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DCI's Worldwide Threat Briefing

The Worldwide Threat 2004: Challenges in a Changing Global Context

Good morning, Mr. Chairman, Mr. Vice Chairman, Members of the Committee.

Mr. Chairman, last year I described a national security environment that was significantly more complex than at any time during my tenure as Director of Central Intelligence. The world I will discuss today is equally, if not more, complicated and fraught with dangers for United States interests, but one that also holds great opportunity for positive change.

TERRORISM

I'll begin today on terrorism, with a stark bottom-line:

- The al-Qa`ida leadership structure we charted after September 11 is seriously damaged—but the group remains as committed as ever to attacking the US homeland.
- But as we continue the battle against al-Qa`ida, we must overcome a *movement*—a global movement infected by al-Qa`ida's radical agenda.
- In this battle we are moving forward in our knowledge of the enemy—his plans, capabilities, and intentions.
- And what we've learned continues to validate my deepest concern: that this enemy remains intent on obtaining, and using, catastrophic weapons.

Now let me tell you about the war we've waged against the al-Qa`ida organization and its leadership.

- Military and intelligence operations by the United States and its allies overseas have degraded the group. Local al-Qa`ida cells are forced to make their own decisions because of disarray in the central leadership.

Al-Qa`ida depends on leaders who not only direct terrorist attacks but who carry out the day-to-day tasks that support operations. Over the past 18 months, we have killed or captured key al-Qa`ida leaders in every significant operational area—logistics, planning, finance, training—and have eroded the key pillars of the organization, such as the leadership in Pakistani urban areas and operational cells in the al-Qa`ida heartland of Saudi Arabia and Yemen.

The list of al-Qa'ida leaders and associates who will never again threaten the American people includes:

- Khalid Shaykh Muhammad, al-Qa`ida's operations chief and the mastermind of the September 11 attacks.
- Nashiri, the senior operational planner for the Arabian Gulf area.
- Abu Zubayda, a senior logistics officer and plotter.
- Hasan Ghul, a senior facilitator who was sent to case Iraq for an expanded al-Qa`ida presence there.
- Harithi and al-Makki, the most senior plotters in Yemen, who were involved in the bombing of the USS Cole.
- Hambali, the senior operational planner in Southeast Asia.

We are creating large and growing gaps in the al-Qa`ida hierarchy.

And, unquestionably, bringing these key operators to ground disrupted plots that would otherwise have killed Americans.

Meanwhile, al-Qa`ida central continues to lose operational safehavens, and Bin Ladin has gone deep underground. We are hunting him in some of the most unfriendly regions on earth. We follow every lead.

Al-Qa`ida's finances are also being squeezed. This is due in part to takedowns of key moneymen in the past year, particularly the Gulf, Southwest Asia, and even Iraq.

And we are receiving a broad array of help from our coalition partners, who have been central to our effort against al-Qa`ida.

- Since the 12 May bombings, the Saudi government has shown an important commitment to fighting al-Qa`ida in the Kingdom, and Saudi officers have paid with their lives.
- Elsewhere in the Arab world, we're receiving valuable cooperation from Jordan, Morocco, Egypt, Algeria, the UAE, Oman, and many others.
- President Musharraf of Pakistan remains a courageous and indispensable ally who has become the target of assassins for the help he's given us.
- Partners in Southeast Asian have been instrumental in the roundup of key regional associates of al-Qa`ida.

- Our European partners worked closely together to unravel and disrupt a continent-wide network of terrorists planning chemical, biological and conventional attacks in Europe.

So we have made notable strides. But do not misunderstand me. I am not suggesting al-Qa'ida is defeated. It is not. We are still at war. This is a learning organization that remains committed to attacking the United States, its friends and allies.

Successive blows to al-Qa`ida's central leadership have transformed the organization into a loose collection of regional networks that operate more autonomously. These regional components have demonstrated their operational prowess in the past year.

- The sites of their attacks span the entire reach of al-Qa`ida—Morocco, Kenya, Turkey, Jordan, Saudi Arabia, Kuwait, Afghanistan, Pakistan, Indonesia.

- And al-Qa`ida seeks to influence the regional networks with operational training, consultations, and money. Khalid Shaykh Muhammad sent Hambali $50,000 for operations in Southeast Asia.

You should not take the fact that these attacks occurred abroad to mean the threat to the US homeland has waned. As al-Qa`ida and associated groups undertook these attacks overseas, detainees consistently talk about the importance the group still attaches to striking the main enemy; the United States. Across the operational spectrum—air, maritime, special weapons—we have time and again uncovered plots that are chilling.

- On aircraft plots alone, we have uncovered new plans to recruit pilots and to evade new security measures in Southeast Asia, the Middle East, and Europe.

- Even catastrophic attacks on the scale of 11 September remain within al-Qa`ida's reach. Make no mistake: these plots are hatched abroad, but they target US soil or that of our allies.

So far, I have been talking only about al-Qa`ida. But al-Qa`ida is not the limit of terrorist threat worldwide. Al-Qa`ida has infected others with its ideology, which depicts the United States as Islam's greatest foe. Mr. Chairman, what I want to say to you now may be the most important thing I tell you today.

The steady growth of Usama bin Ladin's anti-US sentiment through the wider Sunni extremist movement and the broad dissemination of al-Qa`ida's destructive expertise ensure that a serious threat will remain for the foreseeable future—with or without al-Qa`ida in the picture.

A decade ago, bin Ladin had a vision of rousing Islamic terrorists worldwide to attack the United States. He created al-Qa'ida to indoctrinate a worldwide movement in global jihad, with America as the enemy—an enemy to be attacked with every means at hand.

- In the minds of Bin Ladin and his cohorts, September 11 was the shining moment, their "shot heard 'round the world," and they want to capitalize on it.

And so, even as al-Qa`ida reels from our blows, other extremist groups within the movement it influenced have become the next wave of the terrorist threat. Dozens of such groups exist. Let me offer a few thoughts on how to understand this challenge.

- One of the most immediate threats is from smaller *international* Sunni extremist groups who have benefited from al-Qa`ida links. They include groups as diverse as the al-Zarqawi network, the Ansar al-Islam in Iraq, the Libyan Islamic Fighting Group, and the Islamic Movement of Uzbekistan.

- A second level of threat comes from small local groups, with limited *domestic* agendas, that work with international terrorist groups in their own countries. These include the Salifiya Jihadia, a Moroccan network that carried out the May 2003 Casablanca bombings, and similar groups throughout Africa and Asia.

These far-flung groups increasingly set the agenda, and are redefining the threat we face. They are not all creatures of Bin Ladin, and so their fate is not tied to his. They have autonomous leadership, they pick their own targets, they plan their own attacks.

Beyond these groups are the so-called "foreign jihadists"—individuals ready to fight anywhere they believe Muslim lands are under attack by what they see as "infidel invaders." They draw on broad support networks, have wide appeal, and enjoy a growing sense of support from Muslims are not necessarily supporters of terrorism. The foreign jihadists see Iraq as a golden opportunity.

Let me repeat: for the growing number of jihadists interested in attacking the United States, a spectacular attack on the US Homeland is the "brass ring" that many strive for—with or without encouragement by al-Qa`ida's central leadership.

To detect and ultimately defeat these forces, we will continually need to watch hotspots, present or potential battlegrounds, places where these terrorist networks converge. Iraq is of course one major locus of concern. Southeast Asia is another. But so are the backyards of our closest allies. Even Western Europe is an area where terrorists recruit, train, and target.

- To get the global job done, foreign governments will need to improve bilateral and multilateral, and even inter-service cooperation, and strengthen domestic counterterrorist legislation and security practices.

Mr. Chairman, I have consistently warned this committee of al-Qa`ida's interest in chemical, biological, radiological and nuclear weapons. Acquiring these remains a "religious obligation" in Bin Ladin's eyes, and al-Qa`ida and more than two dozen other terrorist groups are pursuing CBRN materials.

- We particularly see a heightened risk of poison attacks. Contemplated delivery methods to date have been simple but this may change as non-Al-Qa'ida groups share information on more sophisticated methods and tactics.

Over the last year, we've also seen an increase in the threat of more sophisticated CBRN. For this reason we take very seriously the threat of a CBRN attack.

- Extremists have widely disseminated assembly instructions for an improvised chemical weapon using common materials that could cause a large numbers of casualties in a crowded, enclosed area.

- Although gaps in our understanding remain, we see al-Qa`ida's program to produce anthrax as one of the most immediate terrorist CBRN threats we are likely to face.

- Al-Qa`ida continues to pursue its strategic goal of obtaining a nuclear capability. It remains interested in dirty bombs. Terrorist documents contain accurate views of how such weapons would be used.

I've focused, and rightly so, on al-Qa`ida and related groups. But other terrorist organizations also threaten US interests. Palestinian terrorist groups in Israel, the West Bank, and Gaza remain a formidable threat and continue to use terrorism to undermine prospects for peace.

- Last year Palestinian terrorist groups conducted more than 600 attacks, killing about 200 Israelis and foreigners, including Americans.

Lebanese Hizballah cooperates with these groups and appears to be increasing its support. It is also working with Iran and surrogate groups in Iraq and would likely react to an attack against it, Syria, or Iran with attacks against US and Israeli targets worldwide.

Iran and Syria continue to support terrorist groups, and their links into Iraq have become problematic to our efforts there.

Although Islamic extremists comprise the most pressing threat to US interests, we cannot ignore nominally leftist groups in Latin America and Europe. The Revolutionary Armed Forces of Colombia, or FARC and the National Liberation Army (ELN), Colombia's second largest leftist insurgent group have shown a willingness to attack US targets. So has the Revolutionary People's Liberation Party/Front—a Turkish group that has killed two US citizens and targeted US interests in Turkey.

Finally, cyber vulnerabilities are another of our concerns, with not only terrorists but foreign governments, hackers, crime groups, and industrial spies attempting to obtain information from our computer networks.

IRAQ

Mr. Chairman, we are making significant strides against the insurgency and terrorism, but former regime elements and foreign jihadists continue to pose a serious threat to Iraq's new institutions and to our own forces.

- At the same time, sovereignty will be returned to an interim Iraqi government by 1 July, although the structure and mechanism for determining this remain unresolved.

- The emerging Iraqi leadership will face many pressing issues, among them organizing national elections, integrating the Sunni minority into the political mainstream, managing Kurdish autonomy in a federal structure, and the determining the role of Islam in the Iraqi state.

Meanwhile, Mr. Chairman, the important work of the Iraqi Survey Group and the hunt for Iraqi weapons of mass destruction continues. We must explore every avenue in our quest to understand Iraq's programs out of concern for the possibility that materials, weapons, or expertise might fall into the hands of insurgents, foreign states, or terrorists. As you know, I'll talk about this at length next week.

Despite progress in Iraq, the overall security picture continues to concern me. Saddam is in prison, and the Coalition has killed or apprehended all but 10 of his 54 key cronies. And Iraqis are taking an increasing role in their own defense, with many now serving in the various new police, military, and security forces.

- But the violence continues. The daily average number of attacks on US and Coalition military forces has dropped from its November peak but is similar to that of August.

- And many other insurgent and terrorist attacks undermine stability by striking at, and seeking to intimidate, those Iraqis willing to work with the Coalition.

The insurgency we face in Iraq comprises multiple groups with different motivations but with the same goal: driving the US and our Coalition partners from Iraq. Saddam's capture was a psychological blow that took some of the less-committed Ba'thists out of the fight, but a hard core of former regime elements—Ba'th Party officials, military, intelligence, and security officers—are still organizing and carrying out attacks.

- Intelligence has given us a good understanding of the insurgency at the local level, and this information is behind the host of successful raids you've read about in the papers.

US military and Intelligence Community efforts to round up former regime figures have disrupted some insurgent plans to carry out additional anti-Coalition attacks. But we know these Ba'thist cells are intentionally decentralized to avoid easy penetration and to prevent the roll-up of whole networks. Arms, funding, and military experience remain readily available.

Mr. Chairman, the situation as I've described it—both our victories and our challenges—indicates we have damaged, but not yet defeated, the insurgents.

The security situation is further complicated by the involvement of terrorists—including Ansar al-Islam (AI) and al-Zarqawi—and foreign jihadists coming to Iraq to wage jihad. Their goal is clear. They intend to inspire an Islamic extremist insurgency that would threaten Coalition forces and put a halt to the long-term process of building democratic institutions and governance in Iraq. They hope for a Taliban-like enclave in Iraq's Sunni heartland that could be a jihadist safehaven.

- AI—an Iraqi Kurdish extremist group—is waging a terrorist campaign against the coalition presence and cooperative Iraqis in a bid to inspire jihad and create an Islamic state.

- Some extremists go even further. In a recent letter, terrorist planner Abu Mus'ab al-Zarqawi outlined his strategy to foster sectarian civil war in Iraq, aimed at inciting the Shia.

Stopping the foreign extremists from turning Iraq into their most important jihad yet rests in part on preventing loosely connected extremists from coalescing into a cohesive terrorist organization.

- We are having some success—the Coalition has arrested key jihadist leaders and facilitators in Iraq, including top leaders from Ansar al-Islam, the al-Zarqawi network, and other al-Qa'ida affiliates.

- The October detention of AI's deputy leader set back the group's ambition to establish itself as an umbrella organization for jihadists in Iraq.

And we're also concerned that foreign jihadists and former regime elements might coalesce. This would link local knowledge and military training with jihadist fervor and lethal tactics. At this point, we've seen a few signs of such cooperation at the tactical or local level.

Ultimately, the Iraqi people themselves must provide the fundamental solutions. As you well know, the insurgents are incessantly and violently targeting Iraqi police and security forces precisely because they fear the prospect of Iraqis securing their own interests. Success depends on broadening the role of the local security forces.

- This goes well beyond greater numbers. It means continuing work already under way—fixing equipment shortages, providing training, ensuring adequate pay—to build a force of increasing quality and confidence that will have the support of the Iraqi people.

It is hard to overestimate the importance of greater security for Iraqis particularly as we turn to the momentous political events slated for 2004.

- The real test will begin soon after the transfer of sovereignty, when we'll see the extent to which the new Iraqi leaders embody concepts such as pluralism, compromise, and rule of law.

Iraqi Arabs—and many Iraqi Kurds—possess a strong Iraqi identity, forged over a tumultuous 80 year history and especially during the nearly decade-long war with Iran. Unfortunately, Saddam's divide and rule policy and his favored treatment of the Sunni minority aggravated tensions to the point where the key to governance in Iraq today is managing these competing sectional interests.

Here's a readout on where these groups stand:

- The majority SHIA look forward to the end of Sunni control, which began with the British creation of Iraq. The Shia community nevertheless has internal tensions, between the moderate majority and a radical minority that wants a Shia-dominated theocracy.

- The KURDS see many opportunities to advance long held goals: retaining the autonomy they enjoyed over the past twelve years and expanding their power and territory.

- The minority SUNNI fear Shia and Kurdish ambitions. Such anxieties help animate Sunni support for the insurgents. The Sunni community is still at a very early state of establishing political structures to replace the defeated Ba'th party.

I should qualify what I've just said; no society, and surely not Iraq's complex tapestry, is so simple as to be captured in three or four categories. Kurds. Shia. Sunni. In reality, Iraqi society is filled with more cleavages, *and* more connections, than a simple typology can suggest. We seldom hear about the strong tribal alliances that have long existed between Sunni and Shia, or the religious commonalities between the Sunni Kurd and Arab communities, or the moderate secularism that spans Iraqi groups.

- We tend to identify, and stress, the tensions that rend communities apart, but opportunities also exist for these group to work together for common ends.

The social and political interplay is further complicated by Iran, especially in the south, where Tehran pursues its own interests and hopes to maximize its influence among Iraqi Shia after 1 July. Organizations supported by Iran—Supreme Council for the

Islamic Revolution in Iraq (SCIRI) and its Badr Organization militia—have gained positions within the Iraqi police and control media outlets in Basrah that tout a pro-Iran viewpoint.

- Tehran also runs humanitarian and outreach programs that have probably enhanced its reputation among Iraqi Shia, but many remain suspicious.

The most immediate political challenge for the Iraqis is to choose the transitional government that will rule their country while they write their permanent constitution. The Shia cleric Grand Ayatollah Muhammad Ali al-Sistani has made this selection process the centerpiece of his effort to ensure that Iraqis will decide their own future and choose the first sovereign post-Saddam government.

- Sistani favors direct elections as the way to produce a legitimate, accountable government.

- Sistani's religious pronouncements show that, above all, he wants Iraq to be independent of foreign powers. Moreover, his praise of free elections and his theology reflect, in our reading, a clearcut opposition to theocracy, Iran-style.

Once the issues involving the selection of an transitional government are settled, Iraq's permanent constitution will begin to take shape. Here the Iraqi government and the framers of the constitution will have to address three urgent concerns: integrating the Sunni minority into the political mainstream, managing Kurdish autonomy in a federal structure, and determining the role of Islam in the Iraqi state.

The Sunni. Sunnis are at least a fifth of the population, inhabit the country's strategic heartland, and comprise a sizable share of Iraq's professional and middle classes. The Sunni are disaffected as a deposed ruling minority, but some are beginning to recognize that boycotting the emerging political process will weaken their community. Their political isolation may be breaking down in parts of the Sunni triangle, where some Sunni Arabs have begun to engage the Coalition and assume local leadership roles. And in the past three months we have also seen the founding of national-level Sunni umbrella organizations to deal with the Coalition and the Governing Council on questions like Sunni participation in choosing the transitional government.

Federalism. The Transitional Administrative Law is just now being completed, and the way it deals with the relationship between the political center and Iraq's diverse ethnic and religious communities will frame the future constitutional debate. To make a federal arrangement stick, Kurdish and Arab Iraq leaders will need to explain convincingly that a federal structure benefits all Iraqis and not just the Kurds. And even so, a host of difficult issues—control over oil and security being perhaps the most significant—may provoke tension between Kurdish and central Iraqi authorities.

Islam. The current draft of the Transitional Administrative Law makes Islam Iraq's official creed but protects religious freedom. It also creates an Iraqi legal system

that is a mix of traditions, including Islamic law—but as only one legal element among many. This compromise is already under fire by Sunni Islamists who want Islam to be the sole source of law.

I don't want to allow the important security and political stories to crowd out others we should also be telling, including the often neglected one about Iraq's sizable economic potential. It's true that rebuilding will go on for years—the Saddam regime left in its wake a devastated, antiquated, underfunded infrastructure. But reconstruction progress and Iraq's own considerable assets—its natural resources and its educated populace—should enable the Iraqis to see important improvement in 2004 in their infrastructure and their quality of life.

- Over the next few years, they'll open more hospitals and build more roads than anyone born under Saddam has witnessed.

The recovery of Iraqi oil production will help. Production is on track to approach 3.0 million barrels per day by the end of this year. Iraq hasn't produced this much oil since before the 1991 Gulf war. By next year, revenues from oil exports should cover the cost of basic government operations and contribute several billion dollars toward reconstruction. It is essential, however, that the Iraq-Turkey pipeline be reopened and oil facilities be well protected from insurgent sabotage.

Much more needs to be done. Key public services such as water, sewage, and transportation will have difficulty reaching prewar levels by July and won't meet the higher target of total Iraqi demand.

- Electric power capacity approaches prewar levels but still falls short of peak demand. Looting and sabotage may make supplies unreliable.

- Finally, unemployment and underemployment, which afflicts about a half of the workforce, will remain a key problem and a potential breeding ground for popular discontent.

PROLIFERATION

Mr. Chairman, I'll turn now to worldwide trends in proliferation. This picture is changing before our eyes—changing at a rate I have not seen since the end of the Cold War. Some of it is good news—I'll talk about the Libya and AQ Khan breakthroughs, for example—and some of it is disturbing. Some of it shows our years of work paying off, and some of it shows the work ahead is harder.

We are watching countries of proliferation concern choose different paths as they calculate the risks versus gains of pursuing WMD.

- Libya is taking steps toward strategic disarmament.

- North Korea is trying to leverage its nuclear program into at least a bargaining chip and also international legitimacy and influence.

- And Iran is exposing some programs while trying to preserve others.

I'll start with LIBYA, which appears to be moving toward strategic disarmament. For years Qadhafi had been chafing under international pariah status. In March 2003, he made a strategic decision and reached out through British intelligence with an offer to abandon his pursuit of WMD.

That launched nine months of delicate negotiations where we moved the Libyans from a stated willingness to *renounce* WMD to an explicit and public commitment to *expose and dismantle* their WMD programs. The leverage was intelligence. Our picture of Libya's WMD programs allowed CIA officers and their British colleagues to press the Libyans on the right questions, to expose inconsistencies, and to convince them that holding back was counterproductive. We repeatedly surprised them with the depth of our knowledge.

- For example, US and British intelligence officers secretly traveled to Libya and asked to inspect Libya's ballistic missile programs. Libyan officials at first failed to declare key facilities, but our intelligence convinced them to disclose several dozen facilities, including their deployed Scud B sites and their secret North Korean-assisted Scud C production line.

- When we were tipped to the imminent shipment of centrifuge parts to Libya in October, we arranged to have the cargo seized, showing the Libyans that we had penetrated their most sensitive procurement network.

By the end of the December visit, the Libyans:

- Admitted having a nuclear weapons program and having bought uranium hexafluoride feed material for gas centrifuge enrichment.

- Admitted having nuclear weapon design documents.

- Acknowledged having made about 25 tons of sulfur mustard CW agent, aerial bombs for the mustard, and small amounts of nerve agent.

- Provided access to their deployed Scud B forces and revealed details of indigenous missile design work and of cooperation with North Korea on the 800-km range Scuds Cs.

From the very outset of negotiations, Qadhafi requested the participation of international organizations to help certify Libyan compliance. Tripoli has agreed to inspections by the IAEA and the Organization for the Prohibition of Chemical Weapons (OPCW) and to abide by the range limitations of the Missile Technology Control Regime

(MTCR). We have briefed information on Tripoli's programs to various international monitoring organizations. IAEA and OPCW officials have already followed up with visits to Libya. Some discrepancies remain, but we will continue to collect additional information and closely monitor Libya's adherence to the commitments it has made.

In contrast to Libya, NORTH KOREA is trying to leverage its nuclear programs into international legitimacy and bargaining power, announcing its withdrawal from the Nonproliferation Treaty and openly proclaiming that it has a nuclear deterrent.

Since December 2002, Pyongyang has announced its withdrawal from the Nonproliferation Treaty and expelled IAEA inspectors. Last year Pyongyang claimed to have finished reprocessing the 8,000 fuel rods that had been sealed by US and North Korean technicians and stored under IAEA monitoring since 1994.

- The Intelligence Community judged in the mid-1990s that North Korea had produced one, possibly two, nuclear weapons. The 8000 rods the North claims to have processed into plutonium metal would provide enough plutonium for several more.

We also believe Pyongyang is pursuing a production-scale uranium enrichment program based on technology provided by AQ Khan, which would give North Korea an alternative route to nuclear weapons.

Of course, we are concerned about more than just North Korea's nuclear program. North Korea has longstanding CW and BW capabilities and is enhancing its BW potential as it builds its legitimate biotechnology infrastructure. Pyongyang is sending individuals abroad and is seeking dual-use expertise and technology.

North Korea also continues to advance its missile programs. North Korea is nearly self-sufficient in ballistic missiles, and has continued procurement of raw materials and components for its extensive ballistic missile programs from various foreign sources. The North also has demonstrated a willingness to sell complete systems and components that have enabled other states to acquire longer-range capabilities and a basis for domestic development efforts earlier than would otherwise have been possible.

- North Korea has maintained a unilateral long-range missile launch moratorium since 1999, but could end that with little or no warning. The multiple-stage Taepo Dong-2—capable of reaching the United States with a nuclear weapon-sized payload—may be ready for flight-testing.

IRAN is taking yet a different path, acknowledging work on a covert nuclear fuel cycle while trying to preserve its WMD options. I'll start with the good news: Tehran acknowledged more than a decade of covert nuclear activity and agreed to open itself to an enhanced inspection regime. Iran for the first time acknowledged many of its nuclear fuel cycle development activities—including a large-scale gas centrifuge uranium enrichment effort. Iran claims its centrifuge program is designed to produce low-

enriched uranium, to support Iran's civil nuclear power program. This is permitted under the Nonproliferation Treaty, but—and here's the downside—the same technology can be used to build a military program as well.

- The difference between producing low-enriched uranium and weapons-capable high-enriched uranium is only a matter of time and intent, not technology. It would be a significant challenge for intelligence to confidently assess whether that red line had been crossed.

Finally, Iran's missile program is both a regional threat and a proliferation concern. Iran's ballistic missile inventory is among the largest in the Middle East and includes the 1300-km range Shahab-3 MRBM as well as a few hundred SRBMs. Iran has announced production of the Shahab-3 and publicly acknowledged development of follow-on versions. During 2003, Iran continued R&D on its longer-range ballistic missile programs, and publicly reiterated its intention to develop space launch vehicles (SLVs)—and SLVs contain most of the key building blocks for an ICBM. Iran could begin flight testing these systems in the mid- to latter-part of the decade.

- Iran also appears willing to supply missile-related technology to countries of concern and publicly advertises its artillery rockets and related technologies, including guidance instruments and missile propellants.

Let me turn now to a different aspect of the evolving WMD threat. I want to focus on how countries and groups are increasingly trying to get the materials they need for WMD. I'll focus on two important stories:

- The roll-up of AQ Khan and his network, one of the most significant counter-proliferation successes in years and one in which intelligence led the way.

- The difficulty of uncovering both proliferators masquerading as legitimate businessmen and possible BW or CW plants appearing to be legitimate "dual-use" facilities.

As I pointed out last year, Mr. Chairman, WMD technologies are no longer the sole province of nation-states. They might also come about as a result of business decisions made by private entrepreneurs and firms.

As you now know, those comments were my way of referring to AQ Khan without mentioning his name in open session. Until recently, Khan, popularly known as the "father of the Pakistani bomb," was the most dangerous WMD entrepreneur. For 25 years Khan directed Pakistan's uranium enrichment program. He built an international network of suppliers to support uranium enrichment efforts in Pakistan that also supported similar efforts in other countries.

- Khan and his network had been unique in being able to offer one-stop shopping for enrichment technology and weapons design information. With such

assistance, a potentially wide range of countries could leapfrog the slow, incremental stages of other nuclear weapons development programs.

The actions taken against Khan's network—like the example of Libya I laid out earlier—were largely the result of intelligence.

- Intelligence discovered, pieced together, tracked, and penetrated Khan's worldwide hidden network.

But every public success we enjoy can be used by people like Khan to adjust, adapt, and evade. Proliferators hiding among legitimate businesses, and countries hiding their WMD programs inside legitimate dual-use industries, combine to make private entrepreneurs dealing in lethal goods one of our most difficult intelligence challenges.

In support of these WMD programs, new procurement strategies continue to hamper our ability to assess and warn on covert WMD programs. Acquisitions for such programs aren't the work of secret criminal networks that skirt international law. They're done by businessmen, in the open, in what seems to be legal trade in high-technology.

The dual-use challenge is especially applicable to countries hiding biological and chemical warfare programs. With dual-use technology and civilian industrial infrastructure, countries can develop BW and CW capabilities. Biotechnology is especially dual-edged: Medical programs and technology could easily support a weapons program, because nearly every technology required for biological weapons also has a legitimate application.

Now I'll turn to a brief run-down of some significant missile programs apart from those I've already discussed.

China continues an aggressive missile modernization program that will improve its ability to conduct a wide range of military options against Taiwan supported by both cruise and ballistic missiles. Expected technical improvements will give Beijing a more accurate and lethal missile force. China is also moving on with its first generation of mobile strategic missiles.

- Although Beijing has taken steps to improve ballistic missile related export controls, Chinese firms continue to be a leading source of relevant technology and continue to work with other countries on ballistic missile-related projects.

South Asian ballistic missile development continues apace. Both India and Pakistan are pressing ahead with development and testing of longer-range ballistic missiles and are inducting additional SRBMs into missile units. Both countries are testing missiles that will enable them to deliver nuclear warheads to greater distances.

Last year Syria continued to seek help from abroad to establish a solid-propellant rocket motor development and production capability. Syria's liquid-propellant ballistic

missile program continued to depend on essential foreign equipment and assistance, primarily from North Korean entities. Syria is developing longer-range missile programs, such as a Scud D and possibly other variants, with assistance from North Korea and Iran.

Many countries remain interested in developing or acquiring land-attack cruise missiles, which are almost always significantly more accurate than ballistic missiles and complicate missile defense systems. Unmanned aerial vehicles are also of growing concern.

To conclude my comments on proliferation, I'll briefly run through some WMD programs I have not yet discussed, beginning with Syria.

Syria is an NPT signatory with full-scope IAEA safeguards and has a nuclear research center at Dayr Al Hajar. Russia and Syria have continued their long-standing agreements on cooperation regarding nuclear energy, although specific assistance has not yet materialized. Broader access to foreign expertise provides opportunities to expand its indigenous capabilities and we are closely monitoring Syrian nuclear intentions. Meanwhile, Damascus has an active CW development and testing program that relies on foreign suppliers for key controlled chemicals suitable for producing CW.

Finally, we remain alert to the vulnerability of Russian WMD materials and technology to theft or diversion. We are also concerned by the continued eagerness of Russia's cash-strapped defense, biotechnology, chemical, aerospace, and nuclear industries to raise funds via exports and transfers—which makes Russian expertise an attractive target for countries and groups seeking WMD and missile-related assistance.

PIVOTAL STATES

I'm going to comment now on three countries we obviously pay a great deal of attention to: North Korea, China, and Russia.

The NORTH KOREAN regime continues to threaten a range of US, regional, and global security interests. As I've noted earlier, Pyongyang is pursuing its nuclear weapons program and nuclear-capable delivery systems. It continues to build its missile forces, which can now reach all of South Korea and Japan, and to develop longer-range missiles that could threaten the United States.

The North also exports complete ballistic missiles and production capabilities, along with related components and expertise. It continues to export narcotics and other contraband across the globe.

Moreover, the forward-deployed posture of North Korea's armed forces remains a near-term threat to South Korea and to the 37,000 US troops stationed there. Recall that early last year as tensions over the nuclear program were building, Pyongyang intercepted a US reconnaissance aircraft in international airspace.

Kim Chong-il continues to exert a tight grip on North Korea as supreme leader. The regime's militarized, Soviet-style command economy is failing to meet the population's food and economic needs. Indeed, the economy has faltered to the point that Kim has permitted some new economic initiatives, including more latitude for farmers' markets, but these changes are a far cry from the systemic economic reform needed to revitalize the economy. The accumulated effect of years of deprivation and repression places significant stresses on North Korean society.

- The Kim regime rules largely through fear, intimidation, and indoctrination, using the country's large and pervasive security apparatus, its system of camps for political prisoners, and its unrelenting propaganda to maintain control.

Mr. Chairman, CHINA continues to emerge as a great power and expand its profile in regional and international politics—but Beijing has cooperated with Washington on some key strategic issues.

- The Chinese have cooperated in the war on terrorism and have been willing to host and facilitate multilateral dialogue on the North Korean nuclear problem—in contrast to Beijing's more detached approach to that problem a decade ago.

Beijing is making progress in asserting its influence in East Asia. Its activist diplomacy in the neighborhood is paying off, fueled in large part by China's robust economy. China's growth continues to outpace all others in the region, and its imports of goods from other East Asian countries are soaring. As a result, Beijing is better positioned to sell its neighbors on the idea that what is good for the Chinese economy is good for Asia.

- That said, China's neighbors still harbor suspicions about Beijing's long-term intentions. They generally favor a sustained US military presence in the region as insurance against potential Chinese aggression.

Our greatest concern remains China's military buildup, which continues to accelerate. Last year, Beijing reached new benchmarks in its production or acquisition from Russia of missiles, submarines, other naval combatants, and advanced fighter aircraft. China also is downsizing and restructuring its military forces with an eye toward enhancing its capabilities for the modern battlefield. All of these steps will over time make China a formidable challenger if Beijing perceived that its interests were being thwarted in the region.

- We are closely monitoring the situation across the Taiwan Strait in the period surrounding Taiwan's presidential election next month.

Chinese leadership politics—especially the incomplete leadership transition—will influence how Beijing deals with the Taiwan issue this year and beyond. President and Communist Party leader Hu Jintao still shares power with his predecessor in those

positions, Jiang Zemin, who retains the powerful chairmanship of the Party's Central Military Commission.

In RUSSIA, the trend I highlighted last year—President Putin's re-centralization of power in the Kremlin—has become more pronounced, especially over the past several months. We see this in the recent Duma elections and the lopsided United Russia party victory engineered by the Kremlin and in the Kremlin's domination of the Russian media.

Putin has nevertheless recorded some notable achievements. His economic record—even discounting the continuing strength of high world oil prices—is impressive, both in terms of GDP growth and progress on market reforms. He has brought a sense of stability to the Russian political scene after years of chaos, and he restored Russians' pride in their country's place in the world.

That said, Putin now dominates the Duma, and the strong showing of nationalist parties plus the shutout of liberal parties may bolster trends toward limits on civil society, state interference in big business, and greater assertiveness in the former Soviet Union. And the Kremlin's recent efforts to strengthen the state's role in the oil sector could discourage investors and hamper energy cooperation with the West.

He shows no signs of softening his tough stance on Russia's war in Chechnya. Russian counterinsurgency operations have had some success. Putin's prime innovation is the process of turning more authority over to the Chechen under the new government of Akhmad Kadyrov, and empowering his security forces to lead the counter-insurgency.

- Although this strategy may succeed in lowering Russia's profile in Chechnya, it is unlikely to lead to resolution.

Moscow has already become more assertive in its approach to the neighboring states of the former Soviet Union, such as Georgia, Ukraine, and Moldova. Russian companies—primarily for commercial motives, but in line with the Kremlin's agenda—are increasing their stakes in neighboring countries, particularly in the energy sector.

The Kremlin's increasing assertiveness is partly grounded in a growing confidence in its military capabilities. Although still a fraction of their former capabilities, Russian military forces are beginning to rebound from the 1990s nadir. Training rates are up—including some high-profile exercises—along with defense spending.

Even so, we see Moscow's aims as limited. Russia is using primarily economic incentives and levers of "soft" power, like shared history and culture, to rebuild lost power and influence. And Putin has a stake in relative stability on Russia's borders—not least to maintain positive relations with the US and Europeans.

Russian relations with the US continue to contain elements of both cooperation and competition. On balance, they remain more cooperative than not, but the coming

year will present serious challenges. For example, Russia remains supportive of US deployments in Central Asia for Afghanistan—but is also wary of US presence in what Russia considers to be its own back yard.

Let me turn now to AFGHANISTAN, where the Afghan people are on their way to having their first legitimate, democratically elected government in more than a generation.

The ratification of a new constitution at the Constitutional Loya Jirga in January is a significant milepost. It provides the legal framework and legitimacy for several initiatives, including elections, scheduled for later this year.

- Within the next 12 months, the country could have, for the first time, a freely elected President and National Assembly that are broadly representative, multi-ethnic, and able to begin providing security and services at some level.

Even if the date of elections slips—the Bonn Agreement requires a June date—the central government is extending its writ and legitimate political processes are developing nationwide through other means. Regional "warlords" are disruptive but disunited—and appear to realize the Bonn process and elections are the only way to avoid relapsing into civil war.

- Defense Minister Fahim Khan is cooperating with President Karzai and seems able to keep his large body of Panjshiri supporters in line in favor of Bonn and stability.

Meanwhile, the infusion of $2 billion in international aid has propelled Afghan economic performance. The IMF estimates GDP grew—from an admittedly low base—by 29 percent last year. The completion of the Kabul to Kandahar road in December was a success, but the international community will need to ensure that funds are channeled toward projects that make the most impact and are balanced among the regions and ethnic groups.

- Building a National Army is another long-term international challenge. So far, almost 6,000 Afghan soldiers have been trained by US, British, and French trainers. It will take years to reach the goal of a 70,000-strong ethnically-balanced force but with continued Coalition and international community support and assistance over the next two years, Afghanistan need not become either a "security welfare state," or, again, a breeding ground for terrorists and extremism.

Last year's most worrisome events were the continued attacks by the Afghan Transitional Authority's enemies—particularly the Taliban, along with al-Qa'ida and followers of Afghan extremist Hikmatyar—who want to disrupt routine life and the reconstruction effort in the south and east. This is still a problem, because none of these groups has abandoned the ultimate goal of derailing the process by which legitimate democratic government and the rule of law will be established in Afghanistan.

I don't want to overstate the Taliban's strength. It is far from having sufficient political and military might to challenge the Karzai Government. It is, however, still able to interfere with the political, economic, and social reconstruction of the country by fomenting insecurity and thereby undermining public confidence in Kabul.

- Like other extremists bent on restoring the terrorist-sponsored state that existed before the liberation of Afghanistan, Taliban remnants remain intent on using any available means to undermine President Karzai and his government, to drive international aid organizations and their workers from the areas that most need them, and to attack US and Coalition forces.

- For this reason the security situation in the south and east is still tenuous and Kabul will need considerable assistance over at least the next year or two to stabilize the security environment there.

In IRAN, Mr. Chairman, I'll begin with a sobering bottom line:

- With the victory of hardliners in elections last weekend, governmental led reform received a serious blow. Greater repression is a likely result.

- With the waning of top-down reform efforts, reformers will probably turn to the grass roots—working with NGOs and labor groups—to rebuild popular support and keep the flame alive.

- The strengthening of authoritarian rule will make breaking out of old foreign policy patterns more difficult at a time when Tehran faces a new geopolitical landscape in the Middle East.

The concerns I voiced last year are unabated. The recent defeats will have further alienated a youthful population anxious for change. Abroad, Tehran faces an altered regional landscape in the destruction of radical anti-Western regimes in Afghanistan and Iraq and growing international concern about nuclear proliferation.

- And, as has so often happened in Iran's history, Iran's leaders appear likely to respond to these challenges in rigid and unimaginative ways.

The current setback is the latest in a series of contests in which authoritarian rule has prevailed over reformist challengers. The reformists—President Khatami in particular—are in no small part to blame. Their refusal to back bold promises with equally bold actions exhausted their initially enthusiastic popular support.

When the new Majles convenes in June, the Iranian government will be even more firmly controlled by the forces of authoritarianism. In the recent election, clerical authorities disqualified more than 2500 candidates, mostly reformists, and returned

control of the legislature to hardliners. The new Majles will focus on economic reform, with little or no attention to political liberalization.

- And with the Majles securely behind the hardliners, we expect to see many of the outlets for political dissent shut down by the clerical regime.

- The prospect of internal violence remains. Hardliners may now resort to new heavy-handedness that produces public outrage and protest. At least eight people were killed and 30 injured in elected-related violence last weekend.

Although greater repression is likely to be the most immediate consequence, this will only further deepen the discontent with clerical rule, which is now discredited and publicly criticized as never before. In the past year several unprecedented open letters, including one signed by nearly half the parliament, were published calling for an end to the clergy's absolute rule.

- Iran's recent history is studded with incidents of serious civil unrest that erupted in response to the arrogance of local officials—events like the 1999 student riots that broke out when security forces attacked a dormitory.

- Even so, the Iranian public does not appear eager to take a challenge to the streets—in Tehran, *apathy* is the prevailing mood, and regime *intimidation* has cowed the populace. This mix keeps the regime secure for now.

The uncertainty surrounding Iran's internal politics comes as Tehran adjusts to the regional changes of a post-Saddam Iraq. Because Khamenei and his allies have kept close rein on foreign policy, we do not expect the defeat of the reformists to lead to a sudden change in Iranian policy. Tehran will continue to use multiple avenues—including media influence, humanitarian and reconstruction aid, diplomatic maneuvering, and clandestine activity—to advance its interests and counter US influence in Iraq.

- We judge that Iran wants an Iraqi government that does not threaten Tehran, is not a US puppet, can maintain the country's territorial integrity, and has a strong Shia representation.

- These interests have led Tehran to recognize the Iraqi Governing Council and work with other nascent Iraqi political, economic, and security institutions.

In INDONESIA, the world's most populous Muslim country, authorities have arrested more than 100 Jemaah Islamiya (JI) suspects linked to the terrorist attacks in Bali in October 2002 and the Jakarta Marriott Hotel last year. However, coming presidential and legislative elections appear to have blunted the government's efforts to root out JI.

Megawati remains the presidential frontrunner, but continuing criticism of her leadership and the growing prospect that her party will lose seats in the legislative election increase the likelihood of a wide-open race. The secular-nationalist Golkar—the

former ruling party of Soeharto, now riding a wave of public nostalgia for his bygone era—could overtake Megawati's party to win the plurality of legislature seats. Most local polls suggest that the Islamic parties are unlikely to improve their percentage of the vote.

Vocal religious extremists, however, are challenging Indonesia's dominant moderate Muslim groups. A growing number of Indonesian Muslims now advocate the adoption of Islamic law, and dozens of provincial and district governments around the archipelago are taking advantage of the devolution of authority since 1998 to begin enforcing elements of Islamic civil law and customs.

Let me turn briefly to SOUTH ASIA. When I commented on the situation there last year, I warned that, despite a lessening of tensions between India and Pakistan, we remained concerned a dramatic provocation might spark another crisis.

This year I'm pleased to note that the normalization of relations between India and Pakistan has made steady progress. Building on Prime Minister Vajpayee's April 2003 "hand of friendship" initiative, the leaders in New Delhi and Islamabad have begun to lay a promising foundation for resolving their differences through peaceful dialogue.

- Both countries have since made further progress in restoring diplomatic, economic, transportation, and communications links and—most importantly—both sides have agreed to proceed with a "composite" dialogue on a range of bilateral issues that include Kashmir.

Further progress will hinge largely on the extent to which each side judges that the other is sincere about improving India-Pakistan relations. For example, India is watching carefully to see whether the level of militant infiltration across the Line of Control (LOC) increases this spring after the snows melt in the mountain passes.

In this hemisphere, President Uribe of COLOMBIA is making great strides militarily and economically. Colombia's military is making steady progress against the illegal armed groups, particularly around Bogotá; last year the Army decimated several FARC military units. In the last two months, Colombian officials have apprehended the two most senior FARC leaders ever captured.

- Foreign and domestic investors are taking note: last year, [2003] the growth rate of 3.5 percent was the highest in 5 years.

But some of Uribe's hardest work awaits him. The military has successfully cleared much of the insurgent-held territory, but the next stage of Uribe's "clear-and-hold" strategy is securing the gains thus far. That entails building the state presence—schools, police stations, medical clinics, roads, bridges, and social infrastructure—where it has scarcely existed before.

Finally, we should bear in mind that Uribe's opponents will adjust their strategies, as well. The FARC may increasingly seek to target US persons and interests in

Colombia, particularly if key leaders are killed, captured, or extradited to the United States.

- Drug gangs are also adapting, relocating coca cultivation and production areas and attacking aerial eradication missions. All of this translates into more money and more resources for traffickers, insurgents, and paramilitary forces.

And in HAITI, the situation is, of course, extremely fluid at this moment. What continues to concern us is the possibility that the increasing violence will lead to a humanitarian disaster or mass migration. Forces opposed to the government control key cities in northern Haiti and they have identified Port-au-Prince as their next target. Those forces include armed gangs, former Haitian Army officers, and members of irregular forces who allegedly killed Aristide supporters during his exile.

- Future battles could be bloody, as the armed opposition is arrayed against pro-government irregular forces equally disposed to violence. Moreover, food, fuel, and medical supplies already have been disrupted in parts of Haiti because of the fighting, making living conditions even worse for Haiti's many poor.

- The government is looking for international help to restore order. Improving security will require the difficult tasks of disarming both pro- and anti-government irregulars and augmenting and retraining a national security force.

In SUB-SAHARAN AFRICA, progress in continuing peace processes requires further careful Western cultivation and African regional cooperation.

- In Liberia, UN peacekeepers and the transitional government face a daunting challenge to rein in armed factions, including remnants of Charles Taylor's militias.

- Sudan's chances for lasting peace are its best in decades, with more advances possible in the short term, given outside guarantees and incentives.

- A fragile peace process in Burundi and struggling transitional government in Congo (Kinshasa) have the potential to end conflicts that so far have claimed a combined total of over 3 million lives.

- Tension between Ethiopia and Eritrea over their disputed border is jeopardizing the peace accord brokered by US officials in 2000.

THE OTHER TRANSNATIONAL ISSUES

Let me conclude my comments this morning by briefly considering some important transnational concerns that touch on the war against terrorism.

We're used to thinking of that fight as a sustained worldwide effort to get the perpetrators and would-be perpetrator off the street. This is an important preoccupation, and we will never lose sight of it.

But places that combine desperate social and economic circumstances with a failure of government to police its own territory can often provide nurturing environments for terrorist groups, and for insurgents and criminals. The failure of governments to control their own territory creates potential power vacuums that open opportunities for those who hate.

- We count approximately 50 countries that have such "stateless zones." In half of these, terrorist groups are thriving. Al-Qa'ida and extremists like the Taliban, operating in the Afghanistan-Pakistan border area, are well known examples.

As the war on terrorism progresses, terrorists will be driven from their safe havens to seek new hideouts where they can undertake training, planning, and staging without interference from government authorities. The prime candidates for new "no man's lands" are remote, rugged regions where central governments have no consistent reach and where socioeconomic problems are rife.

Many factors play into the struggle to eradicate stateless zones and dry up the wellsprings of disaffection.

- Population trends. More than half of the Middle East's population is under the age of 22. "Youth bulges," or excessive numbers of unemployed young people, are historical markers for increased risk of political violence and recruitment into radical causes. The disproportionate rise of young age cohorts will be particularly pronounced in Iraq, followed by Syria, Kuwait, Iran and Saudi Arabia.

- Infectious disease. The HIV/AIDS pandemic remains a global humanitarian crisis that also endangers social and political stability. Although Africa currently has the greatest number of HIV/AIDS cases—more than 29 million infected—the disease is spreading rapidly. Last year, I warned about rising infection rates in Russia, China, India, and the Caribbean. But the virus is also gaining a foothold in the Middle East and North Africa, where governments may be lulled into overconfidence by the protective effects of social and cultural conservatism.

- Humanitarian need. Need will again outpace international pledges for assistance. Sub-Saharan Africa and such conflict-ravaged places like Chechnya, Tajikistan, and the Palestinian Occupied Territories will compete for aid against assistance to Iraq and Afghanistan. Only 40 percent of UN funding requirements for 2003 had been met for the five most needy countries in Africa.

- Food insecurity. More than 840 million people are undernourished worldwide, a number that had fallen in the first half of the 1990s but in now on the increase. USDA estimates the food aid needed to meet annual recommended minimum

nutrition levels at almost 18 million metric tons, far above the recent average of 11 million tons donated per annum.

And I'll take this opportunity to remind you, Mr. Chairman, of the continued threat the global narcotics industry poses to the United States.

- As evident by the doubling of the Afghan opium crop in 2003, the narcotics industry is capable of moving quickly to take advantage of opportunities presented by the absence of effective government authority.

- Although the linkages between the drug trade and terrorism are generally limited on a global basis, trafficking organizations in Afghanistan and Colombia pose significant threats to stability in these countries and constitute an important source of funding for terrorist activity by local groups.

- This combination of flexibility and ability to undermine effective governmental institutions means that dealing with the narcotics challenge requires a truly global response.

And that, Mr. Chairman, concludes my formal remarks. I welcome any questions or comments you and the members may have for me.