Current and Projected National Security Threats to the United States

Vice Admiral Lowell E. Jacoby, U.S. Navy
Director, Defense Intelligence Agency

Statement For the Record
Senate Select Committee on Intelligence
16 February 2005

INTRODUCTION

Good morning Mr. Chairman, Mr. Vice Chairman and members of the committee. It is my honor and privilege to represent Defense Intelligence and present what we know and believe to be the principal threats and issues in today's world. The dedicated men and women of Defense Intelligence work around the clock and around the world to protect our country. Many of these active duty, reserve and civilian intelligence professionals are working in remote and dangerous conditions. Our mission is simple, but rarely easy. It is to discover information and create knowledge to provide warning, identify opportunities and deliver overwhelming advantage to our warfighters, defense planners and national security policy-makers.

This is the third time I report to you that Defense Intelligence is engaged in a war on a global scale. Most of the forces and issues involved in this war were addressed in my testimony last year. Several increased in severity or changed in composition. Few, unfortunately, decreased.

The traditional Defense Intelligence focus on military capabilities is insufficient to identify and gauge the breadth of these threats. We are working hard to access "all" information to better understand and counter these threats. Defense Intelligence is engaged with foreign and domestic counterparts to better integrate our capabilities. We remained focused on information sharing and creating the "smart networks" described in the 9/11 Commission report. I am anxious to work with the new Director of National Intelligence, my fellow intelligence agency heads and others to forge a more cohesive and comprehensive Intelligence Community.

GLOBAL WAR ON TERORRISM

We continue to face a variety of threats from terrorist organizations.

Al-Qaida and Sunni Extremist Groups. The primary threat for the foreseeable future is a network of Islamic extremists hostile to the United States and our interests. The network is

transnational and has a broad range of capabilities, to include mass-casualty attacks. The most dangerous and immediate threat is Sunni Islamic terrorists that form the "al-Qaida associated movement."

Usama bin Ladin and his senior leadership no longer exercise centralized control and direction. We now face an "al-Qaida associated movement" of like-minded groups who interact, share resources and work to achieve shared goals. Some of the groups comprising this movement include Jemaah Islamiyya, responsible for the 9 September bombing of the Australian Embassy in Jakarta and Hezb-e-Islami-Gulbuddin. Some of the groups in the movement provide safe haven and logistical support to al-Qaida members, others operate directly with al-Qaida and still others fight with al-Qaida in the Afghanistan/Pakistan region.

Remnants of the senior leadership still present a threat. As is clear in their public statements, Bin Ladin and al-Zawahiri remain focused on their strategic objectives, including another major casualty-producing attack against the Homeland.

CBRN Terrorism. We judge terrorist groups, particularly al-Qaida, remain interested in Chemical, Biological, Radiological and Nuclear (CBRN) weapons. Al Qaida's stated intention to conduct an attack exceeding the destruction of 9/11 raises the possibility that planned attacks may involve unconventional weapons. There is little doubt it has contemplated using radiological or nuclear material. The question is whether al-Qaida has the capability. Because they are easier to employ, we believe terrorists are more likely to use biological agents such as ricin or botulinum toxin or toxic industrial chemicals to cause casualties and attack the psyche of the targeted populations.

Pressures in the Islamic World. Various factors coalesce to sustain, and even magnify the terrorist threat.

Islam is the world's second largest religion with over 1 billion adherents, representing 22% of the world's population. Due to high birth rates, it is also the world's fastest growing religion. Only twenty percent of Muslims are ethnic Arabs. The top four nations in terms of

Muslim population, Indonesia, Pakistan, Bangladesh and India, are non-Arab. While the vast majority of Muslims do not advocate violence, there are deeply felt sentiments that cross Muslims sects and ethnic and racial groups.

Our policies in the Middle East fuel Islamic resentment. Multiple polls show favorable ratings for the United States in the Muslim world at all-time lows. A large majority of Jordanians oppose the War on Terrorism, and believe Iraqis will be "worse off" in the long term. In Pakistan, a majority of the population holds a "favorable" view of Usama bin Ladin. Across the Middle East, surveys report suspicion over US motivation for the War on Terrorism. Overwhelming majorities in Morocco, Jordan, and Saudi Arabia believe the US has a negative policy toward the Arab world.

Usama bin Ladin has relied on Muslim resentment toward US policies in his call for a defensive jihad to oppose an American assault on the Islamic faith and culture. He contends that all faithful Muslims are obliged to fight, or support the jihad financially if not physically capable of fighting. Another goal is the overthrow of "apostate" Muslim governments, defined as governments which do not promote Islamic values or support or are friendly to the US and other Western countries. The goals also call for withdrawal of US and other Coalition forces from Muslim countries, the destruction of Israel and restoration of a Palestinian state and recreation of the caliphate, a state based on Islamic fundamental tenets.

Underlying the rise of extremism are political and socio-economic conditions that leave many, mostly young male adults, alienated. There is a demographic explosion or youth bubble in many Muslim countries. The portion of the population under age 15 is 40% in Iraq, 49% in the Gaza Strip and 38% in Saudi Arabia. Unemployment rates in these countries are as high as 30% in Saudi Arabia and about 50% in the Gaza Strip.

Educational systems in many nations contribute to the appeal of Islamic extremism. Some schools, particularly the private "madrasas," actively promote Islamic extremism. School textbooks in several Middle East states reflect a narrow interpretation of the Koran and contain anti-Western and anti-Israeli views. Many schools concentrate on Islamic studies focused on

memorization and recitation of the Koran and fail to prepare students for jobs in the global economy.

Groups like al-Qaida capitalize on the economic and political disenfranchisement to attract new recruits. Even historically local conflicts involving Muslim minorities or fundamentalist groups such as those in Indonesia, the Philippines and Thailand are generating new support for al-Qaida and present new al-Qaida-like threats.

Saudi Arabia. Al Saud rule is under significant pressure. In 2004, 15 significant attacks occurred against the regime, US and other Western targets in the Kingdom, an increase from 7 in 2003. Attacks in 2004 included the 6 December 2004 attack on the US Consulate in Jeddah.

Attacks since May 2003 against housing compounds, an Interior Ministry facility, a petroleum facility and individual assassinations caused Riyadh to attempt to aggressively counter the threat. We expect continued assassinations, infrastructure attacks and operations directed at Westerners in the Kingdom to discredit the regime and discourage individuals and businesses, especially those affiliated with the Saudi military, from remaining in the Kingdom.

Last year Saudi security forces killed or captured many of their 26 most wanted militant extremists and discovered numerous arms caches. However, we believe there may be hundreds, if not thousands of extremists and extremist sympathizers in the Kingdom.

Pakistan. President Musharraf continues to be a key ally in the War on Terrorism and provides critical support against Al-Qaida and Taliban operating in Pakistan. The economy has displayed strong growth over the past two years. Indigenous and international terrorist groups have pledged to assassinate Musharraf and other senior Pakistan government officials and remain a significant threat. Unless Musharraf is assassinated, Pakistan will remain stable through the year; however, further political and economic reform is needed to continue positive trends beyond that time.

Pakistan significantly increased its military operations and pacification efforts in tribal areas along the Afghanistan border in 2004. These operations affected al-Qaida, Taliban, and other threat groups by disrupting safe-havens and, in some cases, forcing them back into Afghanistan where they are vulnerable to Coalition operations. Pakistan also secured agreements with several tribes by successfully balancing military action with negotiations and rewards to encourage cooperation and limit domestic backlash. Pakistan must maintain and expand these operations in order to permanently disrupt insurgent and terrorist activity.

We believe international and indigenous terrorist groups continue to pose a high threat to senior Pakistani government officials, military officers and US interests. The Prime Minister and a corps commander have been the targets of assassination attempts since last summer. President Musharraf remains at high risk of assassination, although no known attempts on his life have occurred since December 2003. Investigations into the two December 2003 attempts revealed complicity among junior officers and enlisted personnel in the Pakistani Army and Air Force.

Our assessment remains unchanged from last year. If Musharraf were assassinated or otherwise replaced, Pakistan's new leader would be less pro-US. We are concerned that extremist Islamic politicians would gain greater influence.

CONFLICT IN IRAQ

The insurgency in Iraq has grown in size and complexity over the past year. Attacks numbered approximately 25 per day one year ago. Today, they average in the 60s. Insurgents have demonstrated their ability to increase attacks around key events such as the Iraqi Interim Government (IIG) transfer of power, Ramadan and the recent election. Attacks on Iraq's election day reached approximately 300, double the previous one day high of approximately 150 reached during last year's Ramadan.

The pattern of attacks remains the same as last year. Approximately 80% of all attacks occur in Sunni-dominated central Iraq. The Kurdish north and Shia south remain relatively calm. Coalition Forces continue to be the primary targets. Iraqi Security Forces and Iraqi Interim Government (IIG) officials are attacked to intimidate the Iraqi people and undermine control and legitimacy. Attacks against foreign nationals are intended to intimidate non-government organizations and contractors and inhibit reconstruction and economic recovery. Attacks against the country's infrastructure, especially electricity and the oil industry, are intended to stall economic recovery, increase popular discontent and further undermine support for the IIG and Coalition.

Recent polls show confidence in the Iraqi Interim Government remains high in Shia and Kurdish communities and low in Sunni areas. Large majorities across all groups opposed attacks on Iraqi Security Forces and Iraqi and foreign civilians. Majorities of all groups placed great importance in the election. Sunni concern over election security likely explains the relatively poor showing by the Sunni electorate in comparison with the Shia and Kurdish groups. Confidence in Coalition Forces is low. Most Iraqis see them as occupiers and a major cause of the insurgency.

We believe Sunni Arabs, dominated by Ba'athist and Former Regime Elements (FRE), comprise the core of the insurgency. Ba'athist/FRE and Sunni Arab networks are likely collaborating, providing funds and guidance across family, tribal, religious and peer group lines. Some coordination between Sunni and Shia groups is also likely.

Militant Shia elements, including those associated with Muqtada al Sadr, have periodically fought the Coalition. Following the latest round of fighting last August and September, we judge Sadr's forces are re-arming, re-organizing and training. Sadr is keeping his options open to either participate in the political process or employ his forces. Shia militants will remain a significant threat to the political process and fractures within the Shia community are a concern.

Jihadists, such as al-Qaida operative Abu Musab al Zarqawi, are responsible for many high-profile attacks. While Jihadist activity accounts for only a fraction of the overall violence, the strategic and symbolic nature of their attacks, combined with effective Information Operations, has a disproportionate impact.

Foreign fighters are a small component of the insurgency and comprise a very small percentage of all detainees. Syrian, Saudi, Egyptian, Jordanian and Iranian nationals make up the majority of foreign fighters. Fighters, arms and other supplies continue to enter Iraq from virtually all of its neighbors despite increased border security.

Insurgent groups will continue to use violence to attempt to protect Sunni Arab interests and regain dominance. Subversion and infiltration of emerging government institutions, security and intelligence services will be a major problem for the new government. Jihadists will continue to attack in Iraq in pursuit of their long-term goals. Challenges to reconstruction, economic development and employment will continue. Keys to success remain improving security with an Iraqi lead, rebuilding the civil infrastructure and economy and creating a political process that all major ethnic and sectarian groups see as legitimate.

CONFLICT IN AFGHANISTAN

The people of Afghanistan achieved a major milestone by electing Hamid Karzai president in October 2004 election. Approximately 70% or just over 8 million registered Afghans disregarded scattered attacks by the Taliban and al-Qaida and voted. Karzai garnered 55% of the vote in a field of 18 candidates. The election dealt a blow to insurgents and provides new momentum for reform, such as the demobilization of private militias and increased government accountability.

President Karzai has since assembled a cabinet of reform minded and competent ministers who are ethnically and politically diverse. Most significantly, he removed Afghanistan's most powerful warlord, Marshal Fahim Khan, as Defense Minister.

Despite the overwhelming voter turn-out, the election's results highlighted ethnic divisions. Karzai received a majority of the Pashtun vote, but failed to do so within any of the other ethnic groups. Continued ethnic divisions remain a challenge to political stability. National Assembly elections, scheduled for later this year, will provide the opportunity for non-Pashtuns to increase their participation in the government.

The security situation improved over the past year. Insurgent attacks precipitously dropped after Afghanistan's Presidential election. The primary targets remain Coalition Forces and facilities in the southern and eastern provinces. Voter registration teams and polling sites were attacked in these areas, reflecting the Taliban's concern over legitimate elections. Similar attacks in the same geographic areas are expected for elections later this year, but are unlikely to have a significant impact.

We believe many Taliban leaders and fighters were demoralized by their inability to derail the election and have seen their base of support among Pashtun tribes decrease. Loss of support, plus continued Coalition and Pakistani military operations, have prompted some to express an interest in abandoning the insurgency and pursuing political alternatives. Nevertheless some factions will likely remain committed to the insurgency and seek funding to continue operations.

WEAPONS OF MASS DESTRUCTION AND MISSILE PROLIFERATION

Nuclear Weapons. Immediately behind terrorism, nuclear proliferation remains the most significant threats to our nation and international stability. We anticipate increases in the nuclear weapons inventories of a variety of countries to include China, India, Pakistan and North Korea.

Iran is likely continuing nuclear weapon-related endeavors in an effort to become the dominant regional power and deter what it perceives as the potential for US or Israeli attacks. We judge Iran is devoting significant resources to its weapons of mass destruction and ballistic

missile programs. Unless constrained by a nuclear non-proliferation agreement, Tehran probably will have the ability to produce nuclear weapons early in the next decade.

With declining or stagnant conventional military capabilities, we believe North Korea considers nuclear weapons critical to deterring the US and ROK. After expelling IAEA personnel in 2002, North Korea reactivated facilities at Yongbyon and claims it extracted and weaponized plutonium from the 8,000 spent fuel rods. Only last week, Pyongyang publicly claimed it had manufactured nuclear weapons. Kim Chong-il may eventually agree to negotiate away parts of his nuclear weapon stockpile and program and agree to some type of inspection regime, but we judge Kim is not likely to surrender all of his nuclear weapon capabilities. We do not know under what conditions North Korea would sell nuclear weapons or technology.

India and Pakistan continue to expand and modernize their nuclear weapon stockpiles. We remain concerned over the potential for extremists to gain control of Pakistani nuclear weapons. Both nations may develop boosted nuclear weapons, with increased yield.

Chemical and Biological Weapons. Chemical and biological weapons pose a significant threat to our deployed forces, international interests and homeland. Numerous states have chemical and biological warfare programs. Some have produced and weaponized agents. While we have no intelligence suggesting these states are planning to transfer weapons to terrorist groups, we remain concerned and alert to the possibility.

We anticipate the threat posed by biological and chemical agents will become more diverse and sophisticated over the next ten years. Major advances in the biological sciences and information technology will enable BW agent – both anti-human and anti-agricultural - development. The proliferation of dual use technology compounds the problem. Many states will remain focused on "traditional" BW or CW agent programs. Others are likely to develop nontraditional chemical agents or use advanced biotechnology to create agents that are more difficult to detect, easier to produce, and resistant to medical countermeasures.

Ballistic Missiles. Moscow likely views its strategic forces, especially its nuclear armed missiles, as a symbol of great power status and a key deterrent. Nevertheless, Russia's ballistic missile force will continue to decline in numbers. Russia is fielding the silo-variant of the SS-27 Intercontinental Ballistic Missile (ICBM) and is developing a road-mobile variant and may be developing another new ICBM and new Submarine Launched Ballistic Missile (SLBM). It recently developed and is marketing a new Short Range Ballistic Missile (SRBM). Russia also is trying to preserve and extend the lives of Soviet-era missile systems.

China is modernizing and expanding its ballistic missile forces to improve their survivability and war-fighting capabilities, enhance their coercion and deterrence value and overcome ballistic missile defense systems. This effort is commensurate with its growing power and more assertive policies, especially with respect to Taiwan. It continues to develop three new solid-propellant strategic missile systems--the DF-31 and DF-31A road-mobile ICBMs and the JL-2 SLBM. By 2015, the number of warheads capable of targeting the continental United States will increase several fold.

China also is developing new SRBMs, Medium Range Ballistic Missile (MRBMs), and Intermediate Range Ballistic Missile (IRBMs). They are a key component of Beijing's military modernization program. Many of these systems will be fielded in military regions near Taiwan. In 2004, it added numerous SRBMs to those already existing in brigades near Taiwan. In addition to key Taiwanese military and civilian facilities, Chinese missiles will be capable of targeting US and allied military installations in the region to either deter outside intervention in a Taiwan crisis or attack those installations if deterrent efforts fail.

We judge Iran will have the technical capability to develop an ICBM by 2015. It is not clear whether Iran has decided to field such a missile. Iran continues to field 1300-km range Shahab III MRBMs capable of reaching Tel Aviv. Iranian officials have publicly claimed they are developing a new 2000-km-range variant of the Shahab III. Iranian engineers are also likely working to improve the accuracy of the country's SRBMs.

North Korea continues to invest in ballistic missiles to defend itself against attack, achieve diplomatic advantage and provide hard currency through foreign sales. Its Taepo Dong 2 intercontinental ballistic missile may be ready for testing. This missile could deliver a nuclear warhead to parts of the United States in a two stage variant and target all of North America with a three stage variant. North Korean also is developing new SRBM and IRBM missiles that will put US and allied forces in the region at further risk.

Pakistan and India continue to develop new ballistic missiles, reflecting tension between those two countries and New Delhi's desire to become a greater regional power. Pakistan flight-tested its new solid-propellant MRBM for the first time in 2004. The Indian military is preparing to field several new or updated SRBMs and an MRBM. India is developing a new IRBM, the Agni III.

Syria continues to improve its missile capabilities, which it likely considers essential compensation for conventional military weakness. Syria is fielding updated SRBMs to replace older and shorter-range variants.

Several nations are developing technologies to penetrate ballistic missile defenses.

Cruise Missiles. Land-Attack Cruise Missiles (LACMs) and Lethal Unmanned Aerodynamic Vehicles (LUAVs) are expected to pose an increased threat to deployed US and allied forces in various regions. These capabilities are already emerging in Asia.

The numbers and capabilities of cruise missiles will increase, fueled by maturation of land-attack and Anti-Ship Cruise Missile (ASCM) programs in Europe, Russia, and China, sales of complete systems, and the spread of advanced dual-use technologies and materials. Countering today's ASCMs is a challenging problem and the difficulty in countering these systems will increase with the introduction of more advanced guidance and propulsion technologies. Several ASCMs will have a secondary land-attack role.

China continues developing LACMs. We judge by 2015, it will have hundreds of highly accurate air- and ground-launched LACMs. China is developing and purchasing ASCMs capable of being launched from aircraft, surface ships, submarines, and land that will be more capable of penetrating shipboard defenses. These systems will present significant challenges in the event of a US naval force response to a Taiwan crisis.

In the next ten years, we expect other countries to join Russia, China, and France as major exporters of cruise missiles. Iran and Pakistan, for instance, are expected to develop or import LACMs. India, in partnership with Russia, will begin production of the PJ-10, an advanced anti-ship and land attack cruise missile, this year.

Major Exporters. Russia, China and North Korea continue to sell WMD and missile technologies for revenue and diplomatic influence. The Russian government, or entities within Russia, continues to support missile programs and civil nuclear projects in China, Iran, India and Syria. Some of the civil nuclear projects can have weapons applications. Chinese entities continue to supply key technologies to countries with WMD and missile programs, especially Pakistan, North Korea and Iran, although China appears to be living up to its 1997 pledge to limit nuclear cooperation with Iran. North Korea remains the leading supplier of missiles and technologies. In recent years, some of the states developing WMD or ballistic missile capabilities have become producers and potential suppliers. Iran has supplied liquid-propellant missile technology to Syria, and has marketed its new solid-propellant SRBM.

We also are watching non-government entities and individual entrepreneurs. The revelations regarding the A.Q. Khan nuclear proliferation network show how a complex international network of suppliers with the requisite expertise and access to the needed technology, middlemen and front companies can successfully circumvent international controls and support multiple nuclear weapons programs.

NATIONS OF INTEREST

Iran. Iran is important to the US because of its size, location, energy resources, military strength and antipathy to US interests. It will continue support for terrorism, aid insurgents in Iraq and work to remove the US from the Middle East. It will also continue its weapons of mass destruction and ballistic missile programs. Iran's drive to acquire nuclear weapons is a key test of international resolve and the nuclear nonproliferation treaty.

Iran's long-term goal is to see the US leave Iraq and the region. Another Iranian goal is a weakened, decentralized and Shia-dominated Iraq that is incapable of posing a threat to Iran. These goals and policies most likely are endorsed by senior regime figures.

Tehran has the only military in the region that can threaten its neighbors and Gulf stability. Its expanding ballistic missile inventory presents a potential threat to states in the region. As new longer range MRBMs are fielded Iran will have missiles with ranges to reach many of our European allies. Although Iran maintains a sizable conventional force, it has made limited progress in modernizing its conventional capabilities. Air and air defense forces rely on out-of-date US, Russian and Chinese equipment. Ground forces suffer from personnel and equipment shortages. Ground forces equipment is also poorly maintained.

We judge Iran can briefly close the Strait of Hormuz, relying on a layered strategy using predominately naval, air, and some ground forces. Last year it purchased North Korean torpedo and missile-armed fast attack craft and midget submarines, making marginal improvements to this capability.

The Iranian government is stable, exercising control through its security services. Few anti-government demonstrations occurred in 2004. President Khatami will leave office in June 2005 and his successor will almost certainly be more conservative. The political reform movement has lost its momentum. Pro-reform media outlets are being closed and leading reformists arrested.

Syria. Longstanding Syrian policies of supporting terrorism, relying on WMD for strategic deterrence, and occupying Lebanon remain largely unchanged. Damascus is providing intelligence on al-Qaida for the War on Terrorism. Its response to US concerns on Iraq has been mixed. Men, material and money continue to cross the Syrian-Iraqi border likely with help from corrupt or sympathetic local officials.

Damascus likely sees opportunities and risks with an unstable Iraq. Syria sees the problems we face in Iraq as beneficial because our commitments in Iraq reduce the prospects for action against Syria. However, Damascus is probably concerned about potential spill-over of Iraqi problems, especially Sunni extremism, into Syria. We see little evidence of active regime support for the insurgency, but Syria offers safe-haven to Iraqi Baathists, some of whom have ties to insurgents.

Syria continues to support Lebanese Hizballah and several rejectionist Palestinian groups, which Damascus argues are legitimate resistance groups.

Syria is making minor improvements to its conventional forces. It is buying modern anti-tank guided missiles and overhauling some aircraft, but cannot afford major weapon systems acquisitions.

President Bashar al-Asad is Syria's primary decision-maker. Since becoming President in 2000 upon the death of his father, Asad has gradually replaced long-serving officials. Potential domestic opposition to his rule – such as the Muslim Brotherhood – is weak and disorganized. We judge the Syrian regime is currently stable, but internal or external crises could rapidly threaten it.

China. We do not expect Communist Party Secretary and President Hu Jintao's succession to chairman of the Central Military Command (CMC) to significantly alter Beijing's strategic priorities or its approach to military modernization. The commanders of the People's Liberation Army (PLA) Air Force, Navy, and Second Artillery (Strategic Rocket Forces) joined

the CMC in September, demonstrating an institutional change to make China's military more "joint." The CMC traditionally was dominated by generals from PLA ground forces.

China remains keenly interested in Coalition military operations in Afghanistan and Iraq and is using lessons from those operations to guide PLA modernization and strategy. We believe several years will be needed before these lessons are incorporated into the armed forces. We judge Beijing remains concerned over US presence in Iraq, Afghanistan and Central Asia. Beijing may also think it has an opportunity to improve diplomatic and economic relations, to include access to energy resources, with other countries distrustful or resentful of US policy.

China continues to develop or import modern weapons. Their acquisition priorities appear unchanged from my testimony last year. Priorities include submarines, surface combatants, air defense, ballistic and anti-ship cruise missiles and modern fighters. China recently launched a new conventional submarine and acquired its first squadron of modern Su-30/FLANKER aircraft for the naval air forces from Russia. The PLA must overcome significant integration challenges to turn these new, advanced and disparate weapon systems into improved capabilities. Beijing also faces technical and operational difficulties in numerous areas. The PLA continues with its plan to cut approximately 200,000 soldiers from the Army to free resources for further modernization, an initiative it began in 2004.

Beijing was likely heartened by President Chen Shui-bian coalition's failure to achieve a majority in the recent Legislative Yuan elections. We believe China has adopted a more activist strategy to deter Taiwan moves toward independence that will stress diplomatic and economic instruments over military pressure. We believe China's leaders prefer to avoid military coercion, at least through the 2008 Olympics, but would initiate military action if it felt that course of action was necessary to prevent Taiwan independence.

Beijing remains committed to improving its forces across from Taiwan. In 2004, it added numerous SRBMs to those already existing in brigades near Taiwan. It is improving its air, naval and ground capabilities necessary to coerce Taiwan unification with the mainland and deter US intervention. Last fall, for instance, a Chinese nuclear submarine conducted a

deployment that took it far into the western Pacific Ocean, including an incursion into Japanese waters.

North Korea. After more than a decade of declining or stagnant economic growth, Pyongyang's military capability has significantly degraded. The North's declining capabilities are even more pronounced when viewed in light of the significant improvements over the same period of the ROK military and the US-ROK Combined Forces Command. Nevertheless, the North maintains a large conventional force of over one million soldiers, the majority of which we believe are deployed south of Pyongyang.

North Korea continues to prioritize the military at the expense of its economy. We judge this "Military First Policy" has several purposes. It serves to deter US-ROK aggression. Nationwide conscription is a critical tool for the regime to socialize its citizens to maintain the Kim family in power. The large military allows Pyongyang to use threats and bravado in order to limit US-ROK policy options. Suggestions of sanctions, or military pressure by the US or ROK are countered by the North with threats that such actions are "an act of war" or that it could "turn Seoul into a sea of fire." Inertia, leadership perceptions that military power equals national power and the inability for the regime to change without threatening its leadership also explains the continuing large military commitment.

The North Korean People's Army remains capable of attacking South Korea with artillery and missile forces with limited warning. Such a provocative act, absent an immediate threat, is highly unlikely, counter to Pyongyang's political and economic objectives and would prompt a South Korean-CFC response it could not effectively oppose.

Internally, the regime in Pyongyang appears stable. Tight control over the population is maintained by a uniquely thorough indoctrination, pervasive security services and Party organizations, and a loyal military.

Russia. Despite an improving economy, Russia continues to face endemic challenges related to its post-Soviet military decline. Seeking to portray itself as a great power, Moscow has

made some improvements to its armed forces, but has not addressed difficult domestic problems that will limit the scale and scope of military recovery.

Russian conventional forces have improved from their mid-1990s low point. Moscow nonetheless faces challenges if it is to move beyond these limited improvements. Significant procurement has been postponed until after 2010 and the Kremlin is not spending enough to modernize Russia's defense industrial base. Russia also faces increasingly negative demographic trends and military quality of life issues that will create military manning problems.

Moscow has been able to boost its defense spending in line with its recovering economy. Russia's Gross National Product averaged 6.7% growth over the past five years, predominately from increased energy prices and consumer demand. Defense should continue to receive modest real increases in funding, unless Russia suffers an economic setback.

Russia continues vigorous efforts to increase its sales of weapons and military technology. Russia's annual arms exports average several billion dollars. China and India account for the majority of Russia's sales, with both countries buying advanced conventional weapons, production licenses, weapon components and technical assistance to enhance their R&D programs. Efforts to increase its customer base last year resulted in increased sales to Southeast Asia. Russian sales are expected to remain several billion dollars annually for the next few years.

Russia's struggle with the Chechen insurgency continues with no end in sight. Chechen terrorists seized a North Ossetian primary school where over 330 people were killed and two Russian civilian airliners were bombed in flight last summer. Rebels continue targeting Russians in Chechnya and Chechen officials cooperating with Moscow. While Moscow is employing more pro-Russian Chechen security forces against the insurgents, the war taxes Russian ground forces. Although the Chechnya situation remains a minor issue to the average

Russian, concerns over spreading violence prompted new government security initiatives and offered cover for imposition of authoritarian political measures.

Russian leaders continue to characterize Operation IRAQI FREEDOM and NATO enlargement as mistakes. They express concerns that US operations in Iraq are creating instability and facilitating terrorism. Russian leaders want others to view the Chechen conflict as a struggle with international terrorism and accuse those who maintain contact with exiled Chechen leaders or criticize Moscow's policies toward Chechnya as pursuing a double standard. Russian officials are wary of potential US and NATO force deployments near Russia or in the former Soviet states. Concern that Ukraine under a President Yushchenko would draw closer to NATO and the EU was a factor motivating Russia's involvement in Ukraine's presidential election.

CLOSING THOUGHTS

This year my testimony focuses on what I believe to be the most immediate threats to our nation and challenges to our interests. The threat from terrorism has not abated. While our strategic intelligence on terrorist groups is generally good, information on specific plots is vague, dated or sporadic. We can and must do better. Improved collection and analysis capabilities can make a significant difference. We are increasing our ability to provide that timely, relevant intelligence.

The Intelligence Community as a whole needs to improve its collection and focus more analytic resources on pressures in the Islamic world so that we can better understand the drivers for extremism. We also need greater collection and more analytic resources devoted to certain key Islamic countries. We have taken steps to improve our collection and analysis, hiring more individuals with Arabic and Farsi language skills. Nevertheless, more needs to be done across the Intelligence Community, particularly in the area of meaningful, penetrating collection and making the content of that collection available to all who need it.

Proliferation of Weapons of Mass Destruction and Missiles is my second priority. Collection must be improved. Additionally, improving our analytic techniques, adoption of true "all-source" analysis approaches and greater information sharing will help us avoid problems similar to those in our pre-war analysis of Iraq's WMD program.

We also must not let our focus on numerous nations of interest wane. Traditional military intelligence disciplines must remain robust if we are to provide our national security policy makers, defense planners and warfighters the information they need to successfully execute their missions. We need improved collection so that we are stealing our true secrets. There are significant gaps in our understanding of several nations' leaderships' plans and intentions. Additionally, more collection and analysis is needed to provide adequate warning of attack and a more complete understanding of the military capability, doctrine and war plans of numerous countries. We are working to better target collection against these hard targets.

As I mentioned, the threats and challenges I briefed today are the most significant and immediate. They are certainly not the only ones. In previous years, I have spoken about the security situation in Africa, Latin America and South and Southeast Asia. I also addressed my concerns on information operations, international crime, problems associated with globalization, uneven economic development and ungoverned states. Those issues remain significant concerns and the focus of collection and analytic resources for defense intelligence. We will be requesting additional funding and billets to ensure we retain coverage and reporting on global coverage. We are reallocating our analytic capabilities, implementing the "Master, Measure and Monitor" concept in the Defense Intelligence Analysis Program to better address many of these threats and disturbing trends.

Let me conclude by making two points. First, DIA is focused on transforming its capabilities in all of its mission areas to operate in a true "all-source" environment. We are committed to incorporating all relevant information into our analyses, integrating analysts with collectors and precisely targeting our analytic and collection capabilities against complex threats and tough issues. More opportunity for "discovery," greater penetration of hard targets and higher confidence in our judgments are our goals. Second, we are aggressively reengineering

our information management approach and architecture. We are focused on harvesting non-traditional sources of data and positioning ourselves to exploit information from new and future sources. We are convinced commercial sector "content management practices" and data standards hold the key to upgrading our information management capability and providing the "smart network" we need. Much more work is required in the area if we are to realize our potential and fundamentally improve our capabilities. These efforts follow the Director of Central Intelligence and the Secretary of Defense guidance and reflect the letter and spirit of the intelligence reform act. Thank you - I look forward to your questions.