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# CURRENT AND PROJECTED NATIONAL SECURITY THREATS TO THE UNITED STATES

## HEARING

BEFORE THE

## SELECT COMMITTEE ON INTELLIGENCE

OF THE

## UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

CURRENT AND PROJECTED NATIONAL SECURITY THREATS TO THE UNITED STATES

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# THE WORLDWIDE THREAT

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**WEDNESDAY, FEBRUARY 7, 2001**

U.S. SENATE,
SELECT COMMITTEE ON INTELLIGENCE,
*Washington, DC.*

The Committee met, pursuant to notice, at 10:04 a.m., in Room SH–216, Hart Senate Office Building, the Honorable Richard C. Shelby, Chairman of the Committee, presiding.

Committee Members Present: Senators Shelby, Kyl, Roberts, Thompson, Graham, Levin, Feinstein, Rockefeller, Wyden, Durbin, and Edwards.

Chairman SHELBY. The Committee will come to order. I will submit my full statement that I have prepared for the record.

The purpose of the hearing, basically, is to provide a public forum for the discussion of national security threats by our nation's senior intelligence officials, and to provide a context for the Committee's annual review of the intelligence community's budget.

We look forward today, Director Tenet, to hearing from our witnesses, you and others, on a number of issues, including the proliferation of ballistic missiles and other weapons of mass destruction; new and more threatening types of international terrorism; regional threats to U.S. interests; asymmetric threats designed to circumvent U.S. strengths and target our vulnerabilities; the evolving foreign counterintelligence threat; narcotics trafficking and international criminal organizations. We also hope to explore the challenges posed by, among others, the proliferation of encryption technology, the increasing sophistication of denial and deception techniques, the need to modernize and to recapitalize the National Security Agency, and other shortfalls in intelligence funding.

I do want to welcome you again to the Committee, and this is our first open meeting this year, our first meeting with Director Tenet. And we also want to welcome Admiral Tom Wilson, the Director of the Defense Intelligence Agency, and Mr. Tom Fingar, Acting Assistant Secretary of State for Intelligence and Research.

We have a new Vice Chairman of the Committee—he's not new on the Committee—Senator Graham of Florida.

Senator Graham?

Vice Chairman GRAHAM. Thank you very much, Mr. Chairman.

I appreciate your scheduling this hearing so early in the 107th Congress. This has become an annual event. It provides the Committee with an opportunity to see the big picture and to apply that vision as we pursue our detailed responsibilities in oversight, budget and legislation.

I want to thank the distinguished panel of witnesses for appearing today to help us commence with these issues that are so critical to the safety and welfare of the American people. I join the Chairman in welcoming the new members of the Committee, with a return engagement from Senator DeWine. I encourage the new members never to hesitate to question traditional thinking. I know them all well enough to know that they will not hesitate.

Mr. Chairman, I also very much look forward to working with you. During my time on the Committee, I've come to value the importance of the role of this Committee, both in initiation and oversight. Mr. Chairman, you've provided leadership over the past four years on a wide range of critical intelligence issues, underscoring this Committee's key role.

Mr. Chairman, I would like to say just a few words about what I see as the major challenge to the Intelligence Committee as we begin this new century. We spent the last half of the last century focusing on Germany and Japan and then focusing on the former Soviet Union. We are now twelve years beyond the dismantling of the Berlin Wall. Half a generation has passed since we faced a monolithic threat to our national security that demanded the vast majority of our intelligence and security resources. We have moved from the fear of total annihilation by one superpower to piecemeal destruction at the hands of countless and unseen enemies. It is a moving target that may require a completely different approach to its neutralization.

And, of course, many of the old threats still exist as well. Although the Soviet Union no longer exists, Russia has emerged and remains a nuclear threat to the United States and our allies.

Some of our citizens may see the United States of America as overwhelmingly powerful, perhaps even invincible in today's world, but we are not. Our policymakers face a mind-numbing range of decisions that must be made in order to protect our country. They need the best possible information our intelligence community can provide. Good intelligence is a force multiplier; it can save lives, it can head off conflict.

Unlike the Cold War, in which diplomacy and intelligence were two arrows in our quiver, diplomacy will not help us in our fight against nonstate terrorists and proliferation of weapons of mass destruction. It is up to the intelligence community to identify and defeat these enemies. Our survival depends on your success.

We have encouraged the DCI to think outside the box in dealing with these new threats. I challenge him today to build a new box. Some of the old structures that we have relied upon to accomplish the intelligence mission are not capable of being pulled and stretched to meet new needs. They may have to be completely dismantled and rebuilt to enable us to succeed against the threats of today and the threats of tomorrow.

For this Committee, we should put our energies into identifying the intelligence collection gaps and determining how to plug them. The Committee plays a very special role in this regard. Unlike other congressional committees, which benefit in their oversight from a number of outside interest groups which keep a close eye on things, intelligence oversight is accomplished almost totally by this Committee and our House counterpart.

When it comes to the eyes and ears of intelligence oversight, we essentially are it. In that regard, I believe strongly that we need to increase spending on intelligence. Good intelligence saves lives, helps us to avoid conflict. It is absolutely essential to sound policy-making. I believe the intelligence community can and must more effectively use the resources it already has, but I have no doubt that the community needs more. The amount of money necessary to confront the growing challenge of terrorism alone is evidence of the need for more resources.

It is my hope that the Bush Administration, despite its recent announcement that it will cap current defense spending, at least for the time being, will seriously consider increasing spending for intelligence in fiscal year 2002. A dollar spent well on intelligence can save many-fold the amount needed to be spent later on defense.

This Committee plays a very special role. When it comes to this issue, we have a special responsibility to represent the interest of the intelligence community before those who will make these budgetary decisions.

Mr. Chairman, I wish to thank the witnesses for appearing today to help us get started with the issues which are so critical. This hearing will help us frame our agenda.

Mr. Tenet, continuity, as you know, is very important to a successful intelligence mission, and I look forward to continuing to work with you in the coming months. In reviewing your prepared statement, I was particularly interested in the analysis of issues related to Russia and China, and hope that you will expand upon them today.

Again, Mr. Chairman, thank you for calling this important hearing.

Chairman SHELBY. Director Tenet, I understand you will have an opening statement. Admiral Wilson and Secretary Fingar will submit statements for the record.

You proceed as you wish.

[The prepared statements of Mr. Tenet, Admiral Wilson, and Mr. Fingar follow:]

PREPARED STATEMENT OF GEORGE J. TENET, DIRECTOR OF CENTRAL INTELLIGENCE

WORLDWIDE THREAT 2001: NATIONAL SECURITY IN A CHANGING WORLD

As I reflect this year, Mr. Chairman, 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, Mr. Chairman, 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, Mr. Chairman, 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, Mr. Chairman, 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.

Mr. Chairman, 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.

Mr. Chairman, 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*

Mr. Chairman, 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.

Mr. Chairman, 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*

Mr. Chairman, 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 interdic-

tion 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, Mr. Chairman, 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*

Mr. Chairman, 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.

Mr. Chairman, 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.

Mr. Chairman, 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 gov-

ernments 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*

Mr. Chairman, 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, Mr. Chairman, 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 to you 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*

Mr. Chairman, 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, Mr. Chairman. 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, Mr. Chairman, 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*

Mr. Chairman, 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*

Mr. Chairman, 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*

Mr. Chairman, 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.

Mr. Chairman, 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, Mr. Chairman, with the potential for escalation. In short, Mr. Chairman, 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, Mr. Chairman, 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.

Mr. Chairman, 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.

Mr. Chairman, 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.

Mr. Chairman, 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.

Mr. Chairman, 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.

Mr. Chairman, 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, Mr. Chairman, 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, Mr. Chairman, 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

Mr. Chairman, 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 today.

Thank you Mr. Chairman, I would welcome any questions you and your fellow Senators may have for me.

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## GLOBAL THREATS AND CHALLENGES THROUGH 2015

## PREPARED STATEMENT OF VICE ADMIRAL THOMAS R. WILSON, DIRECTOR, DEFENSE INTELLIGENCE AGENCY

### 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. Within this environment, the 'counter C' issues—counter drug, counter intelligence, counter proliferation, counter terrorism—that have been a focal point of this Committee's efforts will remain key challenges for the United States. I will discuss each of these in some detail.

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. This turbulence could spawn a spectrum of potential conflict ranging from larger-scale combat contingencies, through containment deployments, peace operations, and humanitarian relief operations. Since we never commit our troops without the best intelligence we can provide, there are significant 'costs' for our 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 strike . . . 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 is limited today, but 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 pursing 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-mo-

bile, 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 *Sovremennyy* 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 B 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 to 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 global turmoil we've encountered since the end of the Cold War will likely continue . . . because the basic conditions fostering that turmoil remain in place. As a result, we are likely to continue to face a high demand for US military engagement on a global scale, a trend that has wide ranging consequences for our military and intelligence services. We have the potential to be increasingly involved in a variety of environments against adversaries employing a wide range of asymmetric approaches.

At the 'high end' of the conflict spectrum, the United States will continue to face an array of strategic threats . . . but their character will be different from the Cold War. Russia will maintain a viable, though much smaller strategic force, but will rely increasingly on nuclear weapons to compensate for diminished conventional capability. China is expanding and modernizing its strategic capability. Other states of concern, especially North Korea, Iran, and Iraq, could field ICBMs with WMD, presenting a new strategic threat that we've not faced before. At the same time, 'non-traditional' threats to our homeland and critical infrastructure will likely increase. Collectively this mix of more traditional and emerging challenges will compound the strategic threat picture.

Some regional states will maintain large, mostly 'industrial-age' 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 security challenges the United States will confront during the next 15 years will vary widely . . . depending on the strengths and weaknesses of individual adversaries . . . their means and objectives . . . and the unique situational, environmental, and other characteristics of the specific operating environment. Accordingly, the Joint Vision 2020 goal of 'full spectrum dominance' . . . that is, being able to dominate our adversaries across the wide spectrum of conceivable combat operations . . . remains a fundamental force requirement.

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## STATEMENT BY ACTING ASSISTANT SECRETARY OF STATE FOR INTELLIGENCE AND RESEARCH THOMAS FINGAR

Chairman Shelby, Senator Graham, Members of the Committee. I appreciate the opportunity to present INR's view of current and projected threats to the United States, American citizens, and American interests. Happily, the severity of specific threats to our nation, our values, our system of government, and our way of life are low and likely to remain so for the foreseeable future. Unfortunately, that is not the

case with respect to threats to individual Americans and other national interests. Indeed, there appears to be a perversely inverse relationship between the diminution of threats to the United States homeland and the increasing magnitude and variety of threats to American citizens and interests.

The dramatic decline in the mega-threat symbolized by the end of the Cold War and the growing preponderance of our military capabilities make it increasingly difficult and irrational for any adversary to threaten our national existence. This makes resort to asymmetric threats more tempting. A variety of national and non-state actors are seeking both means and opportunities to achieve their goals by threatening Americans at home and abroad.

Americans abroad (residents, tourists, diplomats, business people, members of our Armed Forces, etc.) are a special target for many groups who oppose us and our values, resent our prosperity and power, or believe that Washington holds the key to achieving their own political, economic, or other goals. We become aware daily of threats to US businesses, military facilities, embassies, and individual citizens. Recent examples include the seizure of an American relief worker in Chechnya (since freed), the execution of an American oil worker seized in Ecuador, and the terrorist attack on the USS Cole.

Unconventional threats are the most worrisome because they are harder to detect, deter, and defend against. Misguided individuals, religious fanatics, self-styled crusaders, and agents of national or rebel groups can—and do—operate everywhere and are capable of striking almost anywhere, anytime. Their most common weapons are bullets and bombs, but some in the catchall category of "terrorists" clearly seek to obtain chemical or biological weapons. Others appear capable of inflicting isolated damage through attacks on our information infrastructure. The magnitude of each individual threat is small, but, in aggregate, unconventional threats probably pose a more immediate danger to Americans than do foreign armies, nuclear weapons, long-range missiles, or the proliferation of WMD and delivery systems.

## TERRORISM

The United States remains a number one target of international terrorism. As in previous years, close to one-third of all incidents worldwide in 2000 were directed against Americans. The most devastating attack was the October 12 bombing of the USS Cole in Yemen that killed 17 sailors and injured many more.

The locus of attacks can be, and increasingly is, far removed from the geographic origin of the threat. Usama bin Ladin (UBL) is based in Afghanistan but his reach extends far beyond the subcontinent. Plausible, if not always credible, threats linked to his organization target Americans and America's friends or interests on almost every continent. His organization remains a leading suspect in the Cole investigation, and he and several members of his organization have been indicted for the 1998 embassy bombings in Kenya and Tanzania. Had it not been for vigilant Jordanian security, UBL operatives would have conducted attacks in that country to disrupt Millennium celebrations. Members of his network and other like-minded radical Mujahedin are active globally. Bin Ladin funds training camps and participates in a loose worldwide terrorist network that includes groups such as the Egyptian Islamic Jihad and the Kashmiri Harakat al Mujahedin. The UBL network is analogous to a multinational corporation. Bin Ladin, as CEO, provides guidance, funding, and logistical support, but his henchmen, like regional directors or affiliates, have broad latitude and sometimes pursue their own agendas.

Some terrorists, including bin Ladin, have evinced interest in acquiring weapons of mass destruction. Thus far, however, only Aum Shinrikyo, the group responsible for the 1995 subway gas attack in Tokyo, has actually used such a weapon. There has been no repetition or credible threat of such an attack in the last five years, but the problem clearly has not gone away. There will be another attack; what we do not, and possibly cannot, know is when, where, by whom, and why.

State sponsorship of terrorism has declined, but it has not disappeared. Iran still supports groups such as the Palestine Islamic Jihad dedicated to the disruption of the Middle East Peace Process. Iraq also harbors terrorists and may be rebuilding its intelligence networks to support terrorism. Afghanistan's Taleban, though not a national government, does provide crucial safe haven to UBL.

### *Proliferation*

The efforts of many nations to develop weapons of mass destruction (WMD) and the missiles to deliver them continue to present a serious potential threat to the safety of US citizens abroad and at home, and to US interests worldwide. It is difficult, however, to characterize the WMD threat without caricature, difficult to raise alarms without drowning out reasons for encouragement.

The gravity of nuclear proliferation significantly outweighs that of either chemical weapons or biological weapons proliferation. But, although the basic understanding of nuclear weapons physics is widespread, nuclear weapons are, fortunately, the most difficult kind to produce or acquire. Access to fissile material is a critical impediment. The challenges to the international nuclear non-proliferation regime represented by the Indian and Pakistani nuclear tests of 1998 are real but must be seen in the context of decisions earlier in the decade by South Africa, Ukraine, Argentina, Brazil, and others (i.e., Belarus and Kazakhstan) to forgo the nuclear option. The success of diplomatic efforts to extend indefinitely the Non-Proliferation Treaty, to enhance IAEA safeguards, and to win nearly universal membership in the Comprehensive Test Ban Treaty provide evidence that the international community recognizes the nuclear danger and is making progress in providing the means to counter it. Today only a few states appear to be actively seeking to acquire nuclear weapons. The greatest near-term danger remains the potential for shortcuts in the transfer of weapons technology and weapons grade fissile materials to such states from the existing nuclear powers. But, despite fears of "leakage" from stockpiles of the former Soviet Union and sales by North Korea, we have not yet been faced with activities in this area on a scale that has raised significant concerns.

Chemical weapons are more of a tactical threat to US forces and allies than a strategic threat to the homeland. Biological and toxin weapons are more of a terrorist threat to civilian populations than an effective instrument of warfare. Potential CW and BW threats are nonetheless real and increasingly widespread. Despite broad participation in the Chemical Weapons Convention and Biological Weapons Convention, the dual-use nature of the relevant technologies, modest technological prerequisites for development, and the low profile of illicit activities suggest that the potential threat from both state and non-state actors will continue to grow.

Ballistic missiles remain the most feared delivery mode for WMD because of their speed, relative invulnerability to attack (when mobile), and ability to penetrate defenses. There has been a dramatic increase in the aggregate number of short-range ballistic missiles in recent years; this growth will continue. The increase in the number of longer-range missiles has been much slower. International efforts, such as the Missile Technology Control Regime (MTCR) and various bilateral understandings between supplier states, have made it more difficult for states of proliferation concern to develop and deploy ballistic missiles. By adding to the significant technological challenge proliferant states must overcome to develop multi-stage missile systems, these external controls force such states to use covert or less efficient paths of development, increasing the cost and time requirements for system development. As a result, missile proliferation has occurred at a slower rate than predicted by previous estimates. INR assesses that, among states seeking long-range missiles, only North Korea could potentially threaten the US homeland with ballistic missiles in this decade, and only if it abandons its current moratorium on long-range missile flight testing.

*The Nuclear Threat*

Only Russia has the unqualified capacity to destroy the United States. Indeed, for the foreseeable future, Russia's ability to threaten US territory and overseas interests is greater than that of all other potential adversaries combined. China is the only other country not an ally of the United States that currently has the capacity to strike the US homeland with nuclear weapons. The aggregate nuclear-armed ICBM threat against the United States is declining dramatically, however, as a result of Russian military choices related to START I and START II and the significantly reduced size of the Russian economy (compared with that of the Soviet Union). China's force, however, is in the process of modest expansion. We assess the likelihood of an attack on the United States by either Russia or China to be extremely low and judge that both have effective safeguards against unauthorized or accidental launches.

This situation could change for the worse if Moscow and/or Beijing concluded that the United States was pursuing a course in fundamental conflict with Russian/Chinese interests. Such a perception could trigger decisions that would significantly increase the quantitative threat to the United States. Instead of dramatically reducing their strategic nuclear warheads to some 1500 by 2015, the Russians could halt their decline at or above 2,000 warheads. The size of the Chinese strategic threat to the United States could more than triple by the end of the decade should China decide to MIRV existing ICBMs or deploy new ones. A resumption of nuclear testing by China could lead to smaller warheads and further MIRVing. Should either Russia or China (or both) put their strategic forces on a higher state of alert, the danger of accidental launch would increase. Negative political or economic factors could also erode existing protections against accidental or unauthorized launch.

The growing availability of technical information about nuclear weapons and the increase in well-financed non-state terrorist organizations make the prospect of a threat to the United States from a surreptitious nuclear device—for example, hidden in a cargo ship—a significant second-order concern. The difficulty of acquiring sufficient fissile material would be the most important technical factor limiting the ability of nations or terrorist groups to acquire such a capability.

North Korea's nascent space launch vehicle/ICBM program and presumed nuclear potential are cause for concern and the focus of ongoing diplomatic efforts. Given the credibility of US retaliatory capabilities, however, we assess that, in most circumstances, North Korea could be deterred from launching a nuclear attack on the American homeland, American friends and allies, or against American forces abroad. Nevertheless, the threat is real, and a multifaceted diplomatic effort is under way to reduce or eliminate it. So far, this effort has yielded a freeze on activity at declared North Korean nuclear facilities and a moratorium on space or long-range missile launches for the duration of US–DPRK missile talks.

*Missiles and Missile Proliferation*

Ballistic missiles are a special concern, particularly when possessed by countries with nuclear, chemical, or biological weapons, because of their ability to strike rapidly and penetrate defenses. The number of countries developing capabilities to produce ballistic missiles and/or space launch vehicles is increasing; the list includes, among others, North Korea, Iran, India, and Pakistan. Their indigenous capabilities have been enhanced by technology transfers from other countries—principally Russia, China, and North Korea. Foreign assistance has extended the range and improved the accuracy of older-generation missiles and accelerated the development and production of indigenous systems.

That the number of countries with ballistic missiles continues to increase and that the range, payload, and accuracy of such missiles continue to improve are cause for concern. But there is a "good news" story as well. The number of countries possessing or seeking to acquire ballistic missiles remains small and does not appear to be growing from Cold War levels. Most programs appear to be advancing more slowly than anticipated. And, despite leakage of technology and possible violations of commitments, the trend line is toward less rather than more transfers of technology and complete systems. The export of missiles and technology from North Korea remains the biggest proliferation problem. Now and for the next several years, ballistic missiles are unlikely to be used against US territory, but they already pose a real and growing threat to US allies and US forces deployed abroad.

*The Conventional Military Threat*

The threat of a large-scale conventional military attack against the United States or its allies will remain low for the immediate future. Since the demise of the Warsaw Pact, there has existed no hostile military alliance capable of challenging the United States or NATO, and none is on the horizon. But regional tensions and potential conflicts do threaten US interests abroad. Progress toward Middle East peace remains key to reducing the chances of another major war in that region. Iraq threatens regional security by confronting coalition forces and continues to seek weapons of mass destruction. Saddam Hussein could precipitate major crises at any time.

Trends that could increase the conventional military threat are emerging. US military dominance and economic, cultural, and technological preeminence have sparked resentment among potential rivals who do not share US values and are concerned that the United States will use its global leverage in ways inimical to their interests. This has prompted them to seek ways to constrain Washington. These countries are unlikely to forge formal alliances, but should they perceive US policies as hostile or an impediment to the attainment of their own objectives, they could decide to move beyond rhetorical and political cooperation to military cooperation, including in the sale of weapons and technologies that might otherwise have been kept off the market.

The global spread of conventional military capabilities through international transfers and indigenous defense industrial development continues unabated in the post-Cold War era, powered by a host of mutually reinforcing trends. The worldwide proliferation of conventional military capabilities, particularly irresponsible and illicit arms trafficking to states of concern, sub-national actors, and regions of conflict pose increased risks to international security.

*Technology Diffusion*

Accelerating technological progress in an increasingly global economy has facilitated the spread of advanced military technologies once restricted to a few industrialized nations. Chemical and biological weapons will pose a growing threat to US

forces and interests at home and abroad as the means to produce them become more accessible and affordable. Such weapons are attractive to countries seeking a cheap deterrent and to terrorist groups looking for ways to inflict mass casualties. The critical importance of communications and computer networks to the military and to almost every sector of the civilian economy has increased US vulnerability to a hostile disruption of its information infrastructure. Several countries have active government information warfare (IW) programs, and a number of others are interested in the IW concept. Terrorist groups, disgruntled individuals, or even individual hackers could inflict limited but significant damage to key sectors and regions.

*Countries With Global Reach*

Russia's ability to project power beyond its borders and to challenge US interests directly has been greatly diminished since the fall of the USSR. Russia is focused on its own domestic problems and increasingly aware of its weaknesses and limitations. Nevertheless, Russia remains a nuclear power with the capability to destroy the United States. It retains the ability to influence foreign and security policy developments in Europe and, to a lesser extent, around the globe. Its interests sometimes coincide with those of the United States and our allies, but often they do not. Regional instability in the former Soviet Union, particularly in the Caucasus or Central Asia, could impinge on US interests, especially if such instability were to tempt external intervention.

The Russian political scene in 2000 was dominated by the person of Vladimir Putin. Putin, who took office in his own right after presidential elections in March, moved quickly to bring Russia's far-flung regions under tighter control. He spoke repeatedly of the need for a democratic, market-oriented approach, including political pluralism and freedom of speech and conscience, and for revitalizing the Russian economy. He has called for reform and pledged to fight crime and corruption. But Putin has a security-services background, makes no secret of his belief in a strong, centralized state that plays a guiding role in the economy, and is enmeshed in a system dominated by a narrow stratum of political and financial elites.

Putin has yet to undertake more than a few halting steps toward systematic and thoroughgoing reform. The high oil prices and economic upswing that characterized Russia in 2000 seem to have reduced both pressures and incentives to reform. Without concerted effort, reform will be thwarted by powerful vested interests. Putin remains at least partially captive to those interests and to omnipresent political intrigue, and has yet to consolidate his own power within the institutions that he officially commands.

Russian foreign and security policies have become both more pragmatic and more assertive. Russia's continuing need for integration into international economic and financial institutions and access to key markets makes a wholesale return to the ideological confrontation and policy collisions of the Cold War unlikely. Nevertheless, deployment of a National Missile Defense and further NATO enlargement almost certainly will spark animated opposition from Moscow. Russia will continue to assert its interests, especially where it perceives US dominance to be inimical to its own long-term objectives. In doing so, Moscow will use whatever diplomatic tools are at its disposal.

China is committed to achieving a multipolar world in which it would have relatively more influence and the United States relatively less. This is not an ideological crusade, but part of a centuries-old quest for national wealth and power. Leaders recognize that, to achieve this goal, they must modernize their economy and expand their markets, neither of which they can do without maintaining good relations with the US. As a result, China has a large incentive to avoid confrontation with the United States, but Beijing will attempt to limit or forestall American unilateral or US-led actions judged adverse to China's own interests because they seem to strengthen and perpetuate a unipolar world. In doing so, Beijing will operate from a position of increasing economic and military strength.

Beijing's determination to prevent de jure Taiwan independence and propensity to misinterpret US actions and intentions together constitute the gravest threat to US-China relations and stability in Northeast Asia. Beijing aspires to regional influence, even dominance, but its military buildup is worrisome primarily in terms of the China-Taiwan—US dynamic. PRC leaders are convinced that they must be able to threaten Taiwan militarily to prevent a unilateral declaration of independence; Taiwan leaders believe they must have the military capability to defend against threats from the Mainland. The PRC might take military action if it perceived that Taiwan, with or without US support, was moving toward independence.

Chinese proliferation behavior is a continuing concern, particularly when it contributes to changes in the regional balance or threatens US interests in other geo-

graphic regions. Chinese entities have assisted the missile and nuclear programs of Pakistan, Iran, and others, but China has made progress in adopting and enforcing international control norms in the nuclear area. Last November, China articulated a new missile nonproliferation policy, stating that it would not assist any country, in any way, in the development of MTCR-class ballistic missiles. China also announced that it would enact at an early date a comprehensive missile-related export control system to help enforce that policy. We continue to monitor Chinese behavior on this front.

China faces significant potential for increased instability sparked by economic dislocations, unemployment, official corruption, religious persecution, violation of human rights, and a failure to embrace the development of local governance and democratic choice. Serious social disorder would have a direct impact on US economic interests (trade and investment) and contribute to strategic uncertainty in the region.

*Other Countries and Regions of Concern*

North Korea appears be changing in positive ways. Tensions on the Korean Peninsula eased last year as a result of the inter-Korean summit, the visit to Washington of Kim Jong Il's special envoy, and Secretary of State Albright's visit to Pyongyang. The DPRK's ability to sustain a conflict has decreased as a consequence of its economic decline, but the North still has the capability to inflict huge damage and casualties in the opening phases of a conflict. It has also not taken sufficient steps to prove it has truly distanced itself from terrorism. The political situation appears stable, with Kim Jong Il apparently having found a firmer footing and beginning to undertake new policy initiatives rather than simply following his father's line.

The DPRK has been unable to reverse a decade-long economic decline. With its agricultural and industrial infrastructure continuing to deteriorate, the country is plagued by severe shortages of food and electricity. Kim Jong Il's recent trip to Shanghai suggests he is considering a managed "Chinese model" opening of the economy. The regime appears to be examining a range of relatively pragmatic solutions to its economic problems; since the New Year, DPRK media have been stressing the need for "new ways of thinking." The North has expanded its diplomatic relations, and Kim Jong Il now seems to relish summit diplomacy. In the wake of last June's inter-Korean summit, Pyongyang has increased political, economic, and cultural contacts with Seoul. Kim Jong Il has said he will visit the ROK sometime this year.

The North's development of long-range ballistic missiles and efforts to sell missile technology to countries in the Middle East and South Asia threaten US friends, troops, and interests. North Korea has recognized that it must address this concern to improve relations with the United States. It has kept its promise not to launch a satellite or long-range missile while US–DPRK missile talks continue. Pyongyang has offered to restrain its long-range missile program in return for other countries launching its satellites; this offer has yet to be translated into an agreement. On the question of missile sales, however, the North has said only that it would be willing to halt sales under the right circumstances, a formulation that awaits clarification.

Despite some moderation in its rhetoric toward the US and the West, Iran still seeks WMD and continues to support terrorism. In its search for indigenous WMD capabilities, Iran relies heavily on outside assistance. Russia alone cooperates with Iran's nuclear program. Deep-seated hostility to the Middle East Peace Process, particularly within conservative circles of the Tehran regime, plays a major role in the government's willingness to support terrorist groups and their attacks against Israel and/or other parties involved in the process. Although we believe Iranian factions and leaders are not unanimous in their support for the use of terror to achieve political ends, so far any disunity has not resulted in a discernible change in Iran's behavior.

How best to deal with the challenges posed by Iran is a continuing source of disagreement with other important countries, including some of our closest allies. Tehran is well aware of these differences and attempts to exploit them to erode the effectiveness of US sanctions.

Current tensions in the Middle East have shifted the paradigm for Iraq. Saddam Hussein has cloaked himself in the Palestinian cause and blurred the differences between support for the Palestinian Intifada and support for Iraqi efforts to escape sanctions. He has exploited Arab frustration over Washington's perceived bias toward Israel to place additional pressure on our allies in the region by painting them as "lackeys" of the US and Zionism. With this strategy, Saddam is reasserting himself as a regional player, undercutting support for UNSC resolutions on Iraq, and strengthening his domestic position.

Iraq continues to reject UNSCR 1284 and to evince little interest in allowing UN inspectors back into the country. Iraq's isolation and support for sanctions are eroding, but Saddam's ability to acquire arms, unrelenting pursuit of WMD and missile programs, and use of economic blandishments continues to be limited by continued UN control over the bulk of Iraqi oil revenues.

*South Asia*

The volatile South Asian region could become embroiled in serious conflict. Tension over Kashmir is endemic in the Indo-Pakistani relationship and could erupt into a full-blown crisis with minimal warning. Pakistan's close relationship with the Taleban, which trains many who fight in Kashmir, is becoming a destructive partnership in the region. Such a crisis would risk a wider, and ultimately much more destructive, war between India and Pakistan. Desperation or miscalculation by either side could result in the use of nuclear weapons.

Possession of nuclear weapons by these two adversaries will be a part of the landscape for the foreseeable future. Indeed, such weapons will become more entrenched in these countries as they develop military doctrine and command and control procedures for their use. Both India and Pakistan have made clear that they will continue to develop their nuclear weapons and missiles to deliver them. We expect both to conduct more ballistic missile tests, but a key will lie in either's decision to deploy such missiles. Both states have said that they do not need to conduct additional nuclear tests, but another round is possible. If pressures in India prompted another nuclear test, Pakistan has said it will reciprocate. An added concern is the prospect that Pakistan and/or India might provide technology to other countries seeking nuclear and missile capabilities.

*Other regional dangers*

Africa's political, economic, and HIV/AIDS crises frequently threaten US efforts to promote democratization, human rights, the rule of law, and economic development. Poverty and instability provide fertile ground for HIV/AIDS, crime, terrorism, and arms trafficking. Appeals for the United States to assist humanitarian relief programs and peacekeeping operations are strong and growing. Unpredictable developments can create unexpected demands on US resources. They can also endanger US citizens.

The civil war in the Democratic Republic of the Congo remains the most destabilizing conflict in Africa. During 2000, implementation of the August 1999 Lusaka Accord stalled. In late 2000, fighting resumed in southeastern and northwestern Congo. More than 500,000 are internally displaced persons and 130,000–150,000 have become refugees in neighboring countries. The January 2001 assassination of President Laurent Kabila and the succession of his son, Joseph, could either open opportunities for peace or spark intensified conflict.

In Burundi, ethnic tensions remain high despite the signing of a peace accord at Arusha last August. The threat to foreigners, including American citizens, has increased. Recent weeks have seen some positive developments, but renewed genocide in Burundi and neighboring Rwanda is possible.

HIV infection rates in sub-Saharan Africa appear on the rise, exceeding 20% of adults in nine countries. While the ultimate consequences of this mounting toll are unknown, they may well adversely affect many US interests and goals in Africa.

The situation in West Africa also is of great concern. The instability fomented by Liberian President Taylor is spilling into Guinea where, late last year, government forces fought off incursions by the Revolutionary United Front (RUF) and Guinean dissidents armed by Liberia. Guinea already hosts some 300,000 refugees. RUF aggression inside Sierra Leone has been constrained by the expansion of the United Nations Mission in Sierra Leone (UNAMSIL) and training provided to the Sierra Leone Army by the United Kingdom. The potential for renewed violence remains high, however.

The unsettled situation in Cote d'Ivoire highlights the challenges of political and economic reform and the threat inherent in corruption and exclusion of regional, tribal, and religious groups from the political process. A further deterioration in Cote d'Ivoire, home to many migrant workers, could have a destabilizing impact on much of West Africa. The governments of Liberia and Burkina Faso have provided support to rebel groups in Sierra Leone and, perhaps, Cote d'Ivoire.

In Angola, the civil war continues. Rebel forces have been weakened, but they retain the capability to conduct prolonged low-intensity conflict. Fighting could continue to involve neighboring Namibia and Zambia.

Sudan remains a haven for terrorists. There has been virtually no progress in negotiating an end to the 17-year-old civil war. Government bombings of civilian tar-

gets continue to add to the number of internally displaced persons, now estimated at 4 million, and to the already more than 400,000 refugees.

After renewed fighting in May and June 2000, Ethiopia and Eritrea signed a peace agreement brokered by the Organization of African Unity (with US assistance) in December. The United Nations has interposed peacekeepers and observers (the United Nations Mission to Ethiopia and Eritrea—UNMEE) along the disputed border. Achieving a lasting peace will be difficult, but there is reason for optimism that this conflict might end without renewal of the World War I—like carnage that characterized its most violent phase.

A decade into the democracy and market revolution, the vast majority of Latin Americans have experienced little or no improvement in living conditions. Recent economic troubles have fueled unemployment, crime, and poverty, undermining the commitment of many Latin Americans to free-market economic liberalization. Latin Americans are committed in principle to democracy, but many question the efficiency of democracy in their own countries because progress in alleviating wide social inequities and curbing corruption has been very slow. These concerns have raised fears among some observers that disillusioned Latin Americans will turn to authoritarian governments to improve their economic situations and reduce crime. It could happen, but it is neither inevitable nor likely.

That said, Latin American democracies have proved resilient in the face of economic crises, and all ideological alternatives to democratic government remain discredited. Fragile democratic institutions in countries such as Ecuador and Paraguay remain under great pressure to respond to legitimate mass needs, but few consider military rule a feasible alternative. Latin American militaries know that overt intervention risks international opprobrium and sanctions. They will, therefore, favor solutions that maintain at least a semblance of constitutional legitimacy. To date, popular support has sustained President Chavez's political revolution in Venezuela, but the swift, dramatic fall of former Peruvian President Fujimori indicates that there are limits to the appeal of populist authoritarians. The OAS-managed hemispheric reaction to suspect elections in Peru in mid-2000 underscored the strength of the prevailing pro-democracy consensus.

In none of the other major countries of Latin America—Argentina, Brazil, Chile, Colombia, and Mexico—is democracy threatened in the short or medium term. Indeed, the election of Vicente Fox to the Mexican presidency, ending peacefully the long reign of the Institutional Revolutionary Party, is a major step forward for democracy in Mexico and throughout the hemisphere.

In Cuba, an aging Fidel Castro refuses to make concessions toward a more open political system, and Cuba's overall human rights record remains the worst in the hemisphere. There is little sign of significant economic reform, and the departure of refugees seeking relief from repressive conditions continues. With no real provision for succession—beyond more of the same, with Raul Castro at the helm—the departure of Fidel could usher in a period of greater instability under a less charismatic leader, possibly leading to further mass migration and internal violence.

The fragility of peace and stability in southeastern Europe remains the paramount "threat" on that continent. The fall of Milosevic removed the principal threat to stability in the region, but removing a major obstacle is only the first step toward building a durable peace. President Kostunica has pledged to seek a negotiated solution to Serbia's conflicts with both Montenegro and Kosovo. Serbia and Montenegro still have important but unresolved differences about their rights and relationship under the federal constitution. Any Montenegrin move for independence would exacerbate tensions, but both sides appear to desire a non-violent solution.

In Belgrade, the Kostunica government has proclaimed its desire to negotiate differences with ethnic Albanians in Kosovo and southern Serbia, but the growing frustration of Albanians in the Presevo Valley makes this a potential flashpoint for a new military confrontation. US troops in KFOR could be put at greater risk. The incomplete inclusion of Albanians in the political and economic life of the FYROM (Macedonia) is a longer-term threat to regional stability.

West European leaders remain concerned about the "threat" to existing arms control regimes and deterrence strategies which they fear could result from US deployment of a National Missile Defense. Europeans are asserting foreign policy positions in the Middle East and Asia which at times diverge from those of the US. Most European leaders are increasingly uncomfortable with the continuation of UN Security Council sanctions against Iraq. Most EU members are interested in developing a European Security and Defense Policy independent of, but not in competition with, NATO, which remains their most fundamental transatlantic tie.

Continuing unrest in parts of Indonesia and challenges to the democratic process in that country are another source of concern. The potential for increased friction will increase as the central government attempts to devolve more authority to local

and regional bodies. Violence in Aceh, Irian Jaya, and the islands of Eastern Indonesia has generated thousands of displaced persons and loss of life and property. Increased lawlessness threatens American citizens, as it does the people of Indonesia, and undermines the willingness of foreign investors to reengage.

*Economic Threats*

Slowing growth in the US and continuing signs of weakness in Japan's recovery suggest a less favorable climate for growth in 2001. Forecasts for world economic output in 2001 have been revised downward from earlier projections of around 4 percent to approximately 3 percent, and may fall even lower.

EU growth is expected to be approximately 3 percent this year, slightly lower than last year's but still the highest two-year performance in more than a decade. A hard landing in the US, a significant rebound in oil prices, and substantial further appreciation of the euro against the dollar and yen could threaten both individual economies and the health of global marketplaces.

The impressive rebound from the economic turmoil of 1997–98 notwithstanding, the emerging Asian economies remain vulnerable to new disruptions. Southeast Asia's fragile export-led recovery would be hurt by a slowdown in the US and other key export markets, higher oil prices, increasing competition from China, and, for some countries, increasing political uncertainty. Countries in the region must look increasingly to domestic demand to maintain growth. Indonesia, Thailand, and the Philippines, which registered 4–5% growth in 2000, will be unable to sustain that rate this year.

Indonesia and Thailand are most vulnerable to external shocks because they have been slow to implement painful corporate debt rescheduling critical to reviving corporate loans and domestic demand. The recovery of confidence in the currencies and financial markets of Southeast Asia and South Korea remains fragile. Their banking systems still require significant restructuring. Overall, a more cautious and sophisticated approach of foreign investors, an increase in transparency of financial information, and the region's dramatic reduction in reliance on short-term debt have decreased Asia's susceptibility to a financial panic triggered by the economic problems of one country.

China's export growth this year is expected to slip significantly from last year's blistering pace as demand softens in major markets, especially the United States. We anticipate that Beijing's efforts to stimulate increases in domestic investment and consumption will remain ineffective. Problems with unemployment, underemployment, and sagging household incomes in rural areas are likely to worsen. Accession to the WTO would overlay and obscure a difficult domestic economic situation with an image of excited foreign interest and news of plans for significant increases in direct foreign investment, but WTO membership would not likely buoy growth prospects in the near term.

Latin America should achieve 3.7 percent overall 2001 growth. An economic slowdown in the US will affect Mexico the most but could adversely affect other capital dependent countries if credit flows dry up. Argentina remains the most vulnerable to potential default, despite a $30 billion international rescue package. Brazil and Chile have made difficult policy adjustments that leave them better positioned to weather external developments. Latin American governments generally remain publicly committed to fiscal austerity, trade liberalization, and low inflation, but income inequality and the failure to dent high poverty levels could decrease stability in countries where growth lags.

Economic espionage against the United States is a backhanded tribute to our economic prowess. In particular industries and for particular companies, especially in vital high-tech sectors, economic espionage can threaten profits and fruits of innovation.

*Narcotics*

The expanding reach of international drug trafficking organizations poses an indirect but insidious threat to the United States. Illicit drugs contribute to crime and social problems in every corner of our country. Abroad, criminal drug gangs suborn officials at all levels, threaten the rule of law, and distort economies. These malevolent influences undercut democracy, stifle development, and reduce the benefits of legitimate investment and commerce.

Despite anti-narcotics successes, notably in Bolivia and Peru, illicit drugs from Latin America still constitute the primary drug threat to the United States. Colombia remains the focus of the cocaine and heroin supply threat from the region. Drugs help fund insurgent groups warring against the Colombian government as well as right-wing para-militaries guilty of human rights violations. US support for Plan Colombia promises to reduce the production and export of drugs to the United

States, but it could, and probably will, further increase the already serious threat to Americans in that violence-wracked country.

Colombia and Mexico have the largest share of the US heroin market, but opium poppy cultivation in Asia is increasing, particularly in Burma and Afghanistan. In Afghanistan, production of opium and heroin is a major source of revenue for the ruling Taleban and a political instrument endorsed by bin Ladin to "corrupt" the West. Whether the Taleban will enforce an opium ban declared in 2000 remains to be seen.

*Crime*

The activities of international criminals threaten Americans, our businesses, and our financial institutions at home and abroad. Organized crime has capitalized on economic liberalization and technological advances to penetrate the world's financial, banking, and payment systems. It has become increasingly sophisticated in high-tech computer crime, complex financial fraud, and theft of intellectual property. The cost to US citizens, businesses, and government programs is in the billions of dollars annually.

International criminal gangs trade in materials for WMD, sensitive American technology, and banned or dangerous substances. They also traffic in women and children, and in illegal visas and immigration. Organized crime groups exploit systemic weaknesses in fledgling democracies and economies in transition from Central Europe to Southeast Asia.

*Nontraditional Threats*

Illegal migration and alien smuggling continue to threaten American interests and institutions. The US faces its most direct immigration pressures from Mexico, Central America, and the Caribbean. Economic privation and both manmade and natural disasters in the countries of this region, including Colombia and Venezuela, pose the most direct threat to US efforts at immigration control. They also threaten to increase political friction between the US and the sending countries. Cuba and perhaps other governments will be tempted to use the threat of mass migration as leverage in bilateral relations or to relieve domestic pressures.

Environmental threats range from toxic spills to global climate change. Environmental contamination can cause severe local problems, as we have seen most recently in the Galapagos Islands and in coastal regions of southern Europe. Global warming would result in broader and unpredictable weather fluctuations, altered agricultural production, and rising sea levels. Each of these regional problems would affect national economic production, food exports and imports, and even international relations. Increasingly resilient bacteria and viruses, which can take advantage of global transport linkages, poor sanitation, and urban congestion can spread quickly across continents. Nowhere is more than a few hours by air from the United States.

Populations in poor regions continue to grow, even as birthrates decline. This demographic lag ensures that in many poor countries over the next few decades a growing cohort of young people will be stymied by the lack of economic opportunities, inadequate health care and schools, and crowded living conditions. They may be inclined to act violently against their governments or be swayed by extremists touting anti-Western nostrums. The safety of both overseas and domestic Americans could be harmed by growing populations with dim prospects directing anger at those perceived to have too much.

Thanks to our military preparedness, preventive diplomacy, and manifold intelligence capabilities, we enjoy the benefits of early warning and the power to mitigate, if not prevent, the realization of many conventional threats. However, those threats inherent in the proliferation of weapons of mass destruction and delivery systems, and emanating from terrorists, ethno-cultural conflicts within and among states, from traffickers in narcotics and human beings, international organized crime syndicates, environmental degradation and natural disasters, and pandemics are numerous and dispersed. Many will remain outside our ability to forecast or forestall.

Mr. Chairman, members of the Committee: The world remains enormously complex, much of it beyond the reach of American or Western democratic antidotes or treatments. Intelligence will not provide answers to or prior warning of all threats. The most prevalent and immediate threats are located beyond our borders, with the potential to harm our citizens working or traveling abroad, our diplomats and men and women in uniform serving overseas, and our economic partners and military allies. Early warning, informed analysis, preventive engagement, and prudent application of power are key to success in dealing with the wide array of threats we face.

CHAIRMAN SHELBY'S OPENING STATEMENT REGARDING THE COMMITTEE'S OPEN HEARING ON WORLDWIDE THREATS HELD ON WEDNESDAY, FEBRUARY 7, 2001

The Committee will come to order.

This is the Committee's first hearing of the year, and I want to join with the Committee's new Vice Chairman, Senator Graham of Florida, in welcoming our new Committee Members, as well as witnesses, and the American public for this annual assessment of the threats facing our nation.

We have asked our witnesses of focus on those conditions throughout the world that have fostered or will foster threats and challenges to the security of the United States.

We will be concentrating this morning in an open session, and again this afternoon in a closed session, on conventional as well as unconventional threats, including threats posed by the proliferation of weapons of mass destruction and high technology, state-sponsored and non state terrorists.

This hearing is intended to form the backdrop not only for the Committee's annual budget authorization process but also for a comprehensive review of the capabilities of the Intelligence Community and the adequacy of the resources being dedicated to this very important work.

The dynamic change and uncertainty that characterized the latter part of the 1990s will likely continue through the first decade of the new century because the "engines of turmoil" remain largely in place.

These "engines of turmoil" include significant transitions in key states and regions, the continued existence of rogue states and terrorist groups, rapid technological development and proliferation, continuing international criminal activity, and reactions to a perception of U.S. political, economic, military and social dominance.

Together, these factors foster a complex, dynamic, and dangerous global security environment that will spawn crises affecting American interests.

If we are to contain, manage and respond appropriately to these threats, we need to understand this challenging new security environment in early years of the 21st century. And nowhere will these challenges be more evident than in the asymmetrical threats to our homeland, in the strategic nuclear missile threats from China and Russia as well as rogue states, and in the threats posed to U.S. interests around the world by large, regionally ambitious military powers.

I am sure that Members will be asking our witnesses about the suicide bombing attack against the USS Cole and the status of the investigation. But in my opening remarks I want to highlight the larger significance of that investigation. First, it illustrates how the United States is increasingly being probed for vulnerabilities by sophisticated groups who would do it harm. But secondly, the transparency and closeness of joint CIA–FBI counterterrorist operations in the Cole investigation illustrates how our top intelligence, law enforcement and national security experts have come to believe that the federal government must reorganize itself to fight an even broader array of threats from terrorists, spies, computer hackers and international criminals. Indeed, with the concurrence of this oversight Committee, senior officials at the CIA, the FBI, DoD, and the National Security Council worked quietly for more than a year to greatly expand the model of cooperative engagement to encompass virtually the entire national security apparatus.

This Committee has been part of that process over the last year that culminated in January in the issuance of a Presidential Directive institutionalizing those reforms and creating a new counterintelligence structure. We recognized that the old paradigm of threats to U.S. national security—hostile nations and their intelligence services—was far too narrow a definition in the post-Cold War era. There are countless potential actors on the international scene capable of doing significant harm to the U.S. Equally important, we recognized that there was a significant disconnect between the policymakers and those tasked with protecting U.S. national security. Indeed, it is clear that the same forces that have propelled the United States to preeminence in the world have also created new vulnerabilities and the potential for catastrophic backlashes.

The end of the Cold War may have eliminated America's only superpower rival, but it also unleashed seething ethnic and religious tensions around the world. The unchallenged conventional superiority and assertiveness of the U.S. military also have created festering resentments around the world. The ever-more rapid movement of information, products and people have blurred international borders and erased natural barriers that long-protected the U.S. homeland, giving both traditional and new adversaries fresh opportunities to target U.S. interests with a vast array of new tactics and weapons.

What has been lacking is a central strategy and focused leadership to make sense of all the new threats and to coordinate an overall response. The CI–21 initiative addresses that issue. This set of reforms, called Counter-Intelligence 21, "heralds a level of cooperation never seen before among the FBI, the CIA and the Pentagon, and will, for the first time, engage the rest of the government and the private sector as well. It should also force Members of Congress as well as the American public to rethink long accepted notions about what constitutes national security and the once-clear boundaries between domestic law enforcement, foreign intelligence gathering, the defense preparedness.

There have been some concerns expressed that the CI–21 reforms may become diluted or fall between the cracks now that some of its supporters have left office and a new administration will require time to "get up to speed." I want to assure our witnesses this morning, as well as the American public, that this Committee will ensure that these needed reforms will not fall through the cracks but rather that we will work with the Bush Administration to institute these changes at the earliest possible moment.

With that in mind, the Committee is very pleased to welcome back the Director of Central Intelligence, George Tenet. We are also pleased to welcome the Director of the Defense Intelligence Agency, Vice Admiral Thomas Wilson; and the Acting Assistant Secretary of State for Intelligence and Research, Thomas Fingar.

DCI Tenet will present his oral testimony. We have asked Secretary Fingar and Admiral Wilson to submit their statements for the record and then to offer brief comments on the DCI's statement.

Thereafter, I will open the Floor for Members' questions. In the interest of time, I ask that Committee Members submit any opening statements for the record so that all Members will have ample opportunity to ask questions.

Before calling on DCI Tenet, let me turn to the Committee's new Vice Chairman for any comments he might wish to make. Senator Graham.

Director Tenet you may proceed.

## STATEMENT OF THE HONORABLE GEORGE TENET, DIRECTOR OF CENTRAL INTELLIGENCE, ACCOMPANIED BY: VICE ADMIRAL THOMAS R. WILSON, DIRECTOR, DEFENSE INTELLIGENCE AGENCY; AND THE HONORABLE THOMAS FINGAR, ACTING ASSISTANT SECRETARY OF STATE FOR INTELLIGENCE AND RESEARCH

Director TENET. Thank you, Mr. Chairman.

Mr. Chairman, as I reflect on 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 national 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 accelerating growth and 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 U.S. interests. Never have we had to deal with such a high quotient of uncertainty. With so many things on our plate, it is always important 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 to the challenges posed by international terrorism.

Mr. Chairman, we have made considerable progress on terrorism against U.S. interest and facilities, but it persists. The most dra-

matic and recent evidence, of course, is the loss of 17 of our men and women on the U.S.S. *Cole* at the hands of terrorists.

The threat from terrorism is real, immediate and 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 those incidents involved American interests.

Osama bin Laden and his global network of lieutenants and associates remain the most immediate and serious threat. 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, the al Qaeda.

Beyond bin Laden, 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 the Hamas and the Palestinian Islamic Jihad, have stepped up violent attacks against Israeli interests since October. The terrorist threat to U.S. 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 attracting new recruits, including under the banner of anti-Americanism.

Mr. Chairman, the other thing that is of concern is the fact that international terrorist networks have used the explosion of 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 cyber-attack tools. Many of the 29 officially-designated terrorist organizations have a keen interest in unconventional weapons, chemical and biological capabilities.

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 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.

Let me turn to proliferation, Mr. Chairman. A variety of states and groups continue to seek to acquire weapons of mass destruction and the means to deliver them. Let me discuss the continuing and growing threat posed 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 fewer missiles with less accuracy, yield, survivability and reliability than those we faced during the Cold War, they still pose a threat to American 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 could 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, Mr. Chairman, the threat to U.S. interests and forces from short-range 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-2.

Mr. Chairman, we cannot underestimate the catalytic role that foreign assistance has played in advancing these missile and WMD programs, shortening the 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. Moscow looks to them to acquire badly needed foreign exchange through exports. We remain concerned about the proliferation implication 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 has also been significant over the years. Chinese help has enabled Pakistan to move quickly 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 this commitment. We are worried, for example, that Pakistan's continued development of a two-stage Shahab–2 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 facilities in Pakistan. We cannot yet be certain, however, that all contacts have ended.

With regard to Iran, China confirmed the 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 cooperation appears civilian—for its weapons program.

With regard to North Korea, our main concern is Pyongyang'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. Pyongyang attaches a high priority to the development and sale of ballistic-missile 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 risks 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 for 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 unen-

forceable national export controls and the growing availability of technologies. These trends have continued, and in some cases have accelerated over the past year.

Mr. Chairman, I want to reemphasize the concern I raised last year about our nation's vulnerability to attacks on our critical information infrastructure. No country in the world rivals the United States 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 U.S. 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 U.S. strategic dependence on access to space. Operations to disrupt, degrade or defeat space assets will be attractive options for those seeking to counter U.S. strategic military superiority. Moreover, we know that foreign countries are interested in or experimenting with technologies that could be used to develop counter-space capabilities. We must also view our space systems and capabilities as part of the same critical infrastructure that needs protections.

With regard to narcotics, Mr. Chairman, 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 to our counter-drug programs.

Colombia, Bolivia and Peru continue to supply all the cocaine consumed worldwide, including the United States. Coca cultivation is down significantly in Bolivia and Peru. 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 the year 2000.

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

No country has become 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 anti-drug effort that features measures to curb expanding coca cultivation. He's also cooperating with the United States on other important bilateral counternarcotics initiatives such as extradition.

The 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 the FARC, which earns

millions of dollars from taxation and other involvement in drug trade. Founded more than 35 years ago, committed to land reform, the FARC had 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 the plan with force. The FARC, for example, could push back on Pastrana by stepping up attacks against spray and interdiction operations.

U.S. involvement is also a key FARC worry. Indeed, in early October FARC leaders declared that U.S. soldiers located in combat areas are legitimate military targets.

The country's other major insurgent group, the National Liberation Army or the 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 a rapid growth of illegal paramilitary groups, which are increasingly vying with the FARC and the ELN for control over drug-growing zones and other strategic areas of rural Colombia. Like the FARC, 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 operations and expand their areas of influence.

Mr. Chairman, let me turn to the Middle East. We are all aware of the violence between the Israelis and Palestinians and the uncertainty it has cast on the prospects for a near-term peace agreement. 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 impact 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 in 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. 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, Mr. Chairman, are the persistent economic problems throughout the region that prevent them from providing adequately for the economic welfare of many of their citizens.

Adding to this challenge is the challenge of demographics. Many of the countries in the Middle East still have population growth rates among the highest in the world, exceeding 3 percent. Job markets will be severely challenged to create openings for the large mass of young people entering the labor forces each year. Mr. Chairman, 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 and high unemployment.

Let me speak for a moment about Iraq, Mr. Chairman. In Iraq, Saddam Hussein has grown more confident in his ability to hold on to power. He maintains a tight handle on the internal unrest, despite the erosion of his overall military capabilities. High oil prices and Saddam's use of the oil-for-food program have helped to manage domestic pressure. The program has helped to meet basic food and medicine needs of the population.

There are still important constraints on Saddam's power: The UN controls his oil revenues, his economic infrastructure is in long-term decline, and his ability to project power outside of Iraq's borders is severely limited, largely because of the effectiveness and enforcement of no-fly zones. His military is roughly half the size it was during the Gulf War and remains under a tight embargo. He has trouble efficiently moving forces and supplies, a direct result of sanctions. These difficulties were recently demonstrated by his deployment of troops to western Iraq, 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 by making violations a routine occurrence for which he pays no penalty.

He 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.

Our most serious concern with Saddam Hussein must be the likelihood that he will seek 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.

Turning now to Iraq's neighbor, Iran, events in 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 privilege 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 in the near term are 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.

Despite Iran's uncertain domestic prospects, Mr. Chairman, it is clear that Khatami's appeal and promise for reform, thus far, as well as the changing world economy, have contributed to a run of successes for Iran in the foreign policy 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 of 1979.

Higher oil prices have temporarily eased the government's need to address difficult and politically controversial economic problems. Iran's desire to end its isolation, however, has not resulted in a decline in its willingness to use terrorism to pursue strategic foreign policy goals. Tehran, in fact, has increased its support to terrorist groups opposed to peace negotiations over the past two years.

Let me turn to North Korea, Mr. Chairman. Pyongyang's bold diplomatic outreach to the international community and engagement with South Korea reflect a significant change in strategy. The strategy is designed to assure the continued survival of Kim Jong Il by ending Pyongyang'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 to you that we have not yet seen a significant diminution of the threat from North to American and South Korean interests. Pyongyang still believes that a strong military, capable of projecting power in the region, is an essential element of national power. Pyongyang'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 in reserves. While allied forces still have the quali-

tative 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, Pyongyang is also expanding its short- and medium-range missile inventory, putting our allies at risk.

On the economic front, there are few signs of real systemic or domestic reform. Kim has recently shown interest in practical measures to redress economic problems, most notably with his trip to Shanghai. To date, however, he 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 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 the propaganda of the regime. Economic engagement can also 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 possibility in Korea.

Mr. Chairman, let me focus on 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, Mr. Chairman. 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 U.S. 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. In the election last March, President Jiang ushered in a divided government. Profound mutual distrust makes it difficult to restart the on-again/off-again bilateral political dialogue.

In the longer term, Mr. Chairman, cross-strait relations can even be more volatile because of Beijing's military modernization program. China's military buildup is also aimed at deterring U.S. 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 U.S. policies that they see as unfriendly to their interests, especially national missile defense.

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 the way to force Chinese state-owned enterprises to compete more effectively with foreign countries. But Beijing may slow the pace of WTO-related reforms if the leadership perceives a rise in social unrest that can threaten regime stability.

Chinese leaders already see disturbing trends in this regard. The crackdown on the Falun Gong, underground Christians and other spiritual and religious groups reflects growing alarm about the 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.

Mr. Chairman, 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, he has begun to reconstitute the upper house of parliament with an eye toward depriving regional governors of their ex-officio membership by 2002. He has moved forcefully against Russian independent media, including one of Russia's most prominent oligarchs, Vladimir Gusinsky, pressing him to give up his independent television station and thereby minimize critical media.

Moscow may also 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 U.S. influence globally.

At the same time, Putin is making efforts to check U.S. 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. He is dragging his feet on treaty-mandated withdrawal of forces from Moldova and is using a range of pressure tactics against Georgia. Putin has also increased fund-

ing for the military, although years of increases would be needed to deal with the backlog of problems that built up the armed forces under Yeltsin.

The war in Chechnya is eroding morale and 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 Russians 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, he 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 challenges if Russia is to sustain economic growth and political stability over the long term.

Without debt restructuring, for example, he will face hard choices through 2003. Russia will owe nearly $48 billion spread over the next three years. Domestic and foreign investment is crucial. 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 investors' rights.

Mr. Chairman, let me just close with South Asia. And we can talk about the rest. At this point, Mr. Chairman, 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 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 to 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. Just last week, 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 to agree to direct, unconditional talks.

Tension can easily flare once winter ends or by New Delhi or Islamabad maneuvering for an edge in negotiations. Leadership changes in either country could also 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 ceasefire. In addition, the Kashmir state government's decision to conduct local elections, the first in more than 20 years, will project violence for 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 final word on proliferation. I told you I was worried about the proliferation in 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's a good prospect for another round of nuclear tests.

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

Mr. Chairman, there is more to talk about, but I'll think we'll end there. We've talked about a lot. I appreciate the opportunity, and we stand ready to answer your questions.

Chairman SHELBY. Thank you. We also look forward, Director Tenet, to a closed hearing with you later today.

Director TENET. Yes, sir.

Chairman SHELBY. Director Tenet, you've described some of the uncertainties as to whether China has ceased various proliferation activities that the Chinese government has pledged to end. Leaving aside any legal or policy judgments, can you assure the Committee this morning that, as a purely factual matter, China is no longer—no longer, Mr. Director—engaged in activities that it has agreed to stop?

Director TENET. Mr. Chairman, I break it in two categories. In my testimony I was clear that I'm concerned about contacts on the nuclear issue, particularly. And on the ballistic missile pledge, we continue to monitor it and we believe they continue to make good on those pledges.

The point I make to you is, proliferation behavior is deeply embedded. We need to watch these carefully. We need to watch for signs of changes. So the snapshot today may be a different snapshot six months from now.

Chairman SHELBY. But you're not telling us this morning, are you, as I read your words, understand your words, that China is

no longer engaged in the activities it has agreed to stop. We know the history there.

Director TENET. Sir, I'm factually presenting what we know to be true, in telling you, I'm watching contacts. There are contacts in some areas that are still worrisome that we watch very, very carefully. So I'm not giving anybody a clean bill of health. In the closed session I'd like to walk through what this evidence means.

The issue is, people make pledges. On the ballistic missile side——

Chairman SHELBY. And some people don't keep them, do they?

Director TENET [continuing]. The pledges appear to be good. On the nuclear side, I have to watch. And this is not something that you can take to the bank.

Chairman SHELBY. Admiral Wilson, do you have a comment on that?

Admiral WILSON. I think you started out, "Can we assure the Committee that these are not going on?"

Chairman SHELBY. Absolutely. Can you, Admiral Wilson, as Director of the Defense Intelligence Agency, assure the Committee that China is no longer—no longer, Admiral—engaged in activities that it has agreed to stop?

Admiral WILSON. I could not assure the Committee of that, no, sir.

Chairman SHELBY. Mr. Secretary? Secretary Fingar, could you assure the Committee this morning that China is no longer engaged in activities, such as proliferation and weapons of mass destruction and so forth that it has agreed to stop?

Mr. FINGAR. We cannot provide that assurance today.

Chairman SHELBY. Okay.

Senator FEINSTEIN. Could you speak up, please?

Mr. FINGAR. We cannot provide that assurance.

Chairman SHELBY. You cannot assure the Committee, and, in other words, the American people.

Director Tenet, I want to go back to the National Security Act of 1947 that we're all familiar with. Much of the organization structure of the Department of Defense and the intelligence community is derived from the National Security Act of 1947. Today's structure is a result of the Cold War rather than a view to the threats of the future. We've talked about this in the Committee before.

Hypothetically, if you were drafting the National Security Act of 2001, how would you organize the intelligence community of the future, because we have to think of the future and learn from the past. Who would be in charge of intelligence for the U.S. and what would be that person's duties? I said hypothetically.

Director TENET. That's a big hypothetical question, Mr. Chairman.

Chairman SHELBY. But it's something that we have to look at.

Director TENET. Yes. I take Senator Graham's comments in his opening statement as well.

I don't know that we'd design it the same way if we had it to do all over again. I think that the requirement for a director of central intelligence, someone who sits on top of a process, remains an absolute necessity. The collection stovepipes that we've created over the past number of years, one of the principal things we need

to do is enhance collaboration and the flow of information across these stovepipes to move information faster than we ever have before.

Now, in the modern world of Internet technology, routers and switches, I'm not concerned about wire diagrams if first we didn't apply modern technology on how to move information, create an analytical synergy that we continually work on, before I destroyed buildings and boxes.

The other thing I would say that is absolutely required is the relationship—and Admiral Wilson may want to talk about this—the relationship between the national community and the tactical community has to be shored up in a very substantial way. There is synergy there. Investments on the national side must be mirrored by what we do to provide support to our commanders in the field and the intelligence that we provide to CINCs.

Chairman SHELBY. You're talking about strategic versus tactical.

Director TENET. Yes. And, in fact, it should be a distinction without a difference. But resources and planning between the DCI and the Secretary of Defense have to ensure that CINCs have indigenous assets at their disposal, analytical power at their disposal, that meet their unique needs, so that you don't have offloading from one side to the other and tension in a world that is already resource-constrained and an overabundance of requirements for us to meet.

Some people have talked, Mr. Chairman, about the creation of a single collection agency, taking the imagery and SIGINT, putting it together in one place.

Chairman SHELBY. What would be your view there?

Director TENET. I think you're just going to create a bigger bureaucracy and a more difficult situation.

My preference and the challenge I think you should bring to bear on us is: How do we apply the modern collaboration tools in the modern world to bring collection together? When we design processing and exploitation tools for SIGINT or imagery, you should challenge us to design it for both. Your challenge should be bringing disciplines together harder and faster than we have thus far to compete in the movement of information the way the modern world moves information. We have to be as fast and as agile as commercial competitors are in the private sector of delivering you——

Chairman SHELBY. As fast or faster maybe?

Director TENET. Well, as fast, sir, because the truth is that wisdom in sifting out facts is still an art form that we have a comparative advantage in. But adopting the Web, collaboration with information technology, moving information faster, breaking down stovepipes, those are all issues that don't go to wire diagrams, but really go to the heart of what we've been trying to do over the last three years in our own program.

Chairman SHELBY. What do you recommend specifically? I know my time's up.

Director TENET. The specific piece that I recommend, Mr. Chairman——

Chairman SHELBY. We're talking about—we've got you in a hypothetical.

Director TENET. Well, it's hypothetical, but we're working on it today. We need to take modern web-based technology and——

Chairman SHELBY. Absolutely.

Director TENET [continuing]. Apply it to our business relentlessly.

It frees money for mission, it lashes up our analysts and collectors in ways that it hasn't done before. It is proven that we can overcome the security concerns that are involved in it, and we need to act like a modern corporation acts in terms of information flows. I think that's at the heart of it, but it's not just the intelligence business. It's how we communicate with our embassies and bases overseas, how we communicate with our military commanders.

The communications backbone for the national security infrastructure, writ large, is something no one pays attention to. The truth is we don't have the bandwidth we need, the truth is we haven't lashed up, and we don't move data in pipes the way we need to. We've got to put digital data imagery, diplomatic information in tubes that connect this world in ways—the United States has to connect itself, if it's going to work more efficiently.

Chairman SHELBY. We're going to have to do this. I know Senator Graham has been generous with putting up with my time.

Senator Graham, you can pursue what you want to.

Vice Chairman GRAHAM. Thank you, Mr. Chairman. Mr. Chairman, I would like to defer until the end, when the Democratic Senators have had an opportunity to question, so that our new members can put their questions now.

So if I could, I'd like to defer to Senator Rockefeller.

Senator ROCKEFELLER. Thank you, Senator Graham.

First of all, I want to say that I thought all three of the written testimonies were absolutely superb and at a higher level than I'm accustomed to receiving in the other Committees that I serve on and highly focused and very, very interesting.

If there's anything that can be said about Chinese history it's they've never—over 5,000 years, they've never understood stability. There's never been a day of stability, there's never been a day of democracy, never been a day when there hasn't been either warlords or outside groups or somebody trying to disrupt. So you come to this phenomenon recently of the Falun Gong, which we focus on and almost interpret what China will become or is becoming or what its fears and paranoias might be.

But in fact, if they—I guess they now estimate two million, down from five million, members. Does this show simply a traditional Chinese instinct which is made uncomfortable by disorder, which has a very long and a very well-deserved history? Or is this at play something between the older leaders and the emerging leaders to which you refer, which will become more apparent at the next party congress?

I'm just interested in the by-play of the religious movement and the contest for leadership.

Director TENET. I'm not a China expert, but my take on all this, in trying to think through what all this means, Senator, is the Chinese are searching for an ethos that they don't currently have, that the Communist ideology doesn't provide them. What is shocking to the government about the Falun Gong, or any other mass move-

ment, is just the fact that it exists, the fact that they showed up and demonstrated and surprised them, the fact that they're organized, the fact that they communicate on the Internet.

So all of these things, in addition to whatever ethos the Chinese people are searching for that's not being provided, portends an enormous organizational challenge to what the Communist Party believes its legitimacy is.

So all of these forces at work—the changing Chinese economy, the disparity between rural and urban Chinese areas, the party corruption that is so rampant—all of these things create a cauldron that we have to pay careful attention to.

And you can keep focused on all the other things, but the next five to 10 years, from my perspective, the interesting question is, tell me what the political framework in China is going to look like when all these forces get unleashed, tell me what the price is the regime will pay for WTO accession and how it manages all that and can you keep all that boxed up? You know, it will be very interesting.

But I think, in addition to their military modernization and their outreach in Asia, the other things that we're concerned about, proliferation behavior, we need to pay careful attention to this internal target to understand what it's about.

Senator ROCKEFELLER. Well, one reason I raise that—and this all was in the newspapers—was there was some suggestion that, for example, in the 1996 missile launches on Taiwan—which, in fact, I guess, ended up being empty—the missiles were empty, but nevertheless they took off and landed, went over, fell short—but that there was some question as to whether those, in fact, were ordered by younger officers in the PLA as opposed to the more senior officers, and therefore does that portend something when you say we need to watch, over the next five or ten years, about what leadership patterns emerge. That's, kind of, a symbolic way of asking that question.

Admiral?

Mr. FINGAR. Senator, let me weave together an answer to that question and build on what the DCI said in commenting on the Falun Gong. The Chinese leaders are riding a tiger. They recognize that, and they fear it. They understand that economic and political problems make them vulnerable to tensions that could arise and topple them at any time.

The existence of Falun Gong attests to the absence of any kind of a spiritual identity. Marxism is the god that died; nothing has replaced it. Materialism, Deng Xiaoping's goal, isn't filling a gap. Falun Gong's existence, combination of philosophy and martial arts, and its connectivity, using the Internet, shocked leaders. The DCI is absolutely right. China's leaders were shocked that groups as large and widespread across the country as the Falun Gong——

Senator ROCKEFELLER. No, I understand your question. And that question was basically answered by the Director. I've moved onto another question, and if you don't care to answer that in public, then tell me so.

It was the interest or the difference between the younger PLA as opposed to the more experienced, older, senior military leaders, in terms of the 1996 attack and what that portends for, what the Di-

rector indicates, the next ten to fifteen years that we have to watch very closely.

Admiral WILSON. A specific answer to what may have been the most important question you ask on the missile launches, I don't believe we have any evidence that they were not fully sanctioned by the chain of command. Whether or not they thought that through well, in terms of the consequences, of course, may have been a post-launch debate because of our reaction.

And I believe there is a lot of debate on the military side in China about what the right strategy to follow is. But on the missile launches, no evidence of rogue, for example, officers doing anything.

Director TENET. You've asked, Senator, a very important question about what the generational change looks like. The implication of your question is that the younger generation may be more vehement about maintaining regime control than we know or think. But that's something we should come back to you on. Let me get some people to work on that for you and tell you what our view is.

Senator ROCKEFELLER. Thank you.

Chairman SHELBY. Senator Roberts.

Senator ROBERTS. Yes, thank you, Mr. Chairman.

We have the Bremer Commission, the Gilmore Commission, the CSIS study, the Hart-Rudman Commission and several others. The Hart-Rudman Commission and General Boyd just released their findings about a week ago.

And they said that homeland defense, in regard to terrorism, is now our number one national priority in regard to American security. When we asked Secretary Rumsfeld some questions on the Armed Services Committee, "What keeps you up at night?" He talked about terrorism. He talked about access denial. He talked about homeland defense. And he talked about the need for an adequate and beefed up intelligence capability.

Would you agree that this is now our number one national security priority?

Director TENET. I agree with your statement, sir.

Senator ROBERTS. We're going to have a hearing. I say we—Senator Gregg, who is the chairman of the Justice Department Appropriations, where they are the lead agency in regards to terrorism, and Senator Shelby is going to be participating in that, the distinguished chairman. I'm going to, as the chairman of the Emerging Threats Subcommittee, and Senator Warner of the Armed Services Committee.

We have identified 46 federal agencies that have some degree of involvement and jurisdiction in regards to the homeland defense issue, the terrorism issue. And we talk about stovepipes, if we have 46 agencies, it seems to me that we better get at it and try to get our arms around it in better fashion.

We've made progress; don't misunderstand me. We're going to invite you or your designee to attend. We're going to ask: What's your mission? What do you do? And who do you report to?

I can tell you the chart, in regards to the 46 agencies, looks a lot like other charts that we—well, that are very confusing, to say the least. So we'll welcome your participation in that hearing.

Submarines: Rear Admiral Fages testified before the Armed Services Committee last year and said the following: "Employing currently available on-board imagery, SIGINT equipment and unmanned remotely-controlled air and undersea vehicles, in the future, the submarine can gather intelligence that no other national asset can duplicate."

Director Tenet, do you agree with the value of the submarine force in the critical intelligence collection efforts of the U.S.? You're answer is yes, right?

Director TENET. Yes, that's very important to us.

Senator ROBERTS. Right, thank you.

Then, will you enthusiastically support the Navy in obtaining the number of submarines they need to meet your mission requirements?

Director TENET. Maybe.

Senator ROBERTS. Maybe? Will you enthusiastically maybe support that?

Director TENET. Sir, when we make all of these collection decisions, I look at a whole range of investment decisions and collection items. The submarine is an important component, as is my overhead satellite constellation, as is my human collection.

Senator ROBERTS. I know, they're all important.

Director TENET. No, but the balance is right.

Senator ROBERTS. I know the balance is right. Let me give you my little editorial.

You know, yourself, that when we invite you up to the Intelligence Committee, when the distinguished Chairman, the ranking member have you come up, it's usually a gee-whiz deal.

"Gee-whiz, why did that happen? Oh, my gosh." And then when we take a look at how we get the intelligence, how we assess it and so on and so forth, and it worries me that we're headed for some problems.

Now, I'm quoting from some testimony that's public, so I'm not going to get into the closed session hearing, but I think you can tell where I'm headed.

Director TENET. Yes, sir.

Senator ROBERTS. Page four of your testimony: "Russian entities are a significant source of dual-use, biotechnology chemicals." Dr. Pak, P–A–K, who is the Russian munitions agency head, came to town just a couple of days ago and assured Chairman Warner that the Russians are no longer making any biological weaponry and chemical weaponry.

I am in charge of the program, the CTR program, the Cooperative Threat Reduction program and the money for that. I need to understand that the Russians are telling us the truth in regard to their efforts in regard to nuclear, chemical and biological weapons for programs. I need an assessment. You'll probably tell me that you're going to go to that a little bit more in closed session; is that correct?

Director TENET. Yes, sir.

Senator ROBERTS. I want to send a little message to Dr. Pak that you're going to do that and that they have to be not only transparent, but they have to assure us that that is taking place or the money will not be forthcoming.

Lieutenant Commander Michael Speicher, KIA in 1991, MIA in 2001. President Clinton said the following, as of last month, he indicated that the commander might still be alive. "We've already begun working to try to determine whether, in fact, he's alive; if he is, where he is and how we can get him out," the President said, "because since he was a uniformed service person he's clearly entitled to be released, and we're going to do everything we can to get him out."

Senator Shelby, Senator Smith more especially, who came on the issue in 1996, I came on it in 1998, feel we've lost one of our own and we've left him behind. We think the system failed, we're trying to fix it.

Written testimony, if you could respond to the following questions. Please describe in regard to our efforts to establish within the intelligence community, quote, "An analytic capability with responsibility for intelligence and the support of the activities of the U.S. relating to POW and missing persons." We passed that in the authorization bill. We hope that there's been a big change, and I need to know the progress you've made in establishing this capability in regard to status, budget and the breadth of its activities.

To what extent has the new capability drawn on the resources of the DIA? I want to thank Admiral Wilson for his excellent work in this respect. I want to make sure that Admiral Wilson's right arm knows what your left arm is doing or vice versa. What is the role of the DIA as an organization, the DIA personnel in establishing this capacity?

And lastly, has compliance with this legislative directive changed the organizational relationship of the previous existing office structures within the CIA and the DIA? And I hope that's the case, and I would request a written report.

Now, on the same subject, just a couple of months ago the IG of the CIA and DOD gave a "noteworthy"—I'm quoting—"noteworthy assessment of the intelligence community support of the Speicher case, and, in fact, for the general quality of intelligence support for the POW–MIA matters." I don't agree. I think it's noteworthy all right, but it's not the same connotation that was in that report.

Were the factors that contributed to this allegedly high-level work in place in the early and mid-90s, when most of the effort now regarded as incomplete—and that's the nicest way I can put it—in regard to the Speicher case, were they considered in that IG report?

Director TENET. I don't know, sir. I'll have to check for you. I don't know. Do you know?

Admiral WILSON. The IG looked back as far as we had records dealing with the issue, but it was an independent investigation.

Senator ROBERTS. From '91 up to '96, were those factors considered, Tom?

Admiral WILSON. As far as I know they were, sir.

Senator ROBERTS. How on Earth could anybody reach the conclusion that they were noteworthy and excellent? That's beyond me.

Admiral WILSON. The conclusions reached were the independent actions of the IG, DOD and CIA IG.

Senator ROBERTS. We might want to have the IG up for a smaller hearing, Mr. Chairman.

Was the evaluation of the IGs based on process alone, or did it also evaluate the extent to which substantive information was developed and analyzed or the utility of intelligence for operational and policy purposes?

You mentioned before, getting this information is one thing, assessing it is another thing, and then the trigger to get it out to the field is another thing. Now, this is not—I guess, the U.S.S. Cole example is a better example of that, but that's where I'm headed.

Your assessment of that, Admiral?

Admiral WILSON. I think they evaluated the intelligence work and not the policy bulk of it.

Senator ROBERTS. Or the assessment?

Admiral WILSON. Right.

Senator ROBERTS. Well, I have a lot of trouble with that and I think it's certainly worthy of exploration now, after those questions. Thank you for the job you do.

I note that you have a regional situation here.

I haven't gotten my note yet, Mr. Chairman, so I'm going to go ahead.

I think on your regional assessments, you talked about the drug issue in regard to all the countries in the Southern Command, in the Southern Hemisphere, Hugo Chavez and Venezuela and about 20 percent of our oil supply from Mexico and Venezuela, immigration—not only drugs, but immigration. I'm trying to get people to understand that the Southern Hemisphere, Latin America, and more especially Mr. Chavez, is equally important in vital national security interests, as is the Balkans. Would you agree?

Director TENET. Well, it's important, sir, absolutely given the oil relationship. I didn't mention him in the testimony, but we're prepared to go over that road.

Senator ROBERTS. Okay. Thank you.

Chairman SHELBY. Senator Feinstein?

Senator FEINSTEIN. Thanks very much, Mr. Chairman.

Mr. Tenet and gentlemen, I want to just associate myself with the remarks of Senator Rockefeller. I think your written testimony is excellent, but Mr. Tenet, let me particularly say that I think your kind of state-of-the-world from the intelligence perspective that you just presented to us was really top notch.

Director TENET. Thank you.

Senator FEINSTEIN. I want to say thank you very much.

Let me ask you this question, and I have three questions. If you had to identify, from a United States national security interest perspective, recognizing that missiles can come in suitcases as well as be launched across the Pacific, what would be the three most dangerous proliferators of fissile and missile technology? Who would the three most dangerous countries be today?

Director TENET. The most important proliferators, as I indicated in my testimony, are Russia, China, North Korea. And then the secondary suppliers and the beneficiaries of those proliferation activities, the Pakistanis, Iranians and others, create a second chain of activity. So you know, the kind of technology flows that we see from big states to smaller states and then the inclination of those people to do the secondary proliferation I think is what's most worrisome to me.

The motivation in behavior here is usually not just about money, it's about strategic interests, It's about leverage in parts of the world that people are interested in. It's about what's left in terms of my ability to influence getting you to do something. And so, as I rate it, I think we have a keen sense of the first tier, and then what the second tier does subsequently.

I think next year I'll be talking to you about the implications of secondary proliferation. In other words, the Iranians acquire all this capability. The Russians are intimately involved in helping them develop a ballistic missile. There's nuclear assistance. Where do the Iranians go with that? What set of relationships are they trying to influence?

Senator FEINSTEIN. Sir, where I'm going with this is, as we begin to debate national versus theater missile defense, it seems to me those secondary people become very important in terms of what kind of a missile shield one is going to develop that's really going to be effective against what the future potential threats are. I mean I, for one, don't worry as much about a single North Korean missile coming across the Pacific as I do other things that could be delivered in a much easier way and would obviously not be impacted by a missile shield.

Director TENET. All I can say, Senator, is that, without trying to get into the policy issue, there is an integral relationship between a medium-range ballistic missile and the evolution to an ICBM or a space-launched vehicle. So while you can compartment it in one way, in another way, it's the direct point assistance that allows that MRBM to grow into a longer-range capability.

The question you have to ask yourself, what are those time lines, how fast do I have to be ready? Do I have the luxury of making the bifurcation between theater and national missile defense? And is there some causality between the two?

But I'm trying to give you a very synergistic set of relationships that require the policymakers and you to make plans about, about which, as we know historically, there is the great possibility for surprise here, largely derived by how much foreign assistance is involved in developing these programs.

So the Shahab–3 of today, you know, we can put you on the time line of how fast do the Iranians get to an ICBM capability. And we'll move you out to the right a number of years. Tell me how much Russian and Chinese assistance is in that program and I'll tell you how fast they'll get there. You then have to make a decision about how you balance those things. It's difficult to be sure, very, very difficult.

Senator FEINSTEIN. So, if I understand you, if you had to say the most dangerous—I used the question proliferators, but let me change it—recipients of proliferation materials in terms of impacting our national interests, who would the top secondary tier be?

Director TENET. Well, you have to worry about the Iranians. You have to worry about what the North Koreans are going to do and who they proliferate. Look, the whole—let's take the Middle East as a region right now. Everybody has a medium-range ballistic missile capability. Libyans have one, the Iranians have one—everybody wants to acquire that capability. So in essence, I would say to you, U.S. forces in the region are already at risk.

Now the question is how far does it vibrate? Where do the Russian, Chinese, North Korean relationships take you over the course of time and how fast do they proliferate to technology? How much money do they want to make?

So it's a hard question. I'm not trying to be evasive, but there's no easy answer here. And this threat continues to migrate. You have a couple of choices: choose to do nothing about it or you can choose to figure out what the appropriate defensive posture should be in your own thinking about offense and defense.

Senator FEINSTEIN. Now, in view of my first question—I don't mean to cut you off——

Director TENET. No, I'm sorry.

Senator FEINSTEIN [continuing]. But I've got three questions I want to ask.

Director TENET. I apologize.

Senator FEINSTEIN. The second question goes then to the election that took place in Israel last night, or yesterday.

Director TENET. Yes, ma'am.

Senator FEINSTEIN. And the impact that you see for the intelligence community of that election, specifically as it might impact added violence.

Director TENET. I think at this point to speculate on that would be a big mistake. I think we ought to let this settle for a while and see what transpires, see what the dynamic is between the Sharon government and the Palestinians, but try not to make any conclusions about where this is going to go. I think that would be a big mistake on my part. And I could speculate, but I don't want to do that here.

Senator FEINSTEIN. Do you believe that Asian and European countries, in terms of their opposition to missile defense programs, differentiate between theater and national missile defense?

Director TENET. I don't know the answer to the question. I need to get back to you about that. But let me also say something else to you about foreign reactions to missile defense. It's interesting, it's sort of free at this moment. There is nothing to react to other than a concept at this moment, so it's free for everybody.

So people portray what they may or may not do, and indeed we can posit what reactions will be on the part of the Chinese and Russians and others, but the fact is there isn't a program to react to and the consultative process hasn't occurred yet, even though there may be some downstream reactions.

But I will come back to you on that question. I don't have a clear answer in my head.

Senator FEINSTEIN. Thank you very much.

Thanks, Mr. Chairman.

Chairman SHELBY. Senator Thompson, we welcome you to the Committee and we recognize you.

Senator THOMPSON. Thank you very much, Mr. Chairman.

Gentlemen, I'd like to ask your views regarding the attitude of the leadership of the Chinese government toward the U.S. today. One of the most difficult things our country faces is how to deal with another great power that may turn out to be friendly, that we're trying to make friendly, that we're trying to engage, while re-

alizing at the same time things may not work out the way we want.

We understand that economic reform is taking place in China and there are economic pressures there bringing that about. We also understand from your statements here today that China is in large part dependent upon Western markets and Western technology. We are opening trade with them, obviously. We are sending them some of our most sophisticated high-performance computers.

Over the last several years, the United States has overlooked much of China's proliferation activities. We've caught China time and time again with regard to their assistance to Pakistan, Iran, and so forth. It seems that, while China is one of the countries that prefers that the United States not have a missile defense system, certainly along the lines of what we're discussing, that we have reached out in that direction.

We also know that China is engaged in military modernization and buildup, including nuclear capability associated with their ICBM forces, as well as strategic missiles that could be used in the Taiwan Straits.

From your testimony today, we know China intends to expand their area of influence, and intends to be the major East Asia power. China looks upon us as being the prime threat to this goal. You've mentioned the possible pending treaty with Russia, which, I think it is fair to say, reflects a negative perception of the United States in many respects.

We also know China continues their proliferation activities. What they're doing today we might debate on, but we know for the course of several years China, along with Russia and North Korea, has been proliferating technology for weapons of mass destruction.

Recently, publications such as the "China National Defense 2000" white paper that the PRC released in October of 2000 noted "new negative developments in the security situation." Most of the negative tone had to do with the United States of America, actions that the United States had taken. This paper suggested that China might take all drastic measures possible, including the use of force, if Taiwan refused to negotiate on reunification.

Some time ago, Michael Pillsbury published "China Debates the Future Security Environment." I don't know if you're familiar with that work, but it's a collection of the prominent Chinese writers and their assessment of the security situation. They're not in total agreement, but I think it can be fairly characterized as concluding that the United States is in decline, that conflicts of interest are almost inevitable, and offered a really very negative assessment as to what the future would hold.

Were you surprised at the relatively harsh tone of the 2000 white paper? And what do you make of these writings by the Chinese intellectuals, leaders and military experts? I think the American people and the Congress, for the most part, think that we're making substantial progress in our outreach program, while underlying all of this we have a substantial buildup and what seems, to me, anyway, increasingly harsh rhetoric about what the future holds.

Would you just discuss that for a few minutes with us?

Mr. FINGAR. Senator, you've identified a large number of very important and interrelated questions. I'm going to pick out a few of them.

The first was how we think Chinese leaders view the United States. Ambivalent is my short answer. We are terribly important to them for development, for the peaceful international environment which has enabled them to make the tremendous progress that they have over the last two decades.

They aspire to be a major player. They think of themselves already as a major player. We are the key—not just the obstacle, but the key to their success. When they see manifestations of a unipolar world, it makes them very uncomfortable. We are it. They need us for development. They worry about us on Taiwan. Taiwan is a neuralgic issue and their——

Senator THOMPSON. Excuse me. When you say they need us, you're talking about markets, you're talking about goods, you're talking about our technology?

Mr. FINGAR. And not having us as an enemy. Their ability to deal with their internal problems is dependent in no small measure on them not having to deal with us as an active adversary, and on not having an unsettled condition in Northeast Asia where we have an adversarial relationship with them.

The other point I would like to pick out is in the way in which the Chinese talk about us, our military. In some respects, it's a mirror image of the testimony that all of us have prepared. We talk about Russia and China, not small and less significant countries. As they think about challenges, as they think about what kind of military they aspire to, we're it. We're the yardstick.

And if you go to justify budgets in China, you need a formidable adversary.

The latest Chinese white paper is more negative than the last one which they produced. I believe that reflects, in part, the political cycle in China and, in part, the perceptions of relations among the U.S., China, and Taiwan with respect to WTO, and other matters at the time it was being prepared.

Senator THOMPSON. All right. My time is up, I see.

Chairman SHELBY. Senator Kyl?

Senator KYL. Thank you, Mr. Chairman.

This last weekend in Munich, at an annual defense conference called Wehrkunde, a number of NATO ministers, including Secretary Rumsfeld and also State Security Secretary Igor Ivanov of Russia made presentations.

Ivanov made the point that an alternative to ballistic missile defense, which, of course, he opposed the United States deploying, was export controls. I had the same reaction that you just did, Mr. Tenet. And let me quote a couple of things you've said and ask for your reaction.

Among the things you said in your testimony were that: "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." You were referring to the lesser countries in development of their programs.

You began by discussion of the Russian program. A "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."

You went on to talk about the support for the Iranian nuclear program as well as some other dual-use transfer of technology for biological and chemical weaponry.

Would it be correct to conclude that export controls and arms control agreements and sanctions have failed to stem the acceleration of proliferation of missile and weapons of mass destruction technology to these kinds of countries?

Director TENET. Senator, the fact is that the Russian export control system has almost been nonexistent. So, you know, I can't prove the negative. In other words, if you had an export control system that was enforceable, that when we went to the Russians with specific cases, action was taken against it, and you understood precisely the input and output, then we might be able to have a reasonable debate.

But in and of itself, in the current situation, Russia export controls, in the absence of real policy to shut a border down and take action, I'm afraid would be ineffective, in and of itself.

Senator KYL. As a matter of fact, they've made numerous and repeated commitments to us, specifically with respect to Iran, that they would not transfer this kind of technology, have they not?

Director TENET. Yes, there have been—and we can talk about it in closed session more fulsomely—but there has been a great interaction on these things.

And we understand—I understand the problems of, you know, many companies, many research institutes—I understand all of those issues. But it's counter-intuitive that what was once the Soviet Union can't get on top of a situation as difficult as this one appears to be from our perspective. And it's also counter-intuitive as to why the Russians would like to see an Iranian ballistic missile capability develop that could also, you know, threaten them and their interests in some way, shape or form.

So, you know, in many ways, this Russian-Iranian relationship, from my point of view, has been the proximate cause of a great deal of worry about how we are going to be able to deal with these threats in the future.

Senator KYL. And it's also true—and you infer this or maybe even directly state it in your testimony—that you might start with a country like Russia, which may assist a country like China, which may assist a country like North Korea, which then may sell to another country. So this becomes synergistic among the countries participating as well.

Director TENET. Those are the kinds of relationships that are most difficult for us to understand. So while you're looking at the front door, it's the back door and the nexus of relationships that you and I would not normally believe would be extant because of geopolitical issues or traditional. You know, we work very, very hard at understanding what these webs look like. And I think that's my greater—the secondary proliferation issue is the one that I'm worried about the most.

Senator KYL. Also, in response to Senator Feinstein, I think you made a point that really bears repeating here, because, as you point out, the biggest—and incidentally, there was a recent report provided just last week to the Committee, which talked, among other things, about the assistance by Russian entities helping Iran save years in the development of Shahab-3 program, playing a critical role in Iran's ability to develop more sophisticated and longer-range missiles.

You made the point to Senator Feinstein, as I understand it, that surprise is a key problem here for us. We simply don't know. And that the biggest contributor to surprise is the assistance by countries like Russia or China, for example, because instead of having to rely upon an indigenously-produced program, which we can monitor, you never know when that transfer of technology has aided a country like Iran.

Director TENET. And as these countries become more sophisticated indigenously, that assistance becomes a bigger driver in someone's ability to complete their work.

And the other thing is that people need the—we are not talking about unsophisticated countries. When you talk about Iraq and Iran, people need to understand these are countries with sophisticated capabilities, sophisticated technology, digital communications.

So this is not some Third World relief effort that the Russians are engaging in. There's already extant a base that people can build from that is my greatest worry. It is that foreign assistance piece that you have to have very precise intelligence to understand and sometimes you get it and sometimes you don't.

But these time lines all become illusory when we put time lines on graphs. They don't mean very much in that context.

Chairman SHELBY. Including engineering and scientific capability in that, right?

Director TENET. It's the human dimension of this that is most difficult to understand and track.

Senator KYL. Thank you very much.

Chairman SHELBY. Senator Wyden, we welcome you to this Committee.

Senator WYDEN. Thank you, Mr. Chairman. I'm pleased to be able to serve and, Mr. Director, pleased to have this time with you.

My first question would be how would you assess the willingness and the ability of the Palestinian Authority today to control violence in Gaza in the areas of the West Bank under its control?

Director TENET. Senator, I'd love to talk about all this in closed session, but I think that having this kind of discussion, in light of this recent election, in the open is not going to help anybody.

Senator WYDEN. I respect your desire, and know that the election changes it, but that's why I asked about the PLO and their current capability. And if you want to pursue it in closed session, we'll do that.

Director TENET. I'd be pleased to do that, sir.

Senator WYDEN. With respect to terrorism, there is no question that modern terrorists today are not technological simpletons. These are very savvy, sophisticated people. And I've been particularly concerned about the published reports of late that terrorist

groups are using free encryption Internet programs. And I would like you to tell us, and I would hope that we could discuss this a bit this morning, whether you see the use of such an approach increasing and what you attribute it to.

Director TENET. You attribute it to operational security, ease of use, access to large numbers of people for recruiting or financial gain. You attribute it to the same reasons that you or I would use the Internet or any company would use the Internet: either sell your product, recruit people to your company, get your products known to people and it's also, from a security perspective, much more difficult to track.

So, you know, you recruit people on Internet sites and you use encryption. You move your operational planning and judgments over Internet sites by use of encryption. You raise money—nonprofit organizations who have a direct relationship to terrorist organizations because the money is fungible, all of this—we're in the modern world, they're in the modern world and it's not very, very difficult.

Senator WYDEN. And you see increased use inevitable as a result of the fact that these products are——

Director TENET. Absolutely. Absolutely, and it raises—I mean, if—we should talk about more of this in closed session. But from an operational perspective, you know, particularly if you're based in the United States and you're an American, you have those rights. Well, you know, getting the predicate to have legal action to sort of do all the FISA kinds of things that matter is a difficult proposition to understand their operating environments as well and how laws protect your ability to operate.

Senator WYDEN. And I do want to discuss this more with you in the closed session.

Director TENET. Okay.

Senator WYDEN. Admiral Wilson, a question for you about Cuba. Is Cuba, in your view, a military threat to the United States?

Admiral WILSON. Cuba is, Senator, not a strong conventional military threat, but their ability to deploy asymmetric tactics against our military superiority would be significant. They have strong intelligence apparatus, good security and the potential to disrupt our military through asymmetric tactics. And I think that is the biggest threat that they present to our military.

Senator WYDEN. What would be an example of an asymmetric tactic that you're speaking of?

Admiral WILSON. Using information warfare or computer network attack, for example, to be able to disrupt our access or flow of forces to the region.

Senator WYDEN. And you would say that there is a real threat that they might go that route.

Admiral WILSON. There is certainly the potential for them to employ those kind of tactics against our modern and superior military.

Senator WYDEN. What can you tell us, again in a public session, about the state of Mr. Castro's health, his most likely successor, the whole question of a transition to Cuba? And I've got a little bit of a bias: My dad was an author who died not long ago and he wrote a book about the Bay of Pigs called "The Untold Story," and the family is especially proud of it, so I have an interest in this

area. And, again, this is a public session, but what could you comment on publicly in this regard?

Admiral WILSON. Well, I think the DCI probably has better information. I would say if you look at the track record of predicting the decline in his health for the last 30 years, it tells you you shouldn't go too much further in trying to predict it for the next few years. The DCI probably has——

Director TENET. He's got a great gene pool, is all I can say. I think he's going to be around for a while.

Senator WYDEN. Right. I want to talk about that some more in a closed session.

Mr. Chairman, I thank you and I'm very pleased to be with you and Senator Graham, two colleagues I have especially enjoyed working with. I thank you.

Chairman SHELBY. Senator Durbin, we also welcome you to the Committee.

Senator DURBIN. Thank you, Mr. Chairman, I have a lot to learn, and I confess that, and I hope my questions are reasonable, in light of my new arrival on this Committee. I'm still struggling with "Arobust," "transparent," and "asymmetrical." [Laughter.]

When I get those nailed down I'm going to be in much better shape here.

On the question of proliferation, we tend to focus on nuclear, biological and chemical weapons. But, Director Tenet, I'd like to ask you, do you feel that there is any danger that the United States' sale of what we term conventional weaponry around the world creates destabilizing situations?

Director TENET. I never thought about it from that perspective, to be honest with you.

We pursue these relationships—I mean, from the perspective of how other people perceive them, perhaps, but there's a difference between our pursuit of our legitimate needs to help allies and friends beef up capability. And, certainly, we take very rigorous steps to ensure that we don't put out technology that we don't want to maintain a unilateral advantage in for ourselves, versus a mentality on the part of some countries that everything's for sale; you can have anything you want in the inventory.

So I guess I don't, but I need to think about it a bit. I haven't thought about it from that perspective.

Senator DURBIN. If you would reflect on it, you might look at this morning's paper, where Argentina has said that it's not interested in an arms race with Chile, despite our sales of F–16s from Lockheed Martin to Chile.

And it raised a question in my mind—South America was the first time it came to my attention, where we were selling what appeared to be off-the-shelf, fairly conventional weaponry, but inviting rivalries and many arms races in parts of the world that, frankly, need to be investing in a lot of things, including their own security. And I'd like to pursue that with you at some other time, because as you've said, it is something we both should think about a little more.

A year ago I went to Africa to take a look at food programs and microcredit, and I was overwhelmed by the AIDS epidemic. That's what I ended up focusing on, and I've been focusing on it ever

since. And if the figures I remember are correct, 25 million infected people, HIV-infected in Africa, 12 million orphans. And now I read last week that one out of every five South Africans is infected with HIV.

I've also read that, even though these staggering figures tend to point to that continent, the fastest growth in the AIDS epidemic is in India.

Can you comment, and I know you already have in your opening statement here, what is the impact of this kind of epidemic at these levels on Third World countries in terms of our future relationship with them and our responsibility?

Director TENET. Look, we've done a lot of work on this, and we'll catch you up on it, in terms of infectious diseases, demographic changes, population shifts, all the things that—but for a continent like Africa, the devastating quality of what it does to civil life: How it undermines leadership structures, how it just basically takes generations out of play, can't be understated. You create even bigger disasters than already exist.

And then you have refugee flows, and then you have economic disasters, and then you have civil wars that result that require exfiltration and some kind of involvement whether you choose to or not.

And while we all believe we're immune from all this, we're not immune from all this, because if you are our European friends and you look at the epidemic and you look at it migrating north to North Africa, then you can posit a situation where refugee flows become a very serious issue for you.

So the human devastation here and its impact on civil society, government, the ability to relate to people, all, I think, are traumatic in terms of the impact.

Now, the question is: How do you influence all that? And what do you try to influence at the end of the day? And what tools do you have at your disposal?

So, you know, healthy populations are always going to be better than not, because you're just creating this enormous dislocation that at some point somebody has to be responsible for.

Senator DURBIN. The reason I raise it, during the course of the last presidential campaign there was a question asked about what is our strategic and national security interest around the world. And some interesting lines were drawn by each of the candidates between peacekeeping and actual defense of Americans and our territory.

This strikes me as something that falls between. It is just as threatening and destabilizing over the short and long term. And, frankly, if we ignore it, it is at our peril, if I understand your answer. And I hope that, if that is our conclusion, that we will take it to heart when it comes to some of the things that we'll pursue here.

A few months ago, I joined Senator Jack Reed of Rhode Island and went to Colombia and met with President Pastrana. My first trip to South America. And I don't profess to be an expert, but I was overwhelmed by what I found there. And I think you've described it very well in your opening statement—the basically eminent breakdown of control in the country. A country where a heli-

copter rides over coca production just—you see endless acreage, ultimately destined for the United States primarily and partially for Europe.

Interesting to me, though, that when we started on Plan Colombia how lukewarm the rest of South America was about the idea. How do you explain that?

Director TENET. Part of it's us, part of it is our involvement, but the truth is they are going to pay a lot more attention, because of the spillover—the potential spillover out of Colombia. As we make progress against the FARC and the drug trafficking organizations, which is our primary motivation, it's going to spill over into those countries.

So getting the regional partners to step up and understand that they have a vested interest in also paying attention to this, is going to be very important, because this ameba will just migrate—migrate out as you do this.

And while production numbers of cocaine for Peru and Bolivia are down this year compared to Colombia—Colombia is still rising—those countries are not immune from a resuscitation of all that, notwithstanding the important work that they've done in trying to stop the drug flow. But these cartels and the money involved will simply move into these other places. So there's got to be regional support for Pastrana, because they're all going to face it.

Senator DURBIN. I felt that one of the major issues is whether the Colombian army was professional enough to do the job. And the police force had a very good reputation, the army did, but its leader had just left. And I wondered, Admiral Wilson or Director, if you could comment on that?

Admiral WILSON. Senator, I think that the Colombian army is making improvements, but they do have severe weaknesses in mobility, in command and control, and intelligence against what we all know to be an extraordinarily difficult problem, which is an insurgency.

And so, while they're making progress and they can protect the cities, being able to control the countryside is very difficult.

Senator DURBIN. Mr. Chairman, I can't see the lights from where I'm sitting; if my time's up, please let me know.

Chairman SHELBY. It's up.

Senator DURBIN. Is it? Thank you very much.

Chairman SHELBY. Senator Levin?

Senator LEVIN. Thank you, Mr. Chairman.

Just on Colombia first. Do we believe that the army or elements of the army have, in effect, quietly, behind the scenes, allied themselves with the private forces or the cartels to combat the growing strength of that insurgency? Are they still doing it?

Director TENET. Well, we know historically there have been linkages between the army and the paramilitaries.

Senator LEVIN. Do they exist now?

Director TENET. You know, I'll have to get you an answer. I mean, we still look at that very carefully, but I don't know off the top of my head. It is something that we are concerned about.

Senator LEVIN. In answer to I think it was Senator Wyden's question about your assessment on the PLO's use of violence

against Israeli citizens, you answered that you wanted to comment on that in private session.

Director TENET. Yes, sir.

Senator LEVIN. My question is slightly different. Have you made an assessment, not what it is, but have you made an assessment as to whether the PLO has used or sanctioned the use of violence against Israeli citizens in an effort to affect Israeli policy?

Director TENET. I can give you my assessment in closed session.

Senator LEVIN. So you have made an assessment.

Director TENET. Yes, I have.

Senator LEVIN. Now, on national missile defense, last year, in July, you published a classified national intelligence estimate, an NIE, on foreign responses to the deployment of a U.S. national missile defense. And you projected potential Russian, European, Canadian, Chinese and other—excuse me—Asian and Middle Eastern responses, political and military, to a national missile defense deployment by us under two scenarios: the first envisions an agreement with Russia to modify the ABM Treaty; the second considers a U.S. unilateral withdrawal from the treaty. And you also addressed related reactions in responses to theater missile defenses.

First question: Do you plan to update that July 2000 NIE this year? And if so, when would that occur?

Director TENET. I don't have any plans to do it at this moment because I don't know what we're going to be responding to. So it's a steady-state judgment, without understanding what it is that we're going to try and understand the people are going to respond to.

Senator LEVIN. So you're not in the midst of an update. So we'll rely on that, then.

Director TENET. Yes.

Senator LEVIN. Secondly, most of the key judgments in that NIE are classified. But one of the unclassified of the NIE judgments is the following statement: "North Korea, Iran, Iraq"—that's the heading. "The principal targets of U.S. national missile defense are unlikely to eliminate their long-range missile programs because of NMD, and are likely to develop countermeasures."

Now, I assume that continues to be your assessment; is that correct?

Director TENET. I assume that, yes.

Senator LEVIN. Would you get us, either in a classified or unclassified form, the likelihood that those countermeasures will succeed, the sophistication of the countermeasures? Can you get us that for that record?

Director TENET. Sure, absolutely.

Senator LEVIN. Either classified or unclassified.

But for the moment, I think it is significant that it is your assessment that they are likely to develop countermeasures.

Now the next question relates to another unclassified finding on the foreign responses to a national missile defense deployment by us. It's in an annex updating your assessment of the ballistic missile threat to the United States through the year 2015. So we're still on the same subject, but it's now in the annex of the threat assessment.

On the issue of non-missile weapons of mass destruction threat to the U.S., this is what the NIE contains, in an unclassified statement. And this addresses partly what Senator Feinstein has asked, and I think other colleagues have asked as well.

"We project that in the coming years, U.S. territory is probably more likely to be attacked with weapons of mass destruction from non-missile delivery means," parenthesis, "more likely from non-state entities," close parenthesis, "than by missiles, primarily because non-missile delivery means are less costly, easier to acquire and more reliable and accurate. They can also be used without attribution," close quote.

Now that is obviously a very significant finding for the purposes of the debate over national missile defense. And it would be helpful to us if, for the record, you would give us some more detail on the following questions.

One, how much more likely is it that if there were an attack on us it would come from a non-missile delivery means rather than by a missile?

Two, how much less costly is a non-missile delivery means—or are they, because there's more than one?

Three, how much easier to acquire are the non-missile mechanisms?

Four, how much more reliable and accurate are those alternatives that are available to the terrorists or the non-state entities that would use terrorist activity?

Can you do that for the record for us?

Director TENET. Yes, sir.

Senator LEVIN. Now you also said that they can be used without attribution. And I understand what that means, but would you—that's the return address question, is that right? So that a missile, we basically know where it comes from. But if it's a truck bomb or other kind of non-missile delivery system, it's frequently a lot more difficult to know the source, is that correct?

Director TENET. In the immediate time frame.

Senator LEVIN. In fact, long term we sometimes never know the source, isn't that correct sometimes?

Director TENET. Sometimes.

Senator LEVIN. The light is on. Thank you.

Chairman SHELBY. Thank you, Senator Levin.

Director Tenet.—oh, excuse me, I've got to recognize Senator Graham, because he was gracious in yielding his time.

Senator Graham.

Vice Chairman GRAHAM. Thank you, Mr. Chairman.

I'd like to somewhat follow up on the questions that Senator LEVIN just asked from a slightly different perspective, and that is, what is our confidence level in our ability to answer those questions? So my question would be, could you assess our intelligence capability in two areas of major threat, the first being the proliferation capacity and inclination to use weapons of mass destruction, whether they be delivered by missiles or other methodologies?

Director TENET. Do you want it for the record, sir?

Vice Chairman GRAHAM. If you—an answer to the question.

Director TENET. I'd prefer to give it to you for the record.

Vice Chairman GRAHAM. What's that?

Director TENET. I'd prefer to do it for the record, for you.

Vice Chairman GRAHAM. All right. Maybe we could discuss that further this afternoon.

And almost the same question, relative to anti-terrorism: What is our level of confidence in terms of our ability to know, analyze, be able to respond to potential terrorist threats both to U.S. citizens and interests abroad as well as domestically?

And that will then lead to the next question, and that is, if there are gaps in our capacity to understand those two forms of threats, what would be your recommendation as to what would be required to fill those gaps?

A third related question is, there has been a proliferation of open-source information. And you alluded to that in some of your statements. How has that affected the quantity and quality of needed clandestine information?

There are some who would say that there has been a relative decline in our need to have clandestine information because of the increasing availability of open-source information. And therefore, rather than expanding our intelligence capabilities, we can look to an intelligence dividend derived from increased open-source information. I'd be interested in your assessment as to whether that dividend is reality.

Director TENET. Well, I'm not one of those people. I think someone is hallucinating if they think that's true.

But in any event, I think that there is a great importance to acquire open-source information, to sift through the data, primarily to give me an ability to focus clandestine resources more properly. But the truth is, your requirement for clandestine HUMINT capability in particular is rising, not diminishing. And the truth is that most of the answers that the President cares about every morning, with all due respect to all the people sitting on my right, are not going to be found in the newspapers unless somebody leaks it. And that's just the fact of our life.

So the hard targets that we operate against, who use extensive deception and denial, who protect the secrets and protect their intentions, will not be available on the Internet. Although, the open-source data is important to be able to focus my analysts on those truly tough questions and our collectors on those truly tough questions. And if we're exploiting the open-source data adequately, and then synergizing it with our all-source data, it's very, very helpful and important to us.

But it is not a substitute for the clandestine business of intelligence.

Vice Chairman GRAHAM. I'd like to go into that issue further this afternoon.

Director TENET. Okay.

Vice Chairman GRAHAM. To stay with the national missile defense, Senator Roberts and I serve on a commission which has had the charge of trying to assess the security threats to the United States in the post-Cold War era. And consistently our commission has put at the top of that list the proliferation of nuclear and other weapons of mass destruction, and thus, I think it is one of the motivations for a national missile defense to defend against one of the methods of delivering those weapons of mass destruction.

What do you think are the characteristics which will affect the response of foreign nations, both our allies, such as the Europeans, and our potential adversaries, such as the Russians and the Chinese, toward our development of a national missile defense? To be more specific, if we were to approach this through securing a revision of the ABM Treaty, how would that affect the response as opposed a unilateral revocation of the ABM Treaty?

Director TENET. Senator, all of these—and there's a heavy policy component in all of this, but the consultation, the common view of the threat, the what the "it" is, the way you bring allies along, the relative economic pain that countries are experiencing at any moment in time, the competitive dilemmas they have to face, all of these are going to dictate what a country's response is going to be. So we're at the front end.

The Administration has to make some policy decisions. I try to portray the threat. To the extent that people can be brought along and there's a common perception of the threat, the allies are consulted, they understand where you're going, everybody has transparency into the system, and people have some common view of what defense should be and why the policymaker thinks it's an important threat, then it's all going to make it easier.

Not absolutely a slam dunk because there'll be controversy associated with this. But at this moment, I think, until there is a program that people decide on and then a strategy to implement it, I think, you know, there are a thousand flowers blooming about all the things that may happen, and they may or may not happen once this is put in a more holistic policy framework.

So what we focus on is trying to give you a sense of what the threat is; policy response is not our job. And the testimony is explicit about the very important medium-range ballistic missile threat today, and an evolving ballistic missile threat in the future, for which everyone has to make a decision about what you want to do about.

So at this moment, I mean, it's a long-winded answer. As I say, there are multiple factors that make it easier or harder, and you really need to talk to the Secretary and the policymakers to get them to tell you about how they think about these things.

Vice Chairman GRAHAM. Excuse me, Mr. Chairman. Maybe I'll just ask a question we could discuss this afternoon. I don't think you mean to say that it's not a role of the intelligence community to be able to give decisionmakers——

Director TENET. No.

Vice Chairman GRAHAM [continuing]. An assessment of, for instance, will the Chinese respond to a unilateral revocation by, you know, entering into a new nuclear buildup?

Director TENET. No, no, sir, I did not intend to say that at all, because we will be asked that question, and we need to think about all that. I don't have answers to all things off the top of my head.

Vice Chairman GRAHAM. I thank you.

Chairman SHELBY. Director Tenet, were you, basically, reiterating again that the basic role that you and the intelligence agencies you work with and coordinate and oversee have is to provide the intelligence to the policymakers and not to make policy?

Director TENET. That's exactly right, Senator.

Chairman SHELBY. Okay.

I just want to quickly go into NSA and TPED problems. Director Tenet, as Director of CIA, you know all too well that the National Security Agency is in danger of, as we say, of going deaf, due to aging infrastructure and revolutionary changes in a telecommunications environment. We work with you on this. We work with NSA and the Committee and the Appropriations Committee. How are you, as Director of CIA, addressing the serious challenges at NSA?

Director TENET. Well, first, we picked the right guy to go over and lead the organization.

Chairman SHELBY. Absolutely.

Director TENET. And I stay in intimate contact with General Hayden about progress he is making, his strategic plan, his resource needs, and try and portray all those issues. And we're doing that now with the new Secretary of Defense, the President, the Vice President and doing all we can to educate them.

Chairman SHELBY. How important is that task that you're undergoing?

Director TENET. It's very important, because people have a clear understanding of the importance of SIGINT to the country, and so this is, as you know, Senator, my highest priority and something I devote a lot of attention to.

Chairman SHELBY. What you're talking about is signals intelligence?

Director TENET. Yes, sir.

Chairman SHELBY. Thank you.

As a related matter, lack of funding or adequate funding of tasking, processing, exploitation and dissemination, what we call TPED, of intelligence from satellites and other collectors, also threatens to leave us with mountains of imagery that cannot be disseminated in a timely or useful fashion to our policymakers and military users. What steps are you taking there? I know we've had hearings on this.

Director TENET. All I can say at this point is, the President, Vice President, Secretary of Defense care deeply about intelligence. We are going through a process of explaining where we are on our major programs, including TPED on the imagery side. They are paying a great deal of attention to us and will.

Obviously, resource decisions will follow. But, you know, not for this session. You understand where we're migrating on the imagery side, and the processing and exploitation. And its architecture, acquisition skills that NIMA needs are all being put in place by General King. But this is a long pole in the tent that we have to pay a lot of attention to.

Chairman SHELBY. But very important isn't it?

Director TENET. Yes, sir.

Chairman SHELBY. Secretary Rumsfeld has indicated in his confirmation hearing, and also in a conversation that I had with him, before the Senate Armed Services Committee, that intelligence would be a very high priority for him. This morning Senator Graham has talked about how important it is.

Since NSA and NIMA are defense agencies, his cooperation, Director Tenet, it seems to me would be essential enough to build on

and correct the problems for the future. Have you had a chance to discuss these matters and issues with him? And what's been his response?

Director TENET. We're meeting on a regular basis, Mr. Chairman. We have opened these discussions, and he has been very receptive and open to learning more and being helpful. So we have a terrific partnership with the Secretary of Defense.

Chairman SHELBY. Director Tenet, given the vast number of terrorist attacks in Greece, against U.S. persons and companies and those of other Western countries over the years, attacks that basically resulted in few, if any, arrests, if the Olympics were held today, could you assure the President that American athletes and tourists would be safe in Greece?

Director TENET. Let me answer the question this way in open session. I've been very explicit in discussions with the relevant Greek ministers about their need to take on this terrorist threat far more seriously than it has been taken on in the past, that the Olympics are a major vulnerability, and they need to be seen as not just cleaning up old cases, but creating the kind of capability that's needed to assure the protection of all Olympic athletes, including Americans when they get there. There is a lot of work that needs to be done here, a lot of work.

Chairman SHELBY. In another area—and this will be my last question for you, hopefully today, until we get to the closed session—leaks legislation.

Director TENET. Yes, sir.

Chairman SHELBY. Last year, President Clinton vetoed the Intelligence Authorization Bill over a provision that would have criminalized leaks of classified information. The CIA, the Defense Department and the Department of Justice, including our Attorney General, each had supported this legislation. We had had hearings and worked on it.

What impact, Director Tenet, have leaks of classified information had on your operations and capabilities?

Director TENET. Senator, you know that leaking has been devastating to us in terms of protecting sources and methods.

Chairman SHELBY. What about our people?

Director TENET. And devastating to our people in terms of their work and what they try and protect and work so hard to deal with. Now, I think we need to return to consideration of this kind of legislation.

Chairman SHELBY. Will you work with us on trying to tailor some legislation with the Justice Department and Defense Department that would help solve this problem?

Director TENET. And I think there was never any intention on anybody's part—I think, you would agree with this, Mr. Chairman—the focus was on government or former government employees who knowingly violated their oath and the law.

There was never any intention to go after the press. There was never any intention to go after whistleblowers. There was never any intention to deny anybody constitutional rights. That was not the proximate cause of what we were trying to do. And if there are ways to make that clear in the legislation, we should work together to make it clearer so that we can——

Chairman SHELBY. You are committed to that end, aren't you?

Director TENET. Yes, sir.

Chairman SHELBY. Thank you.

Senator Graham?

Vice Chairman GRAHAM. No further questions. I look forward to this afternoon's session.

Senator Thompson?

Senator THOMPSON. Director Tenet, you were asked earlier to provide some information with regard to the issue of whether a threat was more likely from a missile source or non-missile source. Would you also include in that whether or not there is consideration to be had in terms of whether or not a country with a missile capability might try to use that capability to blackmail a country, whether or not there was a very high likelihood of that use?

Director TENET. Yes, sir.

Senator THOMPSON. And would you also delineate the amount of money that we spend on terrorist activities, otherwise?

Director TENET. Yes, sir.

Senator THOMPSON. I believe we'll find that, although there may be an assessment that the non-missile threat is more likely, we're spending about five times as much on that non-missile threat now as a country, to defend against that, as we are a missile defense system, certainly at current times. A missile defense system a little later on would be more, of course, but it seems to me that we are addressing the non-missile terrorism threat right now.

My second question has to do with the issue of proliferation, again. Director Tenet, I think it was in your statement that one of the problems that makes it more difficult to monitor and control proliferation activities now is the increased availability of dual-use technology.

You pointed out that countries such as Russia, China, and North Korea have supplied other so-called rogue nations with lots of things over the years. At the same time, we are engaged in pretty robust trade right now, certainly with regard to China.

Can you give me your thoughts with regard to our export policies for dual-use items, specifically with regard to supercomputers? As you know, we've greatly liberalized the MTOP levels at which we control supercomputers. I think we went from 6,500 to 85,000 within one year.

Some people say the genie's out of the bottle, you can't control anything anymore. Other people say we still need to try. I'm not trying to get you in the middle of that policy debate, but strictly from an intelligence standpoint and your position as DCI, do you have concerns about relaxed export controls? And do you have a feeling with regard to where we are on the spectrum, ranging from good, bad or indifferent, in terms of our export policies?

Director TENET. Yes, sir, I'll get back to you on that point. I'll answer that question.

Senator THOMPSON. Beg your pardon?

Director TENET. I'll come back to you on that.

Senator THOMPSON. In closed session?

Director TENET. Yes, sir. I need to think about that last one.

Senator THOMPSON. Lastly, Colombia. Could you give just a little bit more of a statement to the uninitiated, like myself? I haven't

been down there; I'm going. But it seems to me it's hard to differentiate between a drug war and a political war.

Have we had long enough yet to assess the chances of Plan Colombia working, and to assess the FARC versus the ELN? It's a very confusing situation. What is our goal and how do we define victory down there?

Director TENET. Well, in a few groups—and we'd be pleased to talk to you before you go, give you an extensive presentation. There's no short-term fix to this problem. This is a long-term problem that we're dealing with.

It is complicated, as you know, by the FARC migrating from taking rake-offs from drugs to actually becoming a drug trafficker in and of itself. So you've identified a very difficult issue, the difference between a counternarcotics mission and a counterinsurgency mission. That is a difficult distinction that we have to consciously stay on the line of the counternarcotics piece.

Tom talked to you about some of the limitations that the Colombian military has. All I can say here is, is I think it's a little bit early to make judgments about where we're going to be a year or two from now. I think it's going to take a while to understand this.

It is true that the FARC and the ELN control vast amounts of territory that the Colombian government has never controlled, largely rural Colombia, and the population distinctions are obvious when we look on the map. This is going to be complicated and it's going to take some patience.

The other piece of this that we can't lose of the fact is is that Colombia, the processing of cocaine that's flowing into this country, is a direct result of our inability to stop that drug trade in Colombia, and it is a poison that continues to come at us. So you've got a chicken-and-egg question: You're going to watch this thing go down or you can engage and see.

Although there are difficult issues. I talked about the para-militaries. I talked about there are human rights issues we have to keep our eyes on here. There are issues with regard to the Colombian military capabilities and there are issues with regard to our relentlessly focusing on the counternarcotics mission, that's our job, and the fungibility of those two things.

So this is a difficult and dynamic environment where Pastrana has decided, and he's got his whole peace process and a whole set of other issues we need to talk about. But there's nothing easy about this, nothing easy about this.

Senator THOMPSON. Thank you, Mr. Chairman.

Chairman SHELBY. Director Tenet, you know that Senator Hollings and I were just in Colombia, Peru and Bolivia, and I can tell you going to Colombia was sobering, because we both, as members of the Appropriations Committee and the Senate, had supported the Colombia Plan, the initiative there. But I've talked to Senator Graham and others on this Committee about that.

It seems to me, just being there for a while, that perhaps they've lost their fight to control their own country. They have lost, as you well know and just described, much of their territory, and not just in the rural areas but everywhere. People are scared, they're scared to speak out in a legislative body. You just about have anarchy there.

And it concerns me, and I've told the defense minister, I told the other people there, that they can't expect us to do their fighting for them. We can help them. But they first have got to have a purpose to control their own country. And I don't believe they have it today.

And on another question, President Clinton pardoned former Director of the CIA John Deutch while he was negotiating a plea with the Justice Department on the mishandling of classified information. Now that he's been pardoned, do you have any plans, Director Tenet, to reinstate his clearances?

Director TENET. No.

Chairman SHELBY. Thank you.

We'll see you at 2:30 this afternoon in closed session.

Director TENET. Thank you, sir.

Chairman SHELBY. Thank you for coming.

[Whereupon, at 12:18 p.m., the Committee was adjourned.]

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