and other criminal groups) simply reject or fear our values and goals. They will continue to exploit certain aspects of globalization, even as they try to fend off some of its consequences (like openness and increased global connectivity). They will frequently engage in violence – targeting our policies, facilities, interests, and personnel – to advance their interests and undermine ours.
- Others, either unable or unwilling to share in the benefits of globalization, will face deepening economic stagnation, political instability, and cultural alienation. These conditions will create fertile ground for political, ethnic, ideological, and religious extremism. For many of those ‘left behind,’ the US will be viewed as a primary source of their troubles and a primary target of their frustration.
- Still others will, at times, simply resent (or be envious of) US power and perceived hegemony, and will engage in ‘milder’ forms of anti-US rhetoric and behavior. As a consequence, we are likely to confront temporary anti-US ‘coalitions’ organized or spontaneously forming to combat or rally against a specific US policy initiative or action.

Global demographic trends remain a factor. World population will increase by more than a billion by 2015, with 95 percent of that growth occurring in the developing world. Meanwhile developing-world urbanization will continue, with some 20-30 million of the world’s poorest people migrating to urban areas each year. These trends will have profound implications that will vary by country and region. Poorer states, or those with weak governance, will experience

additional strains on their resources, infrastructures, and leadership. Many will struggle to cope, some will undoubtedly fail. At the same time, some advanced and emerging market states – including key European and Asian allies – will be forced to reexamine longstanding political, social, and cultural precepts as they attempt to overcome the challenges of rapidly aging populations and declining workforce cohorts. In these and other cases, demographic pressures will remain a potential source of stress and instability.

Rapid technology development and proliferation – particularly with respect to information, processing, and communications technologies, biotechnology, advanced materials and manufacturing, and weapons (especially weapons of mass destruction) – will continue to have a profound impact on the way people live, think, work, organize, and fight. The globalization of technology, the integration and fusion of various technological advancements, and unanticipated applications of emerging technologies, make it difficult to predict the technological future. Regarding military technology, two other trends – constrained global defense spending, and the changing global armaments industry – will affect the nature of future conflict.

- Global defense spending dropped some 50% during the past decade and, with the exception of Asia, is likely to remain limited for some time to come. This trend will continue to have multiple impacts. First, both adversaries and allies are not likely to keep pace with the US military (despite our own spending limitations). This will continue to spur foes toward asymmetric options, widen the capability gap between US and allied forces, reduce the number of allied redundant systems, and increase the demand on unique US force capabilities. Additional, longer-term impacts – on global defense technology development and proliferation, and on US-allied defense industrial consolidation, cooperation, and technological competitiveness – are likely, though difficult to foresee.
- Limited defense budgets, declining arms markets, and the globalization of technology are leading to a more competitive global armaments industry. In

this environment, with many states attempting to diversify either export markets or sources of arms, technology transfer restrictions and arms embargoes will be more difficult to maintain. Military technology diffusion is a certainty. Advantages will accrue to states with strong commercial technology sectors, the 'adaptiveness' to successfully link civilian technologies to defense programs, and the foresight to accurately anticipate future warfare requirements. China is one state that meets these criteria, and pursues an aggressive, systematic, comprehensive, and well-integrated technology acquisition strategy.

- While the US will remain in the vanguard of technological prowess, some aspects of our general military-technological advantage are likely to erode, and some technological surprises will undoubtedly occur. But we cannot be very specific about which technologies will 'show up' ... in what quantities ... in the hands of which adversaries ... or how those technologies may be applied in innovative ways.

The complex integration of these factors with other 'second and third order' trends and consequences – including the frequency, intensity, and brutality of ethnic conflict, local resource shortages, natural disasters, epidemics, mass migrations, and limited global response capabilities – portend an extremely dynamic, complex, and uncertain global future. Consider for instance the significant doubts we face today concerning the likely directions of Russia, China, Europe, the Middle East, and the Korean peninsula. Developments in each of these key states and regions will go a long way toward defining the 21st century security environment, but outcomes are simply too tough to call. This complexity humbles those of us charged with making judgments about the future and makes specific 'point-projections' of the future threat less meaningful. It is perhaps more useful for us to identify some of the more troubling potential circumstances, and broadly define the kinds of challenges we are most likely to encounter.

Key Near Term Concerns

While specific threats are impossible to predict, and new threats and challenges can arise almost without warning in today's environment, over the next 12-24 months, I am most concerned about the following potential situations.

- **A major terrorist** attack against United States interests, either here or abroad, perhaps with a weapon designed to produce mass casualties. Terrorism remains the 'asymmetric approach of choice' and many terrorist groups have both the capability and desire to harm us. Terrorism is the most likely direct threat to US interests worldwide. I will discuss the terrorist threat in more detail a little later on.
- **Worsening conditions in the Middle East.** An expansion of Israeli-Palestinian violence and the complete collapse of the Middle East peace process would have numerous troubling implications:
 - An increased risk of anti-American violence – particularly terrorism.
 - An increased risk of a wider regional conflict.
 - Intensified Iraqi efforts to exploit the conflict to gain relief from sanctions.
 - An increased chance that Iraq will be successful in gaining widespread support for lifting UN sanctions ... a development that would likely strain our relations with regional and European allies, allow Iraq to rearm more rapidly, and ultimately, threaten the foundation of our Middle Eastern policy.
- **Dramatic changes on the Korean peninsula** ... either a breakdown in rapprochement and a return to an increased threat of war, or, less likely, an accelerated move toward reunification whose impact catches regional powers unprepared.
- **An expanded military conflict between India and Pakistan over Kashmir** ... with the potential for a nuclear exchange. Both sides operate from 'zero-sum perspectives,' retain large forces, in close proximity, across a tense line of control. The potential for mistake and miscalculation remains relatively

high. Meanwhile, both continue to pursue a wide range of WMD and missile programs.

- ***Intensifying disagreements with Russia*** (over National Missile Defense, the ABM Treaty, European security issues, etc.) spurred by President Putin's more assertive and potentially confrontational foreign policy.
- ***Increased anti-American violence and regional instability*** as Colombian insurgents and drug traffickers react to the implementation of Plan Colombia.
- ***Another outbreak of violence in the Balkans*** ... between Belgrade and Montenegro and/or Belgrade and Kosovo ... as these smaller territories continue their demands for increased autonomy or independence.
- ***Conflict between China and Taiwan*** ... resulting from increased pressure by Beijing for reunification or a more assertive stance from Taiwan on independence.

Longer-Term Threats and Challenges

Beyond these immediate concerns, I have a long list of more enduring potential threats and challenges. Some of these are in the category of 'the cost of doing business' in that they are generally a consequence of our unique power and position and will exist so long as we remain globally engaged. Others are more a reflection of the complex mix of political, social, economic, technological, and military conditions that characterize today's world. Still others reflect more direct anti-American sentiments held by various nations, groups, and individuals. While none of these individual challenges is as directly threatening to the US as the Soviet Union was during the Cold War, collectively they form a significant barrier to our goals for the future.

Engagement challenges

So long as the global security environment remains turbulent and the US retains (and remains willing to exercise) unique leadership and response capabilities, we will likely experience a high demand for military, diplomatic, and intelligence engagement. Global turbulence could spawn a spectrum of potential

conflict ranging from larger-scale combat contingencies, through containment deployments, peace operations, and humanitarian relief operations. Such wide-ranging contingencies would pose diverse challenges for our defense and intelligence services.

First, 'engagement contingencies' will generally occur toward the lower end of the conflict spectrum, in less-developed nations. As a consequence, they will frequently require our forces to operate in challenging 'asymmetric environments' (urban centers, or remote, austere, or otherwise underdeveloped areas with limited infrastructures, inadequate health and sanitation facilities, high levels of industrial or other toxic contamination, etc.). These environments will present unique deployment, operational, intelligence, and logistical problems that may limit many of our 'information age' force advantages. Similarly, such contingencies will, more often than not, pit us against adversaries who are likely to employ a variety of asymmetric approaches to offset our general military superiority. (I will address some of these in the following section).

Another consequence of high levels of peacetime engagement is increased operations (and personnel) tempo (OPTEMPO) for both our military and intelligence services. High OPTEMPO strains equipment, resources, and personnel, reduces time for 'normal' activities such as training, education & maintenance, disrupts personnel and unit rotation cycles, and stresses personnel. These impacts are cumulative, worsening over time. Speaking strictly from the intelligence perspective, I was very concerned during the recent Kosovo campaign that we would have had a tough time supporting another major crisis, should one have arisen. Additionally, as a manager of intelligence resources, I remain concerned that our intelligence capability is being stretched 'a mile wide and an inch deep.' Prioritizing our efforts against the most important threats ... maintaining focus on those ... doing the research, data base maintenance, and long term analytic projects required to maintain our analytic

depth ... and generally being proactive instead of reactive ... are all more difficult to do in a high tempo security environment.

Finally, high levels of peacetime engagement can limit our flexibility and extend our response times because committed forces, personnel, and resources are not easily extracted and readily available for new contingencies. In fact, it may be that on a daily basis, our simultaneous involvement in 'many lesser crises' equates to a 'major theater war' contingency ... in terms of our available resources and capabilities.

Asymmetric challenges

Our future opponents – from states to drug lords – are likely to be smart and adaptive. Recognizing our general military superiority, they will avoid engaging 'on our terms,' opting instead to pursue strategies designed to render our military power indecisive or irrelevant to their operations and objectives. They will make the effort (intelligence work) to understand how we think, organize, command, and operate ... will attempt to identify our strengths, weaknesses, and potential vulnerabilities ... and will pursue a variety of generally lower-cost operational and technological initiatives which they hope will achieve disproportionate (especially psychological) results. They seek capabilities that we are either unwilling or unable to counter, thereby either denying our leadership the 'military option,' or forcing us to 'disengage' before they are defeated. At the worst, asymmetric approaches threaten to undermine the 'full spectrum dominance' envisioned in our Joint Vision 2020 concept.

While specific adversaries, objectives, targets, and means of attack will vary widely from situation to situation, I think most asymmetric approaches will fit generally into five broad, overlapping categories:

- **Counter will** ... designed to make us 'not come, or go home early' ... by severing the 'continuity of will' between the US national leadership, the military, the people, our allied and coalition partners, and world public opinion.

- **Counter access** ... designed to deny US (allied) forces easy access to key theaters, ports, bases, facilities, air, land, and sea approaches, etc.
- **Counter precision engagement** ... designed to defeat or degrade US precision intelligence and attack capabilities.
- **Counter protection** ... designed to increase US (allied) casualties and, in some cases, directly threaten the US homeland.
- **Counter information** ... designed to prevent us from attaining information and decision superiority.

Beyond these broader generalizations, I have highlighted below several types of asymmetric approaches we are most likely to encounter during the next 10-15 years.

Terrorism. Terrorism remains the most significant asymmetric threat to our interests at home and abroad. This threat will grow as disgruntled groups and individuals focus on America as the source of their troubles. Most anti-US terrorism will be regional and based on perceived racial, ethnic or religious grievances. Terrorism will tend to occur in urban centers, often capitals. Our overseas military presence and our military's status as a symbol of US power, interests, and influence can make it a target. However, in many cases, increased security at US military and diplomatic facilities will drive terrorists to attack 'softer' targets such as private citizens or commercial interests. The characteristics of the most effective terrorist organizations – highly compartmented operations planning, good cover and security, extreme suspicion of outsiders, and ruthlessness – make them very difficult intelligence targets. Middle East-based terrorist groups will remain the most important threat, but our citizens, facilities, and interests will be targeted worldwide. State sponsors (primarily Iran) and individuals with the financial means (such as Usama bin Ladin) will continue to provide much of the economic and technological support needed by terrorists. A move toward 'higher-casualty attacks' is predictable as globalization provides

terrorists access to more destructive conventional weapons technologies and WMD.

Information Operations. Information operations can involve many components including electronic warfare, psychological operations, physical attack, denial and deception, computer network attack, and the use of more exotic technologies such as directed energy weapons or electromagnetic pulse weapons. Adversaries recognize our civilian and military reliance on advanced information technologies and systems, and understand that information superiority provides the US unique capability advantages. Many also assess that the real center of gravity for US military actions is US public opinion. Accordingly, numerous potential foes are pursuing information operations capabilities as relatively low cost means to undermine domestic and international support for US actions, to attack key parts of the US national infrastructure, or to preclude (or make more difficult) our attainment of information superiority. The threat from information operations will grow significantly during the next decade or so.

- Computer network operations, for instance, offer new options for attacking the United States ... potentially anonymously and with selective (including non-lethal) effects. Attacks can be focused against our traditional continental sanctuary, or designed to slow or disrupt the mobilization, deployment, combat operations, and resupply of US military forces. Software tools for network intrusion and disruption are becoming globally available over the Internet, providing almost any interested US adversary a basic computer network (cyber) exploitation or attack capability. To date, however, the skills and effort needed for adversaries to use tools and technology effectively – such as intensive reconnaissance of US target networks, for example – remain important limits on foreign cyber attack capabilities.

WMD and Missile Proliferation. Many potential adversaries believe they can preclude US force options and offset US conventional military superiority by

developing WMD and missiles. Others are motivated more by regional threat perceptions. In either case, the pressure to acquire WMD and missiles is high, and, unfortunately, globalization creates an environment more amenable to proliferation activities. Some 25 countries now possess – or are in the process of acquiring and developing – WMD or missiles. Meanwhile, a variety of non-state actors are showing increasing interest. New alliances have formed, providing pooled resources for developing these capabilities, while technological advances and global economic conditions have made it easier to transfer materiel and expertise. The basic sciences necessary to produce these weapons are widely understood. Most of the technology is readily available, and the raw materials are common. All told, the global WMD/missile threat to US and allied territory, interests, forces, and facilities will increase significantly.

- Russia, China, and North Korea remain the ‘WMD and missile’ suppliers of primary concern. Russia, for instance, has exported ballistic missile and nuclear technology to Iran ... China has provided missile and other assistance to Iran and Pakistan ... and North Korea remains a key source for ballistic missiles and related components and materials. Over time, as other nations (such as Iran) acquire more advanced capabilities, they too are likely to become important proliferators.
- Several states of concern – particularly Iran and Iraq – could acquire nuclear weapons during the next decade or so, and some existing nuclear states – India and Pakistan, for instance – will undoubtedly increase their inventories.
- Chemical and biological weapons are generally easier to develop, hide, and deploy than nuclear weapons and will be readily available to those with the will and resources to attain them. More than two dozen states or non-state groups either have, or have an interest in acquiring, chemical weapons, and there are a dozen countries believed to have biological warfare programs. I expect chemical and biological weapons to be widely proliferated, and they could well be used in a regional conflict or terrorist attack over the next 15 years.

- The potential development/acquisition of intercontinental missiles by several states of concern – especially North Korea, Iran, and Iraq – could fundamentally alter the strategic threat. Meanwhile, longer-range theater (up to 3,000 km) ballistic and cruise missile technology proliferation is a growing challenge. The numbers of these systems will increase significantly during the next 15 years. So too will their accuracy and destructive impact.

The Foreign Intelligence Threat. Adversaries hoping to employ asymmetric approaches against the United States need detailed intelligence on US decision-making, operational concepts, capabilities, shortcomings, and vulnerabilities. Consequently, we continue to face extensive intelligence threats from a large number of foreign nations and sub-national entities including terrorists, international criminal organizations, foreign commercial enterprises, and other disgruntled groups and individuals. These intelligence efforts are generally targeted against our national security policy-making apparatus, national infrastructure, military plans, personnel, and capabilities, and our critical technologies. While foreign states – particularly Russia and China – present the biggest intelligence threat, all our adversaries are likely to exploit technological advances to expand their collection activities. Moreover, the open nature of our society, and increasing ease with which money, technology, information, and people move around the globe in the modern era, make effective counterintelligence and security that much more complex and difficult to achieve.

Cover, Concealment, Camouflage, Denial and Deception (C3D2). Many potential adversaries – nations, groups, and individuals – are undertaking more and increasingly sophisticated C3D2 operations against the United States. These efforts are generally designed to hide key activities, facilities, and capabilities (e.g. mobilization or attack preparations, WMD programs, advanced weapons systems developments, treaty noncompliance, etc.) from US intelligence, to manipulate US perceptions and assessments of those programs, and to protect key capabilities from US precision strike platforms. Foreign

knowledge of US intelligence and military operations capabilities is essential to effective C3D2. Advances in satellite warning capabilities, the growing availability of camouflage, concealment, deception, and obscurant materials, advanced technology for and experience with building underground facilities, and the growing use of fiber optics and encryption, will increase the C3D2 challenge.

Counter-Space Capabilities. The US reliance on (and advantages in) the use of space platforms is well known by our potential adversaries. Many are attempting to reduce this advantage by developing capabilities to threaten US space assets, in particular through denial and deception, signal jamming, and ground segment attack. A number of countries are interested in or experimenting with a variety of technologies that could be used to develop counter-space capabilities. These efforts could result in improved systems for space object tracking, electronic warfare or jamming, and directed energy weapons. China and Russia have across-the board programs underway, and other smaller states and non-state entities are pursuing more limited – though potentially effective – approaches. By 2015, future adversaries will be able to employ a wide variety of means to disrupt, degrade, or defeat portions of the US space support system.

Threats to Critical Infrastructure. Many adversaries believe the best way to avoid, deter, or offset US military superiority is to develop a capability to threaten the US homeland. In addition to more traditional strategic nuclear threats (discussed below), our national infrastructure is vulnerable to disruptions by other forms of physical and computer attack. The interdependent nature of the infrastructure creates even more of a vulnerability. Foreign states have the greatest attack potential (in terms of resources and capabilities), but the most immediate and serious threat today is from insiders, terrorists, criminals, and other small groups or individuals carrying out well-coordinated strikes against selected critical nodes.

Criminal Challenges

International criminal activity of all kinds will continue to plague US interests. I am very concerned about the growing sophistication of criminal groups and individuals and their increasing potential to exploit certain aspects of globalization for their own gain. The potential for such groups to usurp power, or undermine social and economic stability is likely to increase.

- International drug cultivation, production, transport, and use will remain a major problem. The connection between drug cartels, corruption, and outright insurgency will likely increase (witness Colombia) as drug money provides an important funding source for all types of criminal and anti-government activity. Emerging democracies and economically strapped states will be particularly susceptible. The drug trade will continue to produce tensions between and among drug producing, transport, and user nations.
- I am also increasingly concerned about other forms of international criminal activity – for instance, ‘cyber-criminals’ who attempt to exploit the electronic underpinnings of the global financial, commercial, and capital market systems, and nationally based ‘mafia’ groups who seek to undermine legitimate governments in states like Russia and Nigeria. Globally, criminal cartels are becoming more sophisticated at exploiting technology, developing or taking control of legitimate commercial activities, and seeking to directly influence – through infiltration, manipulation, and bribery – local, state, and national governments, legitimate transnational organizations, and businesses. Increased cooperation between independent criminal elements, including terrorist organizations, is likely. Greater interaction among the US military, the Intelligence Community, and other federal agencies will be required to counter this growing threat.

Strategic challenges

Beyond the asymmetric and infrastructure threats to our homeland outlined above, we will continue to face an array of more traditional, albeit evolving,

strategic threats. Under virtually any circumstance short of state failure, Russia will maintain a viable strategic nuclear force. Moscow has begun deployment of the new SS-27 ICBM and has upgrades to this missile and several other systems under development. While strategic forces retain their priority, they have not been immune to the problems affecting the rest of the Russian military. System aging, chronic underfunding, and arms control agreements ensure that Russian strategic warhead totals will continue to decline – from some 5,000 today to a future force perhaps under 1,500 warheads (depending on arms control treaties, decisions we make about missile defense, the state of the Russian economy, Russian perceptions of other strategic threats, etc).

At the same time, for at least the next decade or so, Moscow will rely increasingly on nuclear weapons to compensate for its diminished conventional capability. This policy – published in the October 1999 Russian Military Doctrine statement and reiterated in January and April 2000 – lowers the theoretical threshold for Russian use of nuclear weapons. One additional concern, which will remain with us so long as Russia remains in some turmoil, is the potential for a Russian nuclear weapon (or more likely, nuclear material) to be stolen by or otherwise diverted to a state of concern, a terrorist group, or other criminal organization.

One of Beijing's top military priorities is to strengthen and modernize its small, dated strategic nuclear deterrent. While the ultimate extent of China's strategic modernization is difficult to forecast, the number, reliability, survivability, and accuracy of Chinese strategic missiles capable of hitting the US will increase during the next 20 years. We know little about China's concepts for nuclear weapons use, especially with respect to Beijing's views on the role and utility of strategic weapons in an international crisis involving important Chinese interests (e.g. Taiwan or the Korean peninsula).

- China currently has about 20 CSS-4 ICBMs with a range of over 13,000 km. Several new strategic missile systems are under development, including two

new road-mobile solid-propellant ICBMs. One of these, the 8,000 km DF-31, was successfully flight-tested in 1999 and 2000. Another, longer-range mobile ICBM will likely be tested within the next several years.

- China currently has a single **XIA** class SSBN, which is not operational. It is intended to carry 12 CSS-NX-3 missiles (with ranges exceeding 1,000 km). China is developing a new SSBN and an associated SLBM (the 8,000+ km JL-2). These systems will likely be developed and tested later this decade.
- China also has upgrade programs for associated command, control, communications and other related strategic force capabilities.

Beyond China and Russia, several states – especially North Korea and, later on, Iran and possibly Iraq – could field small numbers of long-range, WMD-equipped missiles capable of striking the United States. Again, we know very little about how these states think about strategic weapons, deterrence, and escalation.

- North Korea has made substantial missile progress during the last several years. The August 1998 launch of the Taepo Dong (TD) 1 system demonstrated several of the key technologies required to develop an ICBM, including stage separation. A three-stage TD 1 could potentially deliver a light payload to the US, albeit with very poor accuracy. North Korea is also developing a TD 2 ICBM, which could deliver a several-hundred kilogram payload to Alaska or Hawaii, and a lighter payload to the western half of the US. A three-stage TD 2 could deliver a several-hundred kilogram payload anywhere in the US. In September 1999, and again in June and October 2000, North Korea agreed to refrain from testing long-range missiles ... a pledge it has lived up to so far.
- Iran's Defense Minister has publicly talked of plans for developing a platform more capable than the Shahab 3 (a 1,300 km MRBM based on North Korea's No Dong). While this could refer to a space launch vehicle, Iran may also have ICBM plans. Sustained cooperation with Russian, North Korean, and Chinese entities is furthering Tehran's expertise and it could test a space

launch vehicle (with ICBM applications) within 15 years. However, if Iran purchased an ICBM from North Korea or elsewhere, further development might not be necessary.

- Despite the damage done to Iraq's missile infrastructure during the Gulf War, Operation Desert Fox, and subsequent UNSCOM activities, Iraq may have ambitions for longer-range missiles, including an ICBM. Depending on the success of acquisition efforts and the degree of foreign support, it is possible that Iraq could develop and test an ICBM capable of reaching the US by 2015.

As these trends unfold, the strategic threat picture will become more complex, diverse, and complicated, leaving our homeland potentially more vulnerable to a wider array of strategic challenges.

Regional Military Challenges

Joint Vision 2020 is the conceptual template for US force development. It envisions a 21st Century 'information age' US military that leverages high quality, highly-trained personnel, advanced technology, and the development of several key operational concepts – including dominant maneuver, precision engagement, full dimensional protection, and focused logistics – to achieve dominance across the range of military operations. The United States is moving steadily toward the capabilities embodied in this vision.

In contrast, other large militaries are generally making much slower progress, and will continue to field primarily 'industrial age' forces – mostly mass and firepower oriented, equipped predominantly with late-generation Cold War (vice 21st Century) technologies, and retaining centralized, hierarchical command-and-control structures. While less advanced than the US military, these large regional forces will still be potent by regional standards, and, in many cases, be fully capable of accomplishing significant regional objectives. Moreover, during the next 15 years, many regional states will seek to augment

these 'traditional' forces with selected high-end capabilities, including: WMD and missiles, advanced C4I systems, satellite reconnaissance, precision strike systems, global positioning, advanced air defense systems, and advanced anti-surface ship capabilities. To some extent, these 'niche' capabilities will be designed to counter key US concepts (precision strike, global access, information superiority, etc.), in an attempt to deter the US from becoming involved in regional contingencies, or to raise the cost of US engagement.

- Volumetric weapons (VW) are an example of the types of 'counter US' technologies potential adversaries may pursue. Unlike 'traditional' military weapons, which rely on high explosive technologies, VW depend primarily on simple air blast or overpressure to damage or destroy their targets. They actually form clouds, or volumes, of fuel rich materials that detonate relatively slowly. The result is a much larger area of high pressure that causes more damage to personnel (even dug in) and structures. VW technology is becoming more widely known, with several countries openly advertising it for sale. We should anticipate facing VW in either a terrorist or combat environment during the next 15 years.

For the most part, however, even large regional forces will be hard pressed to match our dominant maneuver, power projection, and precision engagement capabilities. But in a specific combat situation, the precise threat these forces pose will depend on a number of factors, including: the degree to which they have absorbed and can apply key '21st Century' technologies, have overcome deficiencies in training, leadership, doctrine, and logistics, and on the specific operational-tactical environment. Under the right conditions, their large numbers, combined with other 'situational advantages' – such as initiative, limited objectives, short lines of communication, familiar terrain, time to deploy and prepare combat positions, and the skillful use of 'asymmetric' approaches – could present significant challenges to US mission success. China and perhaps Russia at the high end, followed by North Korea, Iran, and Iraq, are all examples

of militaries that could field large forces with a mix of current and advanced capabilities.

China. Beijing recognizes that its long term prospects to achieve great power status depend on its success at modernizing China's economy, infrastructure, and human capital, and it will continue to emphasize those priorities ahead of military modernization. In addition to the limitations posed by these other priorities, China's military is moving from 1960s to 1990s technology, and can probably not efficiently absorb technology upgrades at a much faster rate. Accordingly, I expect China to continue to allow total military spending to grow at about the same rate as the economy, by maintaining a defense burden of roughly 5% of GDP (or about \$40-50 billion in defense spending last year). Part of this steady defense spending increase will be absorbed by rapidly rising personnel costs, a consequence of the overall transformation toward a market economy.

As I mentioned earlier, a top Chinese military priority is to upgrade its small, aging strategic deterrent force (although we have no indications that China intends to develop a 'first strike' strategic capability). In terms of conventional forces, Beijing is pursuing the capability to defend its eastern seaboard – the economic heartland – from attacks by a 'high-technology' opponent employing long-range precision strike capabilities. This means China is expanding its air, anti-air, anti-submarine, anti-surface ship, reconnaissance, and battle management capabilities, to enable the PLA to project 'defensive' power out to the first island chain. China is also rapidly expanding its conventionally-armed theater missile force (particularly the road-mobile, solid-propellant, 300 km CSS-7), in large measure to give it leverage against Taiwan and, to a lesser extent, other US Asian allies.

As a result of these and other developments, China's capability for regional military operations will improve significantly. By 2010 or so, some of

China's best units will have achieved a reasonably high level of proficiency at maneuver warfare (though they will probably not fully master large, complex joint service operations until closer to 2020). Moreover, by 2015 Chinese forces will be much better equipped, possessing more than a thousand theater-range missiles, hundreds of fourth-generation (roughly F-16 equivalent) aircraft, thousands of 'late Cold War equivalent' tanks and artillery, a handful of advanced diesel and third generation nuclear submarines, and some 20 or so new surface combatants. China is also likely to field an integrated air defense system and modern command-and-control systems at the strategic and operational levels. Selective acquisitions of advanced systems from Russia – such as **Sovremenny** destroyers and **SU-30/Flanker** aircraft – will remain an important adjunct to the PLA's modernization efforts during this period

The Taiwan issue will remain a major potential flashpoint, particularly over the near term. It is doubtful, however, unless Taipei moved more directly toward independence, that China would attempt a larger scale military operation to attack Taiwan outright. Beijing recognizes the risk inherent in such a move and, at least for the near term, probably has questions about its military ability to succeed. Nevertheless, by 2015, China's conventional force modernization will provide an increasingly credible military threat against Taiwan (though probably not the large amphibious capability necessary for invasion).

Russia. I remain relatively pessimistic about Russia's prospects, primarily because there are no easy, simple, or near term solutions to the tremendous political, economic, social, and military problems confronting Moscow. Consequently, I expect that many of the issues that concern us today – Russia's role as a proliferator of advanced military and WMD technologies and brainpower, the uncertain security of Russia's nuclear materials and weapons, the expanding local, regional, and global impact of Russian criminal syndicates, and Moscow's questionable reliability as a global security partner – will be with us for some time to come.

In the meantime, Russia's Armed Forces continue in crisis, with even priority strategic force elements receiving only a portion of their authorized funding. Compensation, housing, and other shortfalls continue to undermine morale. Under these conditions – chronic underfunding and neglect – there is little chance that Moscow's conventional forces will improve significantly during the next decade.

- Russia's defense resources remain especially limited, given the still relatively large Russian force structure. Moscow spent some \$40 billion on defense last year – about 3-5% of GDP – and the process of allocating monies remained extremely erratic and inefficient. This level of spending is not enough to fix the Russian military.

Beyond the near term, the size, characteristics, and capabilities of Russia's conventional forces could vary widely, depending on the outcome of numerous unsettled issues. Among the most important of these are the level of Russian defense spending, Russian threat perceptions, the achievement of national consensus on a blueprint for military reform, and Moscow's success at restoring the 'intangible' components of military effectiveness (leadership, readiness, morale, sustainment, etc.).

I still see two principal alternatives for the Russian military beyond 2010. The first (more likely scenario) is that Russia will remain chronically weak (probably posing less of a military threat to the US than it does today). This future would result from continuing neglect of the Russian military by the political leadership – characterized by continued underfunding, lack of prioritization, and minimal success at military reform. If, on the other hand, economic recovery and leadership support come sooner rather than later, Russia could begin rebuilding an effective military toward the end of this decade, and field a smaller, but more modern and capable force in the 2015 timeframe. This improved force would be large and potent by regional standards, equipped with thousands of late-

generation Cold War-era systems, and hundreds of more advanced systems built after 2005.

Iran. The election of President Khatemi in August 1997 marked a turning point in Iran's domestic situation. Khatemi received the bulk of his support from minorities, youths, and women (all growing segments of Iran's population), and I am hopeful that Tehran will change for the better over time. For now, however, the religious conservatives who have held power since 1979 remain in control of the security, foreign policy, intelligence, and defense institutions, and generally continue to view the US with hostility. For these reasons, I remain concerned with Tehran's deliberate (though uneven) military buildup. That effort is designed to ensure the security of the cleric-led regime, increase Iran's influence in the Middle East and Central Asia, deter Iraq or any other regional aggressor, and limit US regional influence. While Iran's forces retain significant limitations with regard to mobility, logistics infrastructure, and modern weapons systems, Tehran is attempting to compensate for these by developing (or pursuing) numerous asymmetric capabilities, to include subversion and terrorism, the deployment of air, air defense, missile, mine warfare, and naval capabilities to interdict maritime access in and around the Strait of Hormuz, and the acquisition of WMD and longer range missiles to deter the US and to intimidate Iran's neighbors.

- Iran has a relatively large ballistic missile force – hundreds of Chinese CSS-8s, SCUD Bs and SCUD Cs – and is likely assembling SCUDs in country. Tehran, with foreign assistance, is buying and developing longer-range missiles, already has chemical weapons, and is pursuing nuclear and biological weapons capabilities.
- Iran's navy is the most capable in the region and, even with the presence of Western forces, can probably stem the flow of oil from the Gulf for brief periods employing **KILO** submarines, missile patrol boats, and numerous naval mines, some of which may be modern and sophisticated. Aided by

China, Iran has developed a potent anti-ship cruise missile capability to threaten sea traffic from shore, ship, and aircraft platforms.

Although Iran's force modernization efforts will proceed gradually, during the next 15 years it will likely acquire a full range of WMD capabilities, field substantial numbers of ballistic and cruise missiles – including, perhaps, an ICBM – increase its inventory of modern aircraft, expand its armored forces, and continue to improve its anti-surface ship capability. Iran's effectiveness in generating and employing this increased military potential against an advanced adversary will depend in large part on 'intangibles' – command and control, training, maintenance, reconnaissance and intelligence, leadership, and situational conditions and circumstances.

Iraq. So long as Saddam or someone of his ilk remains in power, Iraq will remain challenging and contentious. Saddam's goals remain to reassert sovereignty over all of Iraq, end Baghdad's international isolation, and, eventually, have Iraq reemerge as the dominant regional power. For the time being, however, his options are constrained. Years of UN sanctions, embargoes, and inspections, combined with US and Coalition military actions, have significantly degraded Iraq's military capabilities. Manpower and materiel resource shortages, a problematic logistics system, and a relative inability to execute combined arms operations, remain major shortcomings. These are aggravated by intensive regime security requirements.

Nevertheless, Iraq's ground forces continue to be one of the most formidable within the region. They are able to protect the regime effectively, deploy rapidly, and threaten Iraq's neighbors absent any external constraints. Iraq's air and air defense forces retain only a marginal capability to protect Iraqi air space and project air power outside Iraq's borders. Although the threat to Coalition Forces is limited, continued Iraqi confrontational actions underscore the regime's determination to stay the course. Iraq has probably been able to retain

a residual level of WMD and missile capabilities. The lack of intrusive inspection and disarmament mechanisms permits Baghdad to enhance these capabilities.

- Iraq probably retains limited numbers of SCUD-variant missiles, launchers, and warheads capable of delivering biological and chemical agents.

Baghdad continues work on short-range (150 km) liquid and solid propellant missiles allowed by UNSCR 687 and can use this expertise for future long range missile development. Iraq may also have begun to reconstitute chemical and biological weapons programs.

Absent decisive regime change, Iraq will continue to pose complex political and military challenges to Coalition interests well into the future. Saddam has been increasingly effective during the past year at circumventing sanctions and exploiting the Israeli-Palestinian conflict to garner sympathy for Iraq's plight by linking the Iraqi and Palestinian causes. Should sanctions be formally removed, or become de facto ineffective, Iraq will move quickly to expand its WMD and missile capabilities, develop a more capable strategic air defense system, and improve other conventional force capabilities. Under this scenario, Baghdad could, by 2015, acquire a large inventory of WMD – including hundreds of theater ballistic and cruise missiles – expand its inventory of modern aircraft, and double its fleet of armored vehicles. While this force would be large and potent by regional standards, its prospects for success against a western opponent would depend ultimately on how successful Baghdad was in overcoming chronic weaknesses in military leadership, reconnaissance and intelligence, morale, readiness, logistics, and training.

North Korea. Despite the unexpected relaxation of tensions on the peninsula during the past year, and the real potential for further improvements, North Korea retains a large, forward deployed military force, capable of inflicting significant damage on the South. War on the peninsula would still be very violent and destructive, and could occur with little warning. Moreover, even if the North-South rapprochement continues, Pyongyang is unlikely to significantly reduce its

military posture and capability in the near term, because the North needs its military forces to ensure regime security, retain its regional position, and provide bargaining leverage. In the meantime, the Korean People's Army continues to demonstrate resiliency, managing during the past several years to stop the general capability decline experienced during most of the 1990s and, in some ways, marginally improve its readiness and capability for war.

For the near future, I expect North Korea will continue to proliferate WMD and especially missile technology – one of the few areas where North Korea has something to offer for hard currency on the international market. Pyongyang's proliferation of No Dong missile technology is particularly important for those states seeking to extend the range of their missile fleet. I also expect North Korea to continue to develop and expand its own 'asymmetric' capabilities – WMD, missiles, Special Operations Forces, small submarine insertion platforms, etc. – in part to offset its conventional force shortcomings. And, as I said earlier, I think North Korea has the potential to field an ICBM sometime within the next several years. In short, as long as North Korea remains around in its present form, it will represent one of the major threats to our regional and global interests.

The Bottom Lines

The complex mix of global political, economic, social, technological, and military conditions at work during the next 15 years will spawn wide ranging challenges for our defense and intelligence establishments. Transnational issues – such as terrorism, weapons and technology proliferation, and global criminal activities – will likely be more difficult to address as a result of globalization. Meanwhile, continuing global turmoil will create the conditions for our involvement in a variety of complex operating environments, against adversaries employing a wide range of asymmetric approaches. These 'contingencies' will pose unique challenges for our military and intelligence services. At the same time, we will continue to face an array of strategic threats – from Russian and Chinese strategic nuclear forces, from potential new ICBM states like North

Korea, probably Iran, and possibly Iraq, and from emerging 'non-traditional' threats to our homeland and critical infrastructure. Collectively this mix will compound the strategic threat picture. Finally, we must remain capable of dealing with large, mostly 'industrial-age' regional military forces, augmented by WMD and longer-range missiles and selected '21st Century' technologies & capabilities. Under the right conditions, these regional militaries could pose a significant challenge, despite our enduring overall military superiority.

The defense intelligence community is working hard to develop the processes, techniques, and capabilities necessary to handle these new and emerging security challenges ... even as we preserve our capability to understand more traditional military threats and enhance our ability to support military operations on the conventional battlefield. I am very proud of our accomplishments to date and have confidence that, with your continued support, we can provide military operators, policymakers, and acquisition professionals the intelligence they need.

But as I think about our long-term readiness to meet the challenges of this new century, I am concerned about several issues. For instance, some of our unique technical collection systems that have served the nation well for the past 20 years are aging and badly need capital reinvestment. The Measurement and Signature Intelligence (MASINT) systems-of-systems is crucial to maintaining coverage against global WMD and missile developments. I also believe we need to expand and revitalize our Defense HUMINT Service, as a key part of the overall push to enhance our collection against difficult worldwide targets. We also need to increase analytic depth and breadth, and improve the content and responsiveness of our data bases. These efforts are absolutely essential if we are to maintain the capability to provide vital intelligence on adversary plans, intentions, capabilities, and vulnerabilities ... before those adversaries are able to do us harm.

Another area of concern, highlighted earlier in this statement, is mitigating the analytic and other 'opportunity costs' of a high peacetime engagement posture. We need to understand 'up-front' that as we surge to support a given military operation, we pay a very real price in terms of our capability to address longer-term challenges. I am also worried about the long-term trend of decreasing fill rates for military billets within our overall intelligence personnel structure. As a combat support agency, we need the unique insights and expertise these military professionals provide. We also need to ensure that our people – the life-blood of the intelligence enterprise – have the right skill mix, and the secure facilities, bandwidth, connectivity, and collaborative tools to do the job. And finally, some of the information systems that have served us so well in post-Desert Storm military engagements need to be replaced and, as 'Defense of the Homeland' initiatives are considered, reducing intelligence system vulnerabilities should be a priority.

In this regard, I would like to close on a positive note, by highlighting our 'Four Thrust' initiative ... a collective effort that is critical to our success in confronting the wide ranging defense and intelligence challenges addressed throughout this testimony. Some 18 months ago, the defense intelligence leadership (including the service intelligence chiefs and command J-2s) identified four priority areas where we must make significant progress in order to be ready for the 21st Century. Those were: improving the quality of our military intelligence data bases, ensuring our intelligence systems 'plug and play' in the computer and decision networks of our military customers, shaping to meet the asymmetric threat, and revitalizing/reshaping the work force. Under the leadership of small senior steering groups drawn from throughout the defense intelligence community, we have formulated plans of action to meet the overarching goals of the four thrusts, gaining endorsement by the Military Intelligence Board before moving forward. The thrust areas are all interconnected, and goals, plans, and actions are synchronized to build on the progress of each. Collectively, they are

critical to our building a defense intelligence community well-positioned to support the military today and tomorrow.