



**(U) ANNUAL THREAT ASSESSMENT**

**Statement Before the  
Senate Armed Services Committee  
United States Senate  
February 16, 2012**

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Good morning, Chairman Levin, Ranking Member McCain, and members of the committee. Thank you for this opportunity to testify and for your continued support of the dedicated men and women of the Defense Intelligence Agency (DIA), many of whom are forward-deployed directly supporting U.S. and allied military forces in Afghanistan and around the world.

The United States faces a complex security environment marked by a broad spectrum of dissimilar threats, including rising regional powers and highly adaptive and resilient transnational terrorist networks. This testimony reflects DIA's best analysis, based on the Agency's worldwide human intelligence, technical intelligence, counterintelligence, and document and media exploitation capabilities, along with information from DIA's Intelligence Community (IC) partners, international allies, and open sources.

I will begin my testimony with an assessment of Iraq in the post U.S. military drawdown environment and then focus on Afghanistan, where the Department of Defense (DoD), the IC, and DIA remain actively engaged supporting military operations.

Following the withdrawal of U.S. forces from *Iraq* in accordance with the U.S. – Iraq security agreement, the Iraqi Security Forces (ISF) will probably be able to maintain internal security at current levels over the next year. The ISF have led Iraqi security operations since late 2010 but still require training in a number of areas, including logistics, intelligence, and on new equipment purchased from the United States. The ISF have demonstrated the ability to put forces on the street, conduct static security of high-profile sites, operate checkpoints, and conduct intelligence-driven targeting. However, numerous security vulnerabilities remain due to manning shortages, logistical shortfalls, and overly centralized command and control. The ISF are unable to maintain external security and will be unable to secure Iraq's borders or defend against an external threat over the next year.

Interior Ministry police forces are not prepared to take the lead for internal security from the Iraqi army. Outside of select Iraqi counterterrorism units, many Iraqi police forces are understaffed, ill-equipped, and vulnerable to terrorist attack, intimidation, infiltration, and corruption.

Sunni insurgent and Shia militant groups will remain persistent security challenges for the Iraqi government and remaining U.S. diplomatic, military, and civilian personnel. Sunni groups will likely contract in size as members motivated by opposition to the U.S. presence cease fighting, leaving a core of fighters committed to continued attacks on the Shia-dominated government. However, without an increase in popular support for insurgent activities or sustained external support, the Sunni insurgency will be unable to pose an existential threat to the Iraqi government.

*Al-Qaida in Iraq (AQI)* exhibits resiliency through its sustained ability to conduct periodic coordinated and complex attacks throughout Iraq. The group directs the majority of its propaganda and attacks against Iraqi government, security, and Shia civilian targets, hoping to destabilize the government and inflame sectarian tensions. With the departure of U.S. forces, AQI will seek to exploit a more permissive security environment to increase its operations and presence throughout the country.

Iraq's political environment will remain volatile and marked by periodic crises. However, the various ethno-sectarian political blocs perceive greater advantage can be gained through the political process than through violence and will probably remain engaged. Prime Minister Nuri al-Maliki and Kurdish leaders have strong incentives to maintain the current political dynamic, and both sides likely will seek to resolve Arab-Kurd issues diplomatically. However, an uncoordinated Kurdish or Iraqi military deployment in the disputed territories in 2012 risks inadvertent conflict.

Iraq will attempt to balance its relationship with the Sunni Arab states, Iran, and Turkey in the wake of the U.S. withdrawal. Sunni Arab states will remain suspicious of

the Shia-led government, citing its close ties to Tehran. Iran will seek to broaden its diplomatic, security, and economic ties with Iraq. DIA expects Baghdad will attempt to balance these competing interests rather than gravitating toward one camp.

Turning to *Afghanistan*, the Afghan army and police exceeded growth benchmarks for 2011 although persistent qualitative challenges continue to impede their development into an independent, self-sustaining security apparatus. The Afghan National Army (ANA) showed marked improvements in some operations when partnered with International Security Assistance Force (ISAF) units. However, continued gains in ANA capability and operational effectiveness require sustained mentoring and direct support from ISAF. Moreover, the ANA's reliance on ISAF for many critical combat enabling functions underscores its inability to operate independently. Nevertheless, Afghanistan's population generally favors the army over the police.

The Afghan National Police (ANP) has improved in both capacity and capability, but its viability as an effective, cohesive security force currently requires ISAF's direct oversight, partnering, and support. The ANP suffers from pervasive corruption and popular perceptions that it is unable to extend security in many areas. Unlike the army, the ANP is additionally challenged by serving in both counterinsurgency and law enforcement roles. This dual mission places acute demands on the ANP's already limited capacity. Local initiatives such as the Afghan Local Police are intended to augment the ANP by filling security voids and have helped to counter insurgent influence in some areas.

The Afghan government will face several challenges to its development over the next year. Endemic human capital shortages make it difficult for the government to fill many positions with qualified personnel. Underdeveloped government institutions, especially at the district and village level, will impede service delivery and limit the government's connection to the population. Corruption will continue at all levels of the government and efforts by the Afghans to root it out will be hindered as officials and

powerbrokers, especially at the sub-national level, focus on maintaining their patronage networks. Finally, as the transition process continues, the Afghan government will struggle to fill the vacuum left by ISAF troops and resources, while continuing to support ongoing ISAF efforts in non-transitioned areas.

In *Pakistan*, the May 1, 2011, raid in Abbottabad followed several other high-profile events that inflamed anti-U.S. sentiments. Some criticized the army for being powerless to stop the U.S. raid inside Pakistan; others questioned whether the military was either complicit in hiding Usama bin Ladin or incompetent in failing to find him. Much criticism was placed on Pakistan's cooperation with the United States and that enticed Islamabad to further distance itself from the United States.

Pakistan's Army, Air Force, and paramilitary forces has been tested by increased combat operations in the tribal areas since 2007. Approximately 140,000 Army and paramilitary forces are deployed to combat positions at any given time. This continued state of deployment, combined with budgetary constraints, has taken a toll on Pakistan's combat capabilities.

Saf havens in the Federally Administered Tribal Areas (FATA) of Pakistan continue to be crucial enablers for the Taliban, Haqqani Network (HQN), Hezb-e Islami Gulbuddin insurgent groups, and al-Qaida which seek to recruit, train, and equip fighters for operations in Afghanistan. Pakistan military efforts focused on Tehrik-e Taliban Pakistan (TTP) which threatens Pakistan's stability in the FATA and Khyber Paktunkhwa (KP) have had no effect in limiting HQN use of the FATA as a safe haven. Continued ISAF efforts in Afghanistan, coupled with simultaneous Pakistan military operations targeting Afghan insurgent groups based in the FATA, are required to help disrupt insurgent freedom of movement.

*Al-Qaida's Pakistan-based leadership* has been degraded by several years of attrition and is now forced to rely on a shrinking cadre of experienced leaders restricted

to operating primarily inside an HQN-facilitated safehaven in North Waziristan. The cumulative effect of sustained counterterrorism operations has made it difficult for al-Qaida to replenish its senior ranks with the type of experienced leaders, trainers, and attack planners it promoted in previous years. Recent key losses compound other challenges facing the group, especially significant competition from the Arab Spring movements in the battle of ideas and the shift of focus away from the battlefields of Iraq and Afghanistan as Western troops decrease their presence.

Sustained counterterrorism pressure since 2008 – including the killing of al-Qaida leaders Usama bin Ladin, Atiyah Abd al Rahman, and Ilyas Kashmiri in 2011 – reduced the Pakistan-based core al-Qaida’s cohesion and capabilities, including its ability to mount sophisticated, complex attacks in the West similar to the 2006 Transatlantic Airliner plot. However, despite these setbacks, al-Qaida retains its intent, though perhaps not the robust capability, to plan and conduct terrorist attacks against the West, including the U.S. homeland. Core al-Qaida almost certainly will also try to inspire regional nodes and allies, as well as unaffiliated but like-minded extremists, to engage in terrorism against the West. The group can be expected to continue its limited support to the Afghan insurgency over the next year. Looking ahead, we assess that keeping up counterterrorism pressure against core al-Qaida will be crucial to maintaining and building upon gains against the group.

Polls indicate that inflation and unemployment are the primary concerns for the Pakistani populace. With Pakistan’s 2013 elections approaching, Islamabad will be challenged by the difficult economic conditions and opposition parties seeking to undermine the government.

Pakistan views India as its greatest threat, but Islamabad has engaged in confidence building talks with New Delhi that seeks an expansion of economic ties. The military situation is calm, but a major terrorist attack, especially if linked to Pakistan, would jeopardize continued progress. New Delhi and Islamabad are expected to hold

talks on confidence-building measures in 2012. Sustained momentum on these issues may enable discussions on more contentious issues over time.

*India* considers regional stability a prerequisite for maintaining its continued economic growth. New Delhi views economic growth coupled with a strong military as essential for gaining recognition as a global power. Domestic political issues such as unemployment, inflation, and several high-level corruption scandals continue to dominate New Delhi's attention. Senior Indian leaders also remain concerned about the country's Maoist-inspired insurgency, terrorism, and the security situation in Kashmir, although the latter saw a marked decline in violence compared to 2010. While India continues to carefully monitor events in Pakistan, China is also viewed as a long-term challenge.

In 2011, India continued efforts to increase economic and military engagement with countries in East and Southeast Asia. India and Japan agreed to conduct a bilateral naval exercise, their first since 2008; India and Vietnam pledged to increase naval training; and the India-South Korea relationship continues to progress following the Indian Defense Minister's late 2010 visit.

Beijing and New Delhi resumed military-to-military engagement in mid-2011, held their first strategic economic dialogue in September, and discussed their longstanding border dispute in November. The military situation along the contested border is quiet. However, India is concerned over Chinese logistical improvements and is taking steps to improve its own capabilities. India is raising additional ground forces, is improving logistical capacity, and has based advanced fighter aircraft opposite China.

India conducts periodic tests of its nuclear-capable missiles to enhance and verify its ballistic missile reliability and capabilities. India's current delivery systems include nuclear-capable fighter aircraft and ballistic missiles, and India claims it is developing a nuclear-capable 6,000 kilometer (km)-range intercontinental ballistic missile (ICBM) that will carry multiple warheads. India intends to test this ICBM in 2012.

Turning to *North Korea*, the primary goals of the Democratic People's Republic of Korea (DPRK) are preserving its current system of government, improving its poor economy, and building national confidence and support for Kim Jong Un – youngest son of the late Kim Jong Il and North Korea's new "Great Leader." North Korea's leadership is emphasizing policy continuity under Kim Jong Un which DIA anticipates will include continued pursuit of nuclear and missile capabilities for strategic deterrence and international prestige, as well as to gain economic and political concessions.

Kim Jong Un was appointed to the rank of four-star general and Vice Chairman of the Korea Workers Party (KWP) Central Military Commission in 2010, he was given the title of Supreme Commander shortly after his father's death. He has yet to assume his father's other titles, however, such as General Secretary of the KWP and Chairman of the National Defense Commission. DIA believes he will assume these titles after an appropriate period of mourning when doing so will not be seen as detracting from his father's legacy.

North Korea signaled last year a willingness to return to Six-Party Talks. In November 2010, North Korea showed a visiting group of American academics a site at the Yongbyon Nuclear Research Center where it claimed to be building a light water reactor (LWR) and operating a gas centrifuge uranium enrichment facility intended to support low-enriched uranium fuel production for the LWR. The development of this type of uranium enrichment capability could enable North Korea to produce fissile material to support its nuclear program.

North Korea's large, forward-positioned military can attack South Korea with little or no strategic warning, but it suffers from logistic shortages, aging equipment, and poor training. It has attacked South Korean forces in/near disputed territories in the past and maintains the capability for further provocations. Pyongyang is making some efforts to



upgrade conventional weapons, including modernizing certain aspects of its deployed missile forces – short-, medium-, and intermediate-range systems.

North Korea has tested missiles, including the Taepo-Dong-2 space launch vehicle/ICBM, in violation of international law. Pyongyang also has a long history of ballistic missile development.

North Korea's intelligence resources are focused primarily on South Korea and are dedicated to influencing public opinion, collecting sensitive information on U.S. and Republic of Korea government and military targets, and in some cases assassinating high-profile defectors and outspoken critics of the North Korean regime. North Korean intelligence officers and agents for years have infiltrated South Korea by posing as defectors. Firsthand accounts of confessed North Korean agents describe long-term strategies that can involve many years of living in South Korea as sleeper agents before being tasked with a mission. North Korean intelligence activity is likely greatest in East Asia; however, the full extent of activity outside the Korean peninsula is unknown.

Shifting focus to *Iran*, Tehran poses a threat to U.S. interests through its regional ambitions, support to terrorist and militant groups, and improving military and nuclear capabilities. The recent plot to assassinate the Saudi Ambassador to the United States illustrates the terrorist threat posed by Tehran beyond the region.

Iran also continues efforts to gain regional power by countering Western influence, expanding ties with its neighbors, and advocating Islamic solidarity while supporting and arming groups in Afghanistan, Iraq, and the Levant. The Iranian Islamic Revolutionary Guard Corps (IRGC) trains and provides weapons and logistic support to Lebanese Hizballah. In turn, Lebanese Hizballah has trained Iraqi insurgents in Iraq, Iran, and Lebanon at Iran's behest, providing them with tactics and technology to attack U.S. interests. We estimate the IRGC-QF enables similar training of HAMAS, also using Lebanese Hizballah as a conduit.

Iran's military capabilities continue to improve. The navy is adding new ships and submarines and expanding bases on the Gulf of Oman, the Persian Gulf, and the Caspian Sea. Additionally, Iran is deploying vessels into the Arabian Sea for counter-piracy operations and conducted its first transit by a submarine to the Red Sea in 2011.

If attacked, or if sanctions on its oil exports are enacted, Iran has threatened to control traffic in or temporarily close the Strait of Hormuz with its naval forces, a capability that it likely has. Iran has also threatened to launch missiles against the United States and our allies in the region in response to an attack; it could also employ its terrorist surrogates worldwide. However, it is unlikely to initiate or intentionally provoke a conflict or launch a preemptive attack.

Iran can already strike targets throughout the region and into Eastern Europe with ballistic missiles. In addition to its growing missile and rocket inventories, Iran is seeking to enhance lethality and effectiveness of existing systems with improvements in accuracy and warhead designs. Iran's Simorgh space launch vehicle shows the country's intent to develop technologies applicable to developing an ICBM.

In Afghanistan, Tehran seeks to prevent a strategic partnership declaration between Afghanistan and the United States and has repeatedly claimed that a U.S. presence will promote long-term instability. Iran provides weapons, funding, and training to insurgents, while maintaining ties with the government in Kabul and supporting development efforts.

In its relationship to Iraq, Tehran supports Prime Minister Maliki and wants to maintain a friendly, Shia Islamist-led government in Baghdad. Iran welcomed the U.S. drawdown, and Supreme Leader Khamenei and senior Iranian military officials have credited the Iraqi people's unified resistance for forcing the withdrawal. Despite some

points of friction, Tehran generally has strong relations with Baghdad, but over the long-term, Iran is concerned a strong Iraq could once again emerge as a regional rival.

Iran characterized the Arab Spring as being inspired by its own 1979 revolution – an assertion that has not resonated with Arab populations. Iran seeks new opportunities to expand its influence with the fall of a number of governments that were perceived to be allies of the United States. Iran is concerned by the unrest in Syria, a country essential to Tehran’s strategy in the Levant. Iran continued to support Syria during the unrest but has called on President Bashar al-Asad to implement reforms.

With regard to counterintelligence concerns, Iran views the United States as one of its highest priority intelligence targets, in addition to Israel and internal opposition groups. Iran’s MOIS and the IRGC-QF target DoD interests throughout the world, most markedly in areas such as Iraq, Afghanistan, and Gulf Cooperation Council states. In each of these regions Iran constitutes the most significant foreign intelligence service threat.

Iran’s intelligence services play a vital role not only in collection, but also in projecting Iranian influence beyond its borders. The Qods Force plays a central yet often hidden role in formulating and implementing Iran’s Foreign Policy, particularly in areas considered vital to Iran’s national security interests.

The events of the *Arab Spring* unleashed powerful new popular forces in the Arab world, a world long suppressed by autocratic regimes, and led to a high degree of uncertainty. With elections and the formation of new governments only now beginning across North Africa, the political and security outcomes remain unclear. Religion will play a more prominent role in governments than in the past. However, new governments will continue to face the same significant socioeconomic challenges that hastened their predecessors’ downfall. That suggests struggle ahead to satisfy newly emboldened electorates, making future unrest likely.

The outcome in countries still facing civil unrest is similarly unclear. Syria and Yemen remain in stalemates between cohesive, but embattled, regimes and fractured oppositions that have yet to either coalesce into forces capable of overthrowing the regimes or convince the majority of the population they are a viable alternative. At this stage, both regimes have lost enough legitimacy that their long term survival is unlikely. When and how the stalemates will break is uncertain.

Following the death of Mo'amar Qadhafi on October 20, 2011, and the declaration of liberation three days later, *Libya* faces a series of challenges to include: meeting election deadlines; disarming and reintegrating militias; and resolving political, tribal, regional, religious, and ideological rivalries. Transitional National Council (TNC) Chairman Mustafa Abd al-Jalil's controversial pledge to invoke Islamic law raised concern, although the new Prime Minister, Abd al-Rahim al-Keab, later clarified the TNC espouses a moderate Turkish-style government. It is unclear how much influence hard-line Islamists will have on the development of the new government.

The threat of insurgency and aggression against the TNC remains if former Qadhafi regime supporters are not successfully reconciled and brought into the political transition. Revenge attacks, arbitrary arrests, and forced displacement of Libyans and sub-Saharan Africans were common in September and October. Human Rights Watch urgently recommended in December that the TNC address abuses of detainees held by the TNC and militias, and continuation of such practices will sharpen the desire for retaliation.

In addition to increasing security concerns during the post-Qadhafi transition, the completion of repairs to the Libyan oil infrastructure will be critical to improving the oil-dependent national economy. Effective demobilization of militias is unlikely if meaningful jobs and income are unavailable. At the same time, rebuilding and maintaining other critical infrastructures, such as security, essential public services, and

day-to-day effective governance, will also be crucial to building and sustaining the new Libyan government's legitimacy and credibility.

In 2004, Libya had declared a stockpile of bulk liquid sulfur mustard, jellified mustard heel, and liquid precursors. TNC forces during the unrest discovered undeclared Chemical Warfare (CW) weapons or material in Libya which they have since declared to the Organization for the Prohibition of Chemical Weapons. Libya's TNC indicated they intend to cooperate with the international community regarding CW stockpiles in Libya including the destruction of CW material.

Turning to *Egypt*, since the February 2011 resignation of President Hosni Mubarak, smaller scale protests have continued over issues such as the prosecution of former regime officials, government transparency, the transition process, economic issues, and sectarian tensions. To control protests and stabilize the country, the military-led transition government has given in to many protester demands.

After 10 months of unrest, the regime and opposition in *Syria* are in a stalemate; however, the regime is cohesive. The leading opposition umbrella organization, the Syrian National Council (SNC), announced its leadership structure on October 2 and continues to call for the non-violent ouster of the regime. The Syrian military, despite some desertions and defections to the armed opposition, on the whole remains a viable, cohesive, and effective force. The military suppresses unrest throughout the country. The SNC has yet to emerge as a clear or united alternative to the Asad regime, and it has not been able to unite Syrians on a strategy for ousting and replacing the regime. Regional pressure on the regime increased as the Arab League (AL) suspended Syria's membership in mid-November and deployed monitors to Syria in late December after earlier calls to the regime to end violence, withdraw forces from cities, release detainees, permit access to AL monitors, and begin dialogue with the opposition. The AL, in late January, publicly called for Asad to transfer power to a deputy and accelerate legislative

elections. On February 2, following an AL request for U.N. support for their proposal, the U.N. Security Council (U.N.S.C.) convened to discuss a potential U.N.S. C. resolution.

Syria is acquiring sophisticated weapons systems such as advanced surface-to-air and coastal defense missiles. In addition, Damascus is developing long-range rockets and short-range ballistic missiles with increased accuracy and extended range.

Syria is suspected of maintaining an active chemical warfare (CW) program, with a stockpile of CW agents which can be delivered by aircraft or ballistic missiles. Syria seeks chemical warfare-related precursors and expertise from foreign sources to supplement its domestic capabilities.

Damascus maintains a small civil nuclear program that includes a Chinese-built research reactor containing one kilogram of weapons-grade uranium, an irradiation facility for sterilizing medical products, a facility that produces radiopharmaceuticals, and about one metric ton of unenriched uranium produced domestically. The International Atomic Energy Agency (IAEA) safeguards the reactor. Syria's former covert nuclear program – for which the IAEA recently referred Syria to the UN Security Council – appears to be dormant.

Damascus continues its strategic partnership with Hizballah and perceives it as an extension of its defense against Israel. Syria's strategic partnership with Iran centers on shared regional objectives that include countering Israel by transferring increasingly sophisticated arms to Hizballah.

The northern and southern borders of *Israel* have largely remained calm despite periods of tension, such as the June 5 Nakba Day violence in the Golan Heights and the August 18 terrorist attack near Eilat in southern Israel. Both HAMAS and Hizballah are applying lessons learned from past conflicts with Israel. Even if neither intends to

resume fighting, escalation could result from miscalculated responses to a provocation or incident.

In Gaza, HAMAS is preoccupied with internal Palestinian issues and is still rearming and rebuilding after Israel's December 2008 Operation CAST LEAD. HAMAS is avoiding provocations that could trigger another major conflict with Israel. Increased international cooperation against HAMAS and Iranian arms smuggling will hamper the group's rearmament but will not affect its ability to control Gaza.

Since it interdicted an international, Turkish-led aid flotilla to the Gaza Strip in May 2010, Israel has demonstrated its willingness to maintain a naval blockade of Gaza, but changed its policy from a list of permitted items to a list of prohibited items. This allows entry of more food and commercial goods. Israel also has reiterated it will permit international aid shipments to Gaza if they come through Israeli-controlled crossing points after unloading in an Israeli or Egyptian port.

Hizballah is focused on internal Lebanese political issues and improving its paramilitary capabilities, which now are stronger than when it fought Israel in 2006. Both sides expect and are preparing for another round of fighting, but Hizballah appears to have no interest in renewing the conflict at this time. Israel's next battle with Hizballah is likely to involve more ground forces early in the conflict and may extend much deeper into Lebanon.

Iran funds, instigates, and coordinates most anti-Israeli activity in the region. Israel is concerned that Iran is giving increasingly sophisticated weapons to its enemies, including Hizballah, HAMAS, and Palestine Islamic Jihad. These actions could offset Israel's traditional military superiority, erode its deterrent, and lead to war.

In *Yemen*, Arab Spring protests calling for President Ali Abdallah Salih's ouster and prosecution have often devolved into open fighting between regime forces, dissident

military units, and tribal confederations. President Salih's return to Yemen from Saudi Arabia, where he was convalescing after a failed assassination attempt, has done little to reestablish stability in the country. Political elites have since agreed to a consensus government and implementation of a political transition plan, but protest activity has continued. Yemeni forces eventually rescued a military unit besieged by al-Qaida in the Arabian Peninsula in the city of Zinjibar, but the regime still struggles to secure the city and the surrounding area. Calls for autonomy from a Huthi insurgency in the north and an often violent but fractured secessionist movement in the south will challenge any future government of Yemen. These threats, combined with dwindling water and oil resources, will complicate efforts to stabilize Yemen.

Yemen-based al-Qaida in the Arabian Peninsula has the intent, but a diminished capability, to target the U.S. homeland. Over the next six months, the group will likely focus on local attacks against U.S., Western, Yemeni, and Saudi interests in the Arabian Peninsula. In the longer term, the permissive operating environment in Yemen will allow the group to reconstitute this capability, absent sustained counterterrorism pressure.

In general, the cohesion of the *al-Qaida network* is not reliant on a single, unifying leader, and the network will remain intact even if senior leaders are removed or communication with al-Qaida core is severed. Over the long term, as each regionally-based al-Qaida node increasingly pursues its own agenda, we anticipate decentralization away from Pakistan-based al-Qaida leadership. Indeed, as core al-Qa`ida's position deteriorates, we assess the center of gravity for the broader global jihadist movement could shift from Pakistan to another theater. Each node, however, almost certainly will continue to self-identify as part of al-Qaida, as long as it benefits the node's recruitment, fundraising, and prestige. The nodes' public recognition of Ayman al-Zawahiri as successor to bin Ladin underscores this continuing adherence to the notion of a broader al-Qa`ida movement.



Nonstate actors, particularly al-Qaida and its associated movements, have learned much from their successes and failures over the past few years, as well as through their associations with state-based intelligence services, and they have instructed their personnel in espionage tradecraft, interrogation, counterintelligence, and operational security concepts. They continue to use this knowledge and training both offensively to target U.S. interests worldwide and defensively to counter U.S. counterterrorism efforts.

In 2011, al-Qaida in the Lands of the Islamic Maghreb (AQIM) acquired weapons from Libya, though we have not been able to confirm AQIM's acquisition of Libyan man-portable air defense systems; kidnapped Westerners; and continued its support to Nigeria-based Boko Haram. AQIM espouses the al-Qaida ideology and eulogized Usama bin Ladin following his death.

I now turn to the *Horn of Africa*. In 2011, increased regional opposition against *al-Shabaab* led to their first territorial losses since 2006. In early August, Transitional Federal Government (TFG) and African Union Mission in Somalia expanded control of territory in Mogadishu when al-Shabaab abandoned their front lines and implemented a guerrilla-style retaliation strategy. In the western Somali border regions, Ethiopian- and Kenyan-backed TFG proxy forces fought al-Shabaab since early 2011, and in October, Kenyan Defense Forces also entered southern Somalia. Al-Shabaab called upon its supporters to launch attacks in Kenya. In response, al-Shabaab-associated foreign fighters are executing attacks in Kenya. East Africa-based al-Qaida operatives remain interested in conducting attacks in Europe.

In 2011, al-Shabaab continued its operations against the Somali TFG and the African Union Mission in Somalia and sought to exploit foreign aid and nongovernmental organizations responding to the Somali famine crisis.

Prolonged drought will worsen security conditions, driving population migration and increased competition over food and natural resources. Despite increased

humanitarian efforts, al-Shabaab's restrictions on international humanitarian relief, ongoing insecurity that hampers distribution of aid, and low rainfall will contribute to a prolonged food crisis until at least August 2012.

*Southeast Asia* (SEA) is a geographic facilitation hub for transnational terrorist groups, with al-Qaida maintaining links to associated networks in SEA. Other transnational and regional Islamic terrorists and insurgents continue to exploit porous borders and limited security cooperation between SEA nations, enabling movement of personnel and logistics throughout SEA.

*China* is building a modern military capable of defending its self proclaimed "core interests" of protecting territorial integrity, sovereignty and national unity; preserving China's political system; and ensuring sustainable economic and social development. Defense against intervention by U.S. forces in a regional contingency over Taiwan is currently among the highest priorities for the military's planning, weapons development training.

DIA estimates China spent as much as \$183 billion on military-related goods and services in 2011, compared to the \$93 billion Beijing reported in its official military budget. This budget omits major categories, but it does show spending increases for domestic military production and programs to improve professionalism and the quality of life for military personnel.

Even as the Chinese military plans for conflict and continues its build-up across from Taiwan, cross-Strait relations have gradually improved since 2008 and currently remain stable and positive. Both sides continue to strengthen economic and cultural engagement and have largely adhered to a diplomatic truce in the competition to persuade other countries to switch diplomatic recognition.

China's investment in naval weapons primarily focuses on anti-air and anti-surface capabilities to achieve periodic and local sea and air superiority within the first island chain. China's first aircraft carrier, which began sea trials in 2011, will serve as a training platform once it is commissioned, likely in 2012. The carrier will not reach its full potential until it acquires an operational fixed-wing air regiment several years after commissioning.

Once oriented solely on territorial defense, the People's Liberation Army (PLA) Air Force is transforming into a force capable of both offshore offensive and defensive roles, including strike, air and missile defense, strategic mobility, and early warning and reconnaissance. The PLA Air Force began testing a fifth generation fighter prototype in 2011.

China's strategic missile force, the Second Artillery, currently has fewer than 50 ICBMs that can strike the continental United States, but it probably will more than double that number by 2025. To modernize the nuclear missile force, China is adding more survivable road-mobile systems, enhancing its silo-based systems, and developing a sea-based nuclear deterrent. The Navy is developing the JIN-class nuclear-powered ballistic missile submarine and JL-2 submarine-launched ballistic missile, which may reach initial operational capability around 2014. China deployed a number of conventionally armed, medium-range ballistic missiles and is probably preparing to deploy the medium-range DF-21D anti-ship ballistic missile.

China is beginning to develop and test technologies to enable ballistic missile defense. The space program, including ostensible civil projects, supports China's growing ability to deny or degrade the space assets of potential adversaries and enhances China's conventional military capabilities. China operates satellites for communications, navigation, earth resources, weather, and intelligence, surveillance, and reconnaissance, in addition to manned space and space exploration missions. China successfully tested a direct ascent anti-satellite weapon (ASAT) missile and is developing jammers and

directed-energy weapons for ASAT missions. A prerequisite for ASAT attacks, China's ability to track and identify satellites is enhanced by technologies from China's manned and lunar programs as well as technologies and methods developed to detect and track space debris. Beijing rarely acknowledges direct military applications of its space program and refers to nearly all satellite launches as scientific or civil in nature.

China has used its intelligence services to gather information via a significant network of agents and contacts utilizing a variety of methods to obtain U.S. military technology to advance their defense industries, global command and control, and strategic warfighting capabilities. The Chinese continue to improve their technical capabilities, increasing the collection threat against the U.S. The Chinese also utilize their intelligence collection to improve their economic standing and to influence foreign policy. In recent years, multiple cases of economic espionage and theft of dual-use and military technology have uncovered pervasive Chinese collection efforts.

In *Russia*, Moscow has pursued a more cooperative approach to relations with the United States and the West. Although the recent election showed diminishing results for Prime Minister Vladimir Putin's political party, he is still on a course to win the March 2012 presidential election. If elected, he would continue to advocate strengthening the Russian military. If Putin's mandate is weakened, he may moderate some of his views; however, no major changes are likely in Russia's defense and foreign policy objectives toward the United States in the coming year.

An example of recent cooperation is Moscow's willingness to permit supplies to pass through Russia to Coalition forces in Afghanistan, but a push to maintain the current presence in Central Asia beyond the publicized 2014 drawdown or the creation of new bases in the region may drive the Kremlin to reconsider its level of support. Russia also has cooperated with the United States by agreeing to UN sanctions on Iran; however, Russian officials are now calling for an incentives approach, arguing sanctions options have been exhausted and further sanctions would stifle Iran's economy.

Despite areas of cooperation, Moscow has serious concerns about missile defense plans in Europe and is using diplomacy and public relations to try to shape implementation of the European Phased Adaptive Approach – the U.S. contribution to a North Atlantic Treaty Organization missile defense system. Moscow insists on legal guarantees, which would ensure missile defense systems would not target Russia's strategic capabilities.

Russia also opposes sanctions and foreign intervention against Syria and has consistently urged the opposition to reach an accommodation with the regime. Moscow has enjoyed close ties with Syria since Soviet times and has strategic and economic interests in Syria.

The Russian military's most comprehensive reform since World War II continues. The goal is to create more agile, modern, and capable forces. General purpose forces will be smaller, more mobile, and combat ready. They will be better suited to respond to threats along Russia's periphery, win local conflicts, and quickly end regional wars. Russia will rely on its robust nuclear arsenal to deter and, if necessary, engage in larger regional or worldwide conflicts.

Russia has moved from division- to brigade-centric ground forces, disbanded most of its Soviet-era ground force mobilization bases, and consolidated air force units and bases. To better control general purpose forces in regional conflicts, it has formed the first peacetime joint strategic commands – West, East, South, and Center. Additionally, the military has established an Aerospace Defense Command under General Staff control, which will perform integrated air, missile and space defense missions.

Moscow's 10-year modernization plan is a top priority for the armed forces, but it faces funding and implementation risks owing in part to a possible decline in the price of oil. The federal budget is set to increase spending by more than 55 percent in 2014 from

2011 spending levels. Competing demands to sell arms abroad, Russia's aging industrial base, insufficient resources, plus corruption and mismanagement most likely will keep modern equipment below those levels.

New equipment for the general purpose forces will increase in 2012, but deliveries will be small and Soviet-era weapons will remain the standard. Russia also will buy selected foreign systems, such as France's Mistral amphibious assault ship and Italian light armored vehicles, and will integrate foreign technology and sustain joint production programs. Russia will continue to field the SS-26 short-range ballistic missile, with the first deployed unit being fully supplied recently. Development of the PAK-FA, Russia's new fifth-generation fighter, will continue, though deployment will not occur for several years.

Russia is upgrading massive underground facilities that provide command and control of its strategic nuclear forces as well as modernizing strategic nuclear forces as another top priority. Russia will field more road-mobile SS-27 Mod-2 ICBMs with multiple independently targetable reentry vehicles. It also will continue development of the Dolgorukiy/SS-NX-32 Bulava fleet ballistic missile submarine/submarine-launched ballistic missile and next-generation air-launched cruise missiles.

Russia recognizes the strategic value of space as a military forces multiplier. Russia already has formidable space and counterspace capabilities and is improving its navigation, communications, ballistic missile launch detection, and intelligence-gathering satellites. It has extensive systems for space surveillance and tracking and others with inherent counterspace applications, such as satellite-tracking laser rangefinders. Russia is researching or expanding directed-energy and signal jamming capabilities that could target satellites.

Military readiness is generally increasing in Russia's new units, but demographic trends, the one-year conscription policy, and contract personnel recruitment problems will

complicate efforts to fill the ranks adequately. Programs to build a professional military are proceeding slowly because they are expensive and Moscow's current priority is rearmament.

Turning to Latin America, President Felipe Calderon of *Mexico* continues his aggressive campaign against transnational criminal organizations (TCOs) through high-value-targeting operations, although critics contend that it has increased drug-related violence. This leaves Mexico's traditional counterdrug efforts such as interdiction and eradication as lesser priorities. Almost 50,000 people have died in drug-related violence since Calderon declared war on cartels shortly after taking office in December 2006. Security forces – the Army, Navy, and police – captured or killed 21 of Mexico's 37 most wanted traffickers on a list the attorney general announced in March 2009. Government leaders are appointing active and retired military officers to key police leadership positions to tackle corruption, conduct more aggressive anti-cartel operations, and maximize civil-military cooperation. National elections in July 2012 will result in a complete turnover in the presidency and both houses of Congress.

In *Cuba*, President Raul Castro's April 2011 appointment as First Secretary of the Cuban Communist Party (PCC) officially established his dominance over all aspects of government. Economic reforms, including permission for Cubans to buy and sell real estate and automobiles, are proceeding slowly. A PCC conference in January 2012 failed to address sensitive leadership and political issues, such as term limits and succession. Cuba, overly dependent on ailing Venezuelan President Hugo Chavez, will work to expand economic ties, especially with China and Brazil.

Cuba remains the predominant foreign intelligence threat to the United States emanating from Latin America.

In *Venezuela*, President Hugo Chavez's June 2011 cancer diagnosis has not derailed his bid to win reelection in 2012. Prior to the October 7 presidential election, we

believe the Venezuelan government will stay focused on domestic issues such as the country's high cost of living and the escalating crime rate. Meanwhile, Venezuela is modernizing its armed forces, unveiling recently acquired Russian equipment including tanks, armored personnel vehicles, multiple rocket launchers, self-propelled howitzers, and anti-aircraft guns.

I will now shift from a geographic focus to address issues that spread across national boundaries such as proliferation, cyber security, and health and water security

The *proliferation* and potential for use of *weapons of mass destruction* (WMD) and ballistic missiles remains a grave and enduring threat. Securing nuclear weapons and materials is a worldwide imperative to prevent both accidents and the potential diversion of fissile and radiological materials. Chemical and biological weapons are becoming more technically sophisticated as technology proliferates. Terrorist organizations are working to acquire and employ chemical, biological, and radiological materials.

Many advanced nations are cooperating to stop WMD proliferation; however some aspects of WMD-related research and technology are beyond their direct control, including commercial scientific advances, scientists' enthusiasm for sharing their research, and the availability of dual-use information and education. For example, the availability of *naturally-occurring pathogens* of proven virulence exploitable from actual disease outbreaks presents a low-cost, low-risk, low-complexity alternative to obtaining such organisms from either a secured laboratory facility or an environmental reservoir.

Determined groups and individuals, as well as the proliferation networks they tie into, often sidestep or outpace international detection and export-control regimes. They supply WMD and ballistic missile-related materials and technologies to countries of concern by regularly changing the names of the front companies they use, operating in



countries with permissive environments or lax enforcement, and avoiding international financial institutions.

*Ballistic missiles* continue to pose a threat as they become more survivable, reliable, and accurate at greater range. Potential adversaries are basing more missiles on mobile platforms at sea and on land. Technical and operational measures to defeat missile defenses also are increasing. China and Iran for example, exercise near simultaneous salvo firings from multiple locations to saturate missile defenses. Countries are designing missiles to launch from multiple transporters against a broad array of targets, enhancing their mobility and effectiveness on the battlefield. Shorter launch-preparation times and smaller footprints are making new systems more survivable, and many have measures to defeat missile defenses.

Theater ballistic missiles already are a formidable threat in the Middle East and Asia, and proliferation is expanding their availability worldwide. Technology sharing will accelerate the speed with which potential adversaries deploy new, more capable ballistic missile systems over the next decade. Sophisticated missiles and the equipment to produce them are marketed openly.

On *space and counter-space* issues, governments and commercial enterprises continue to proliferate space and counter-space related capabilities, including some with direct military applications. Space technologies and services that have both civilian and military uses, in such areas as communications, reconnaissance, navigation, and targeting, remain relatively easy for states and nonstate actors to obtain.

One example is Chinese development of the Beidou position, navigation and timing system which the Chinese plan to have available for regional users by 2012 and internationally by 2020. This system will enable subscribers outside of China to purchase receivers and services that give civilian and military applications greater redundancy and independence in a conflict scenario that employs space assets.

From the counter-space perspective, Russia and China continue developing systems and technologies that can interfere with or disable vital U.S. space-based navigation, communication, and intelligence collection satellites. North Korea has mounted Soviet-made jamming devices on vehicles near the North-South demarcation line that can disturb Global Positioning System (GPS) signals within a 50-100 kilometer (km) radius and is reported to be developing an indigenous GPS jammer with an extended range of more than 100 km. Other state and non-state actors rely on denial and deception techniques to defeat space-based imagery collection, conduct electronic warfare or signal jamming, and possibly attack ground sites for space assets.

Another important transnational threat is that potential adversaries are increasingly more capable of conducting *cyberspace* operations against the United States. The pace of foreign economic collection and industrial espionage activities conducted by foreign intelligence services, corporations, and private individuals against major U.S. corporations and government agencies is accelerating. China is likely using its computer network exploitation capability to support intelligence collection against the United States. Russia also poses a highly capable cyber threat to the United States.

Many countries are considering emulating the United States by creating their own cyber commands or dedicated military cyber organizations. On May 16, 2011, Iran announced plans to create a cyber command. The U.S. national infrastructure, which includes communications, transportation, financial, and energy networks, is a lucrative target for malicious actors.

In addition to cyber, another capability that is spreading is the use of *underground facilities (UGFs)* in foreign countries to conceal and protect critical military and civilian assets and functions. China, North Korea, Iran, Syria, Russia, Pakistan, and Lebanese Hezbollah have active underground programs. Foreign nations and non-state actors employ UGFs in an attempt to conceal and make more survivable a variety of programs,

including WMD strategic command and control, leadership protection and relocation, military research and development, industrial production, and ground, naval, and air military assets. A significant trend of concern is the basing of ballistic and cruise missiles and other systems designed for anti-access/area denial weapons directly within UGFs.

Another transnational military issue is that many of the countries mentioned above continue to receive *advanced conventional munitions*, including modern air defense systems, precision weapons, and counter precision-guided munition systems. DIA remains concerned with the proliferation of advanced cruise missiles, such as Russia's supersonic Yakhont anti-ship cruise missile which Moscow sold to Syria and Vietnam. The 300 km range Yakhont poses a major threat to naval operations particularly in the eastern Mediterranean.

Another important issue that transcends national borders is the impossibility of predicting when and where new *outbreaks of diseases* and catastrophic natural disasters with global health security implications will occur.

In Asia, both North Korea and China face domestic health related challenges. China's efforts to improve food and drug safety have significant shortcomings that affect human health and trade with the United States and other partners. China's poor environmental protection practices will continue to fuel internal social discontent. North Korea's inadequate response to multidrug-resistant tuberculosis, avian influenza, foot-and-mouth disease, and other infectious diseases poses a health threat to South Korea, China, and other countries as well as to its own population.

As a result of demographic and economic development pressures, North Africa, the Middle East, and South Asia will face major challenges coping with water problems. Problems associated with water shortages and flooding will contribute to instability in many countries important to the United States and may require U.S. military assistance over the next 10 years. Water shared across borders will increasingly be used as leverage

in relations between states. Engagement on these and other security issues important to our regional partners will be key to maintaining U.S. interests and minimizing the risks of conflict over the next 10 years and beyond.

In some of the same countries that face the challenges discussed above, the narcotics trade is also a problem. The multi-billion dollar *global narcotics trade* is a major and growing source of crime, violence, and political instability in Latin America, Afghanistan, and Africa, undermining the rule of law, sapping legitimate economic development, and inflicting high socio-economic costs. Cocaine and heroin are the two drugs whose production and trafficking are most associated with conflict, insurgency, and insecurity. Gross annual profits from these two drugs alone exceed \$150 billion. Traffickers often use these vast earnings to bribe officials and buy military-grade weapons and sophisticated communications equipment. This gives them state-like intelligence and security capabilities that often outpace government capacities, even in countries such as Colombia and Mexico, where there is substantial U.S. counterdrug support. At least 10 terrorist and insurgent groups obtain funding from the drug trade to support operations, logistics, and recruitment. As drug consumption is expanding in the developing world, anti-government groups increasingly will exploit growing drug market opportunities to supplement irregular sympathizer donations.

In addition to the transnational threats discussed above, the United States and DoD face a persistent and significant *intelligence threat* posed by numerous countries and a few sub-national actors. DoD counterintelligence must focus both on identifying, neutralizing and/or exploiting the activities of foreign intelligence officers and international terrorists and those trusted insiders who support our adversaries. Effective counterintelligence is a significant priority for DIA, the Military Services, other defense agencies, and DoD. Foreign intelligence services conduct a wide range of intelligence activities, as discussed earlier, to degrade our national security interests worldwide. They target our armed forces, warfighting and commercial research, development and acquisition activities, national intelligence system, and our government's perceptions and decision processes. A few transnational terrorist groups, often aided by foreign

intelligence organizations, have developed their own intelligence collection and counterintelligence capabilities. In an era of globalized commerce, an emerging threat that concerns the department involves possible foreign compromise of our supply chain which could degrade or defeat our information systems or weapons platforms by inserting malicious code into or otherwise corrupting key components bound for these important warfighting systems.

I would like to now turn to two areas where DIA is focusing revitalized efforts as an outgrowth of our strategic plan. These are *strategic warning and our investment in scientific and technical intelligence (S&TI) collection and analysis*.

The events of the Arab Spring underscore enduring concern regarding the potential for strategic surprise and the need for effective warning. Enduring strategic problems like WMD proliferation, regional conflicts, and terrorism will remain at the forefront of our warning concerns. However, small and varied events – with seemingly limited relevance to DoD – can rapidly evolve and radically alter U.S. policy. DIA analysis must recognize the implications of these events and include them in our perceptions of strategic threat.

In the foreseeable future, the United States will remain the dominant military power with few countries seeking comparable, full-spectrum conventional military forces. Despite this advantage, the gap between the United States and others will narrow through the adaptation of asymmetric alternatives to conventional capabilities and a continued effort to identify our strategic vulnerabilities.

The pace at which our strategic and operating environments evolve is increasing – offering advantage to those actors which are most agile and able to seize new opportunities or mitigate emerging risks. This advantage amplifies the ability of single actors to alter the strategic environment. Global austerity measures will impact the

military and intelligence capability of strategic partners, further amplifying the risk to U.S. interests.

The acceleration of technological change also has potential to create surprise. Less developed countries and nonstate actors may acquire innovative capabilities that could negate some U.S. military capabilities. Proliferation of advanced technology and the rapid improvements in commercial off-the-shelf technology will aid development of new asymmetric threats.

DIA's efforts in the area of *scientific and technical intelligence (S&TI)* are intended to allow our customers to anticipate foreign advanced weapons and emerging technology, provide characteristics and performance of foreign systems, provide onboard mission data to maximize the effectiveness of our military systems, and to provide warning of the disruptive use of existing technologies by both state and nonstate actors. In recent years DIA has noted, for example, the appearance of sophisticated threats to our naval forces, efforts to counter our advantages in precision guidance and low-observable systems, and the ability of terrorist groups and insurgents to rapidly adapt improvised explosive devices to newly introduced countermeasures. We have also seen the appearance on the horizon of technologies such as quantum computing or electromagnetic weapons that may eventually pose a threat to our information security and computer capabilities.

In order to meet these challenges DIA's Directorate for Analysis, as the functional manager for all-source analysis within the defense intelligence enterprise, has undertaken several initiatives intended to increase the effectiveness and efficiency of the DIA and wider defense intelligence enterprise S&TI efforts. In April, the Defense Intelligence Analysis Program Board of Governors declared Emerging and Disruptive Technology Intelligence a complex analytic issue. As a result the DIA Defense Warning Office was chosen as the lead integrator for this issue and we formed a Defense Intelligence Disruptive Technologies Analysis Committee to coordinate tasking, collection, and

production in this area. S&TI is an area that requires constant research as well as production and, in accordance with DIA's Strategic Plan, we are currently circulating for comment a draft Strategic Research Plan at the defense intelligence enterprise level. We are also drafting a framework for S&TI analysis and collection and will have a high-level kickoff meeting for this effort in late January that also involves our principal customers.

The potential for trusted US Government and contractor insiders using their authorized access to personnel, facilities, information, equipment, networks or information systems in order to cause great harm is becoming an increasingly serious threat to our national security. Trusted insiders now have unprecedented access to US Government information and resources in secure work environments that stress information-sharing and connectivity. As experienced by the US Government in the recent massive "WikiLeaks" disclosure, the unchecked distribution of classified information compromises our national security and also endangers lives. The Defense Intelligence Agency, Defense Counterintelligence (CI) and Human Intelligence Center, is the functional manager for the DoD CI Insider Threat Program and has been coordinating with the Office of the National Counterintelligence Executive, the Office of the Undersecretary of Defense for Intelligence and the Office of the Assistant Secretary of Defense (Homeland Defense and Americas Security Affairs) in developing DoD policy for the Defense *Insider Threat* Program, to include identifying roles and responsibilities for the DoD CI enterprise.

DIA's Counterintelligence and Security Office has devised and deployed a multi-faceted Insider Threat program designed to identify threats to DIA personnel, information and operations from within. Strategic reports are also crafted based on lessons learned. These reports are designed to increase the Agency's security awareness, and to inform the development of an array of personnel and technical capabilities to respond to any identified threat or breach in security.

In conclusion, today's focus on combat operations against insurgents and transnational terrorists does not preclude the potential that other threats will come to the fore, including conflicts among major countries that could intersect vital U.S. interests. Defense intelligence must be able to provide timely and actionable intelligence across the entire threat spectrum.

In cooperation with the IC, DIA is strengthening collection and analysis and sharing more information across intelligence disciplines and among agencies and the nation's close allies.

The men and women of DIA know they have a unique responsibility to the American people and take great pride in their work. While their work is often secret, it is a public trust. I am privileged to serve with them and present their analysis to you.

On behalf of the men and women of DIA and the defense intelligence enterprise, thank you for your continuing confidence. Your support is vital to us.