

**CURRENT AND PROJECTED NATIONAL SECURITY
THREATS TO THE UNITED STATES**

HEARING
BEFORE THE
SELECT COMMITTEE ON INTELLIGENCE
OF THE
UNITED STATES SENATE
ONE HUNDRED SIXTH CONGRESS
SECOND SESSION
ON
CURRENT AND PROJECTED NATIONAL SECURITY THREATS TO THE
UNITED STATES

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FEBRUARY 2, 2000
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HEARING ON THE WORLDWIDE THREAT FOR 2000

WEDNESDAY, FEBRUARY 2, 2000

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

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

Committee Members Present: Senators Shelby and Bryan.

Chairman SHELBY. The Committee will come to order.

This is the Committee's first hearing of the 21st century, and I want to join with the Committee's new Vice Chairman, Senator Bryan, in welcoming our witnesses, as well as the American public, for this annual assessment of the threats facing our nation.

We have asked our witnesses to focus on those conditions throughout the world that have fostered, or will foster, threats and challenges to the security of the United States. We will be concentrating this morning in an open session, and again this afternoon in a closed session, on conventional as well as unconventional threats, including threats posed by the proliferation of weapons of mass destruction and high-technology state-sponsored and nonstate terrorists.

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

The dynamic change and uncertainty that characterized the latter part of the nineties will likely continue through the first decade of the new century because what one of our witnesses calls the engines of turmoil remain largely in place. These "engines of turmoil" include significant transitions in key states and regions throughout the world, the continued existence of rogue states and terrorist groups, rapid technological development and proliferation, continuing international criminal activity, and reactions to a perception of U.S. political, economic, military and social dominance.

Together, these factors foster a complex, dynamic and dangerous global security environment that will spawn crises affecting American interests. If we are to contain, manage and respond appropriately to these threats, we need to understand this challenging new security environment in the first year of the 21st century. And nowhere will these challenges be more evident than in the asymmetrical threats to our homeland—in the strategic nuclear missile

threats from China and Russia, as well as rogue states, and in the threats posed to U.S. interests around the world by large regionally ambitious military powers.

While this hearing is designed to address critical threats to our nation's security, another matter has come to the public's attention and is one that Director Tenet, I believe, should address in more detail. That matter is the conduct of Mr. Tenet's predecessor, John Deutch, and the conduct of senior CIA officials in investigating, failing to investigate, or possibly impeding the investigation of Mr. Deutch's handling or mishandling of classified information.

These are matters, I believe, of the utmost importance. The American people have a keen interest in the performance of senior officials charged with upholding our laws and policies with respect to the protection of classified information, the disclosure of which would constitute a serious and immediate threat to our national security.

Therefore, I hope that you will take this opportunity to explain, Mr. Tenet, to the American public today the actions of your predecessor, the investigations into those actions, the actions of other CIA officials with respect to this investigation, and your own actions in this regard.

With that in mind, the Committee is very pleased to welcome back the Director of Central Intelligence, Mr. George Tenet. We're also pleased to welcome two individuals to their first public appearance before this Committee—the relatively new Director of the Defense Intelligence Agency, Vice Admiral Thomas Wilson, and the new Assistant Secretary of State for Intelligence and Research, Ambassador Stapleton Roy.

If there's no objection, we've asked Secretary Roy and Admiral Wilson to submit their statements for the record, and it will be so ordered. Director Tenet will then present his oral testimony, after which I will open the floor for Members' questions. In the interest of time, I would ask that members submit any opening statements for the record, other than Senator Bryan, so that all members will have ample opportunity to ask questions.

But before calling on you, Director Tenet, let me turn to my colleague and my new Vice Chairman, Senator Bryan.

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

As you have observed, this is my first roll call with you as the new Vice Chairman of this Committee, and I look forward to working with you and other colleagues in the Committee in a bipartisan way in discharging our oversight responsibilities with respect to the Intelligence Community.

Let me first commend you for the timely manner in which you're scheduling the Committee's annual worldwide threat hearing. As we both know, because this is an election year, our time schedule will be compressed. And so I think it's most important that we get off as quickly as we can at the beginning of the year and the timing of this hearing, which was rescheduled through circumstances beyond your control or my control, indicates the manner in which we tend to approach this responsibility.

The annual worldwide threat hearing is one of the Committee's most important. It's indispensable in helping members frame the Committee's approach to intelligence issues in the year ahead. But

it's important for another reason. Because this is an open hearing, the American people themselves will have an opportunity to assess the seriousness of the threats that face our country, and reach their own conclusions.

Mr. Chairman, our nation faces numerous threats, albeit qualitatively different than those that we faced during the Cold War. Rather than the singularly focused threat of the former Soviet Union, we now face a host of so-called transNational issues and threats. As the term implies, these threats are not confined to specific countries, but rather cross international borders.

Mr. Chairman, as you and I observed firsthand during our recent visit to eight African nations, the terrible effects of one of those transNational threats, in this case terrorism, can be deadly. In both Kenya and Tanzania, we visited the remains of our embassies, both of which were the object of viciously destructive terrorist attacks in 1998. Over the last several years, you, Mr. Chairman, have placed a proper emphasis on the transNational threats, such as terrorism, weapons proliferation and narcotics, and I very much look forward to working with you on these and other issues during the course of the year.

Mr. Chairman, with your indulgence, I'd like to touch on one more issue, one which you appropriately raised, and I'd like to associate myself with your comments in terms of the recent issue that has come to light with respect to DCI John Deutch's handling of classified information and the misuse of government computers as reported in the February 1st edition of the New York Times.

I must say that I find this issue extremely troubling. Not only are the specifics of the case very disturbing; so, too, is the manner and timing in which this Committee was notified. I look forward to hearing any comments that the DCI may have on this issue today, and I am particularly anxious to see the results of the accountability panel's inquiry into this matter as soon as that panel has completed its work.

I would also be very interested in whether or not there have been any morale problems as a consequence of that, because one of the obvious concerns raised is whether there is a dual standard in dealing with a former DCI and other employees of the agency who might have been guilty of similar activity.

And finally, I would like to applaud the efforts of the CIA Inspector General, Britt Snider. His investigative report produced on this matter is both comprehensive and balanced. And again, Mr. Chairman, I look forward to working with you today and throughout the rest of the year on issues affecting the Intelligence Community. Thank you.

Chairman SHELBY. Mr. Tenet, you proceed as you wish.

[The prepared statements of Director Tenet, Admiral Wilson, and Ambassador Roy follow:]

PREPARED STATEMENT OF J. STAPLETON ROY, ASSISTANT SECRETARY OF STATE FOR INTELLIGENCE AND RESEARCH

Chairman Shelby, Senator Bryan, Members of the Committee, I appreciate this opportunity to present the views of the State Department's Bureau of Intelligence and Research (INR) on current and projected threats to our nation.

Thanks to our military readiness, our intelligence capabilities, and the effectiveness of our diplomacy, threats to our national existence from nuclear or large-scale conventional attack remain low.

The threats we face today are less direct and more diffuse. Efforts by countries to acquire nuclear weapons and ballistic missile capabilities remain of high concern. International terrorists—Usama bin Ladin’s organization is the most prominent—threaten Americans at home and around the globe. Narcotraffickers and international criminals endanger our way of life and corrupt governments and societies everywhere. Globalization has brought manifold benefits, but it has created new vulnerabilities. “Soft” threats, such as the spread of epidemic disease, environmental degradation, or conflict over water rights, pose new challenges that we are only beginning to understand.

In addition, the United States must pay special attention to the activities and intentions of states with global reach (Russia and China) and to countries whose behavior poses actual or potential threats to American interests. The latter group includes North Korea, Iran, and Iraq.

THE NUCLEAR THREAT

Only Russia has the unqualified capacity to destroy the United States. Indeed, for the foreseeable future, Russia’s ability to threaten U.S. territory and overseas interests is greater than all other potential adversaries combined. China is the only other country that is not an ally of the United States that currently has the capacity to strike the U.S. homeland with nuclear weapons. Moreover, the aggregate nuclear-armed ICBM threat against the United States is declining dramatically as a result of Russian military choices related to START I and START II and the significantly reduced size of the Russian economy.

This situation could change for the worse if Moscow (and secondarily, Beijing) concluded that the United States was pursuing interests in fundamental conflict with their own. Such perceptions could trigger decisions that would significantly increase the quantitative threat to the United States. Instead of reducing their nuclear warheads to some 1,500, the Russians could halt their decline at or above 2,000 warheads. The Chinese could triple their nuclear deterrent by the end of the decade to more than 100 ICBM warheads by MIRVing existing ICBMs. Should either (or both) put their strategic forces on a higher state of alert, their serious early warning deficiencies would increase the danger of accidental launch.

The growing availability of technical information about nuclear weapons and the increase in well-financed non-state terrorist organizations make the prospect of a suitcase or cargo ship bomb a significant second order concern. The difficulty of acquiring sufficient fissile materials would be the most important technical factor limiting the ability of such a group to detonate a nuclear device in an American city.

North Korea, with its nascent space launch vehicle/ICBM program and presumed nuclear potential, is preeminent among emerging Third World nuclear threats. Given the credibility of U.S. retaliatory capabilities in the face of any nuclear attack on the American homeland, we would assign the North Korean threat to a tertiary level. A multifaceted diplomatic effort is under way to eliminate this threat. So far, this effort has yielded a freeze on activity at declared North Korean nuclear facilities and a moratorium on further space or missile launches.

MISSILES AND MISSILE PROLIFERATION

Ballistic missiles are a special concern, particularly when possessed by countries with nuclear, chemical, or biological weapons, because of their ability to strike rapidly and penetrate defense. An increasing number of countries are developing capabilities to produce ballistic missiles and/or space launch vehicles; these include potential adversaries like North Korea and Iran, and regional rivals like India and Pakistan. These capabilities have been increased by technology transfers from other countries—principally Russia, China, North Korea, and advanced European nations. This will allow for extended range and improved accuracy of older-generation missiles. Ballistic missiles are unlikely to be used against U.S. territory, but they are a growing threat to U.S. allies and to U.S. forces deployed abroad.

THE CONVENTIONAL MILITARY THREAT

The threat of a large-scale conventional military attack against the United States or its allies will remain low for the immediate future. Since the demise of the Warsaw Pact, there has existed no hostile military alliance capable of challenging the United States or NATO, and none is on the horizon.

Regional tensions and potential conflicts threaten U.S. interests abroad. Progress toward Middle East peace has reduced the chances of another major war there, but

it may have increased the determination of regional terrorist groups to derail the peace process. Iraq threatens regional security by confronting coalition forces and retaining weapons of mass destruction (WMD) ambitions. Saddam Hussein could precipitate major crises at any time.

Trends are visible that could increase the conventional military threats. U.S. military dominance and economic, cultural, and technological preeminence have sparked resentment by potential rivals who do not share U.S. values and are concerned that the United States will use its global leverage in ways inimical to their interests. This has prompted them to seek ways to constrain Washington. These countries are not likely to enter formal defensive alliances, but if they perceive U.S. policies as hostile to their national interests, they may be increasingly inclined to cooperate militarily, particularly in the sale of weapons and technologies that might otherwise have been kept off the market.

TECHNOLOGY DIFFUSION

Accelerating technological progress in an increasingly global economy has facilitated the spread of advanced military technologies once restricted to a few industrialized nations. Chemical and biological weapons will pose a growing threat to U.S. interests at home and abroad, as the means to produce them become more accessible and affordable. Such weapons are attractive to countries seeking a cheap deterrent and to terrorist groups looking for means of inflicting mass casualties. They pose a potential military threat to U.S. forces abroad and to our homeland.

The critical importance of communications and computer networks to the military and to almost every sector of the civilian economy has increased U.S. vulnerability to a hostile disruption of its information infrastructure. Russia, China, and Cuba have active government IW programs, and a number of other countries are interested in the concept.

TERRORISM, NARCOTICS, AND INTERNATIONAL ORGANIZED CRIME

Terrorism.—The United States remains the number one target of international terrorism. As in previous years, close to one-third of all incidents worldwide in the first nine months of 1999—about 90—were directed against Americans. About 60 of these took place in Latin America and Western Europe, including the murder of three NGO workers in Columbia.

Increasingly, *where* attacks occur does not fully reflect the *origin* of the threat. The far-flung reach of Usama bin Ladin (UBL) from his base in Afghanistan is reflected in a continuous flurry of threats by his organization on almost every continent. Although we cannot attribute any of last year's anti-U.S. attacks to him, his transnational network and the devastating example of his 1998 attacks on our embassies in Kenya and Tanzania make him the primary threat to U.S. interests at home and abroad. Members of his network and other like-minded radical Mujahedin are active globally. Bin Ladin funds training camps and participates in a worldwide terrorist network. But he is not responsible for every Mujahedin attack. The UBL network is analogous to a large corporation with UBL as a CEO who provides guidance, funding, and logistical support. His supporter, like regional directors or affiliates, are not micromanaged, and may be left to follow separate agendas.

A number of terrorists, including bin Ladin, have evinced interest in acquiring weapons of mass destruction. So far, Aum Shinriyko, the group responsible for the 1995 subway gas attack in Tokyo, is the only group to use such a weapon on a large scale.

State sponsorship of terrorism has declined but has not disappeared. Libya last year surrendered two suspects in the Pan Am 103 case for trial. North Korea recently stated that it "would not allow terrorism or any support to it." Syria completed a first round of formal peace talks with Israel earlier this month. Cuba no longer actively supports armed struggle but continues to harbor terrorists. Iraq also harbors terrorists and may be rebuilding its intelligence networks to support terrorism. Sudan has been a safe haven and logistical hub for numerous international terrorist groups; the recent political shakeup in Khartoum has yet to result in a noticeable difference. Despite President Khatami's attempts to distance Teheran from terrorism, Iran continues to support the use of violence to derail the peace process.

There have been counterterrorism successes over the past year. Jordanian and Canadian authorities averted possible attacks. The leader of the PKK, a Kurdish terrorist group, was captured, tried, and convicted. Jordan expelled the political leadership of the terrorist group Hamas, and Japan passed laws stringently regulating Aum Shinriyko. Seven countries signed the international convention on financing terrorism on the first day it was open for accession.

Narcotics.—The expanding reach of international drug trafficking organizations poses a significant security threat to the United States, their primary target. Abroad, criminal drug gangs suborn foreign officials at all levels, threatening the rule of law.

Despite antinarcotics successes, notably in Bolivia and Peru, illicit drugs from Latin America constitute the primary drug threat to the United States. An apparent improvement in Colombian cocaine-processing efficiency means that traffickers can direct even more of the drug to U.S. markets. Drugs fund insurgent groups warring against the Colombian government. Bribery at all levels of officialdom in Mexico and, to a lesser extent, the Caribbean ensure that drugs reach their target.

Columbia and Mexico have the largest share of the U.S. heroin market, but opium poppy cultivation in Asia is increasing, particularly in Burma and Afghanistan. Indications are that Burma, after two years of drought reduced opium poppy cultivation, will return to its traditionally high cultivation level. In Afghanistan, production of opium and heroin is a major source of revenue for the ruling Taleban and a political instrument of bin Ladin to “corrupt” the West.

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

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

ECONOMIC THREATS

The international economic outlook is more positive than at any time since the start of the Asian economic crisis in mid-1997. World economic output is forecast to rise from 2.5 percent last year to 3.0 percent this year. Despite the impressive rebound from the economic turmoil of 1997–98, significant vulnerabilities in the Asian emerging economies could affect U.S. economic and strategic interests. The recovery of confidence in the currencies and financial markets of Southeast Asia and South Korea remains fragile, and their banking system are in need of further restructuring. Overall, the danger of a second Asian financial crisis has substantially diminished. The more cautious and sophisticated approach of foreign investors, the increase in transparency of financial information, and the region’s dramatic reduction in reliance on short-term debt have all decreased Asia’s susceptibility to a financial panic triggered by the economic problems of one country.

Despite export recovery and high and growing foreign exchange reserves, China is one of Asia’s soft spots. Growth this year could falter under the weight of deflation. China’s banks are burdened with bad debt. Fresh bankruptcies could require urgent capitalization and fiscal resources already are stretched thin. Chinese policymakers are concerned about rising unemployment and want to stimulate economic growth, but they have fewer and fewer options other than painful economic reform.

Latin America should recover from last year’s recession and achieve 3.7% overall growth. Mexico, Brazil, Chile, and Peru have made difficult policy adjustments that leave them better positioned to weather external developments. Latin America governments generally remain publicly committed to fiscal austerity, trade liberalization, and low inflation. However, income inequality and the failure of market-oriented policies to dent high poverty levels could decrease stability in countries where recovery lags.

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

THREATS TO HUMAN RIGHTS, DEMOCRACY, AND HUMANITARIAN INTERVENTIONS

The national security of the United States is tied to political stability, peace, and democratic governance in other regions. When human rights are systematically abused, when internal conflicts threaten to spill over into neighboring countries, and when democratic principles are undermined by coups and/or corruption, like-minded governments look to the United States to provide leadership, in conjunction with their own efforts, to address these threats. Most current complex emergencies are caused by violent ethnic tensions and religious intolerance, often fueled by malevo-

lent political leaders and militias, that generate large numbers of displaced persons and atrocity victims. The US Government has led international efforts to mitigate such destabilizing humanitarian crises—through providing generous refugee assistance, supporting international tribunals that prosecute war criminals, and preventing those security threats from erupting or re-erupting through support for free and fair elections and for human rights monitoring.

“SOFT THREATS”

The United States faces a broad array of long-term threats to our national well-being. Some of these take the form of episodic natural disasters—floods in Venezuela, earthquakes in Turkey and Taiwan. While the greatest loss of life from natural disasters will continue to be in crowded poor regions, overseas Americans are often affected, as are governments with which we work to achieve common goals. Reducing the suffering inflicted by such crises will depend on improving the use of early-warning information systems and providing prompt humanitarian assistance.

Environmental threats range from toxic spills to global climate change. Environmental contamination can cause severe local problems. Global warming would result in broader and unpredictable weather fluctuations, altered agricultural production, and rising sea levels. Each of these regional problems would affect national economic production, food exports and imports, and even international relations as natural resource balances shift within and among countries. A related threat may come from increasingly resilient bacteria and viruses, which can take advantage of global linkages, poor sanitation, and urban congestion to spread quickly across continents.

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

COUNTRIES WITH GLOBAL REACH

Russia.—Russia’s ability to project power beyond its borders and to challenge U.S. interests directly is much diminished. Russia is focused on its own internal problems and aware of its weaknesses and limitations. Nevertheless, Russia remains a nuclear power with the capability to destroy the United States. It retains the ability to influence foreign and security policy developments in Europe and, to a lesser extent, around the globe. Its interests sometimes coincide with those of the United States and our allies, and sometimes not. Regional instability in the former Soviet Union, in particular in the Caucasus or Central Asia, could impinge on U.S. interests, especially if such instability were to spiral out of control or tempt external intervention.

The Russian political scene was dramatically altered by the Duma elections in December and Yeltsin’s surprise resignation, but the consequences for Russia’s development as a state remain uncertain. Vladimir Putin, who at 47 represents a younger generation, is riding a wave of popularity based, in part, on his vigorous prosecution of the war in Chechnya. Putin, the odds-on favorite to win the presidency, almost certainly will be a more engaged and predictable leader. He has spoken of the need for a democratic, market-oriented approach, including political pluralism and freedom of speech and of conscience, that would revitalize the Russian economy. He has called for reform and pledged to fight crime and corruption. But Putin has a security-services background, makes no secret of his belief in a strong state that plays a guiding role in the economy, and is enmeshed in a system dominated by a narrow stratum of political and financial elites. For Putin to undertake systematic and thoroughgoing reform, he would have to move against some of the very people on whom his power depends.

It is too early to predict how recent leadership changes will affect Russia’s foreign and security policies. Both Putin and Foreign Minister Ivanov have promised broad continuity. Russia’s need for integration into international economic and financial institutions and access to key markets makes a wholesale return to the ideological confrontation and policy collisions of the Cold War unlikely. But Russia will persist in efforts to counter what it perceives as U.S. dominance by using the diplomatic tools at its disposal.

China.—China’s commitment to a multipolar world in which it would have major global influence means that its interests occasionally lead to rivalry with the United States, sometimes in concert with Russia or France. China’s increasingly capable

military forces and economic base, and its network of supporters, especially among the developing countries, will better enable the PRC to forestall or limit unwelcome U.S. unilateral and allied actions. This also can translate into opposition to U.S.-led initiatives at the UN.

The most serious potential threat to the United States would be Chinese military action, possibly in response to a perceived U.S. challenge to vital PRC interests. Actions that might trigger such a response include implementation of a robust threat missile defense system that nullified Chinese deterrence or included Taiwan (directly or indirectly) and thus increased prospects for indefinite Taiwan separation or de jure independence. China's refusal to rule out use of force and determination to forestall further steps toward Taiwan separateness or explicit independence, and in the long term to achieve reunification, jeopardizes peace and security in the Taiwan Strait.

Chinese proliferation behavior is a continuing concern, particularly when it contributes to changes in the balance and threatens U.S. interests in other geographic regions. China has assisted the missile and nuclear programs of Pakistan, Iran, and others. China has made progress in adopting international control norms in the nuclear area, but Beijing does not accept all elements of the Missile Technology Control Regime.

The risk of instability within China sparked by social discontent over unemployment, official corruption or malfeasance, religious persecution, violation of human rights, lack of democratic choices, ethnic discrimination, and other factors remains real. Should social order decline significantly, U.S. economic interests in China (trade and investments) would suffer, and the expected increased outflow of Chinese migrants to the region and to the United States would have a problematic—but not genuinely threatening—impact on U.S. interests. Should regime failure occur and result in ineffective government in China, the United States would face serious new uncertainties in East Asia.

OTHER COUNTRIES AND REGIONS OF CONCERN

North Korea.—The DPRK's ability to sustain a conflict has continued to decrease in the past year. Nevertheless, the North's military still has the capability to inflict heavy damage and casualties in the opening phases of a war. The political situation in the North appears stable, with Kim Jong-Il firmly in charge. There is evidence that in some areas the economic situation is less dire; rather than struggling simply to keep its head above water, the regime has been able to turn its attention to such long-term concerns as restoring infrastructure. There are signs that the regime is examining a range of relatively pragmatic, though still seemingly ad hoc, solutions to the DPRK's economic problems. Diplomatically, the North has begun a broad push to improve relations with developed countries, which it hopes can provide economic assistance. Pyongyang continues to refuse to deal officially with Seoul, but unofficial contacts—in such fields as the economy, culture, and sports—were carried out on a fairly large scale last year.

An area of top concern is the North's development of long-range ballistic missiles and its ongoing efforts to sell missile technology to countries in the Middle East and South Asia. North Korea last fall announced it would not launch a satellite or a long-range missile during high-level U.S.-DPRK talks. But on the question of missile sales, the North has said only that it would be willing to halt sales under the right circumstances, a formulation that will require clarification.

Iran.—In addition to posing a threat in the areas of WMD and terrorism, Iran is perhaps the only major power in the Middle East consistently opposed to the Middle East Peace Process. Deep-seated hostility to the MEPP within conservative circles of the Tehran regime plays a major role in the government's apparent willingness to support terrorist groups and their attacks against Israel or other parties involved in the process. Although we believe Iranian factions and leaders are not unanimous in their support for the use of terrorism to effect political ends, so far this disunity has not resulted in a discernible change of behavior.

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

Iraq.—Baghdad's denunciation of UNSCR 1284 and continued public refusal to allow weapons inspections to resume indicates Iraq's intention to ensure that any future UN inspection presence in Iraq is weak. Over the past year, Iraq's military has escalated its challenges to coalition aircraft in the no-fly zones. The regime has looked for new ways to circumvent UN sanctions, while using proceeds from illegal smuggling to enhance its military capabilities and enrich Saddam's family and inner

circle. Iraqi media and official rhetoric menacing Kuwait and other Iraqi neighbors underscore the regime's continued threat to the region.

Baghdad consistently denounces the MEPP, and appears committed to a position of stalwart opposition to regional peace. Press reports indicted that the regime seeks to eliminate opposition figures inside and outside the country, and to target U.S. facilities such as the Radio Free Europe/Radio Liberty offices in Prague. The regime hosts several Palestinian rejectionist groups and the Mujahedin-e Khalq, a terrorist organization.

Europe.—Peace and stability in southeastern Europe remain the paramount “threat” on the continent. The threat from Serbia stems from the undemocratic nature of the regime. Serbia's autocrat, Milosevic, still holds the critical levers of power and refuses to meet legitimate demands for democracy. The possibility of further violence from the Milosevic regime, directed at Montenegro or elsewhere, is undiminished. Milosevic poses a continuing challenge to NATO and to the peace and security of the region.

Kosovar-Serbian recriminations and retaliatory attacks will continue, and Serbian-Montenegrin tensions will mount as Podgorica and President Djukanovic seek to carve out an increasingly independent status. Crime and corruption, homegrown and involving Russian and other groups, will continue to plague parts of Europe—especially Albania, Bosnia, and other Balkan areas.

More broadly, West European leaders are concerned over potential disruption of existing arms control regimes and deterrence strategies from U.S. development of National Missile Defense and the ascent of Vladimir Putin in Russia. European economies, though improving, remain captive to high unemployment, labor unrest, pressures to enlarge the European Union, and a single currency (the euro) with only a one-year track record.

South Asia.—The volatile South Asian region could quickly become embroiled in serious conflict, probably over the disputed state of Jammu and Kashmir. Last May, India discovered an incursion from Pakistan into the Kargil sector of Indian Kashmir. In December, Kashmiri militants hijacked an Indian Airlines aircraft on a flight from Kathmandu to New Delhi. Tension over Kashmir is endemic in the Indo-Pakistani relationship and can evolve quickly into a full-blown crisis threatening a wider, and ultimately much more destructive, war between India and Pakistan that could result in the use of nuclear weapons.

Possession of nuclear weapons by these two adversaries will be a part of the landscape for the foreseeable future. Indeed, such weapons will become more entrenched in these countries as they develop military doctrine and command and control procedures for their potential use. Both India and Pakistan have made it clear that they will continue to develop their nuclear weapons and missiles capable of delivering them. We expect to see more ballistic missile tests in the region; there may be another round of nuclear tests. Pakistan and India might well themselves become sources of technology for yet other countries bent on acquiring nuclear and missile capabilities.

Latin America.—A decade into the democracy and market revolution, the vast majority of Latin Americans have experienced little or no improvement in living conditions. Recent economic troubles have fueled unemployment, crime, and poverty, undermining the commitment of many Latin Americans to free-market economic liberalization. While Latin Americans are committed in principle to democracy, many question how successful democracy has been in their own countries because of slow progress in alleviating wide social inequities and in curbing corruption. These concerns have raised fears among some observers that disillusioned Latin Americans will turn to authoritarian governments to improve their economic situations and reduce crime.

That said, Latin American democracies have proved resilient in the face of economic crises, and all ideological alternatives to democratic government remain discredited. Although Ecuador's fragile democratic institutions are under tremendous pressure because of its ongoing economic and political crises, recent developments in that country show that Latin American militaries are fully aware that overt intervention risks international opprobrium and sanctions, and they will therefore favor solutions that maintain at least a semblance of constitutional continuity. Another concern is that legitimately elected leaders could assume authoritarian powers with popular support. Peruvian President Fujimori provided a model with his “self-coup” in 1992, and Venezuela under President Chavez bears careful watching. In none of the other major countries of Latin America—Argentina, Brazil, Chile, Colombia, and Mexico—is democracy threatened in the short or medium term.

In Cuba, an aging Fidel Castro refuses to make concessions toward a more open political system, and Cuba's overall human rights record remains the worst in the hemisphere. There is little sign of significant economic reform. The flow of refugees

seeking relief from repressive conditions continues. With no real provision for succession—beyond more of the same, with Raul Castro at the helm—the departure of Fidel could usher in a period of greater instability under a less charismatic leader, possibly leading to further mass migration and internal violence.

Africa.—African political and economic crises frequently threaten U.S. efforts to promote democratization, human rights, the rule of law, and economic development. Crime and terrorism thrive in some of Africa's unstable and impoverished nations. Appeals for the United States to assist humanitarian relief programs and peace-keeping operations are strong and growing.

In Angola, the government continues to struggle against UNITA. Renewed fighting, now reaching to the border with Namibia, increasingly entangles Angola's neighbors in this decades-long civil war.

A peace agreement for the Democratic Republic of the Congo was signed in Lusaka in August 1999, but implementation has been slow. Continuing cease-fire violations, the involvement of neighboring countries, and the injection of arms and other assistance from outside the region make this conflict potentially the most destabilizing in Africa.

Further east, Burundi faces heightened ethnic tensions. Nelson Mandela chairs a peace process, but the high degree of distrust among the many factions makes his task difficult. Renewed genocide in Burundi and neighboring Rwanda remains a possibility.

Sudan, after 16 years of civil war that has generated an estimated 4 million internally displaced persons and 360,000 refugees, is experiencing renewed tensions within its governing political elite. It remains a haven for terrorists.

Ethiopia and Eritrea continue to rearm and prepare to resume their conflict over a disputed border. A renewal of this conflict has the potential to be, by far, the most lethal in Africa.

In West Africa, Sierra Leone struggles to make a peace process work with UN support. Its neighbors worry that renewed civil war could adversely affect their stability. The recent coup in Cote d'Ivoire illustrates the fragility of democracy and the threat inherent in corruption and the exclusion of regional, tribal, and religious groups from the political process. Good governance alone might not be enough to prevent conflict. Current levels of economic expansion may be insufficient to cope with growing populations and a sharp decline in foreign assistance. Poorly implemented reforms could unleash such simmering problems as inter ethnic violence.

In closing, it is worth mentioning that an additional threat to U.S. interests would be a failure to commit the necessary resources to address the range of threats noted above. From the perspective of INR, we cannot defend against these many threats to U.S. interests by force alone, or by acting alone. We need the help of others. The ability of the United States to carry out a strong, effective diplomacy on behalf of its interests is an important part of our national security strategy. In this respect, shortchanging America's foreign assistance programs, or America's diplomatic presence overseas (260 missions, representing 30 federal agencies), would represent a long-term threat to our national interest. What is unique about this particular threat is that it is one exclusively within the power of the United States to address and resolve.

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

INTRODUCTION

Mr. Chairman, as we face a new century, we face a new world. A world where technology, especially information technology, develops and spreads at lightning speed—and becomes obsolete just as fast. A world of increasing economic integration, where a US company designs a product in Des Moines, makes it in Mumbai, and sells it in Sydney. A world where nation-states remain the most important and powerful players, but where multinational corporations, nongovernment organizations, and even individuals can have a dramatic impact.

This new world harbors the residual effects of the Cold War—which had frozen many traditional ethnic hatreds and conflicts within the global competition between two superpowers. Over the past 10 years they began to thaw in Africa, the Caucasus, and the Balkans, and we continue to see the results today.

It is against this backdrop that I want to describe the realities of our national security environment in the first year of the 21st century: where technology has enabled, driven, or magnified the threat to us; where age-old resentments threaten to spill-over into open violence; and where a growing perception of our so-called "hegemony" has become a lightning rod for the disaffected. Moreover, this environment of rapid change makes us even more vulnerable to sudden surprise.

TRANSNATIONAL ISSUES

Mr. Chairman, bearing these themes in mind, I would like to start with a survey of those issues that cross national borders. Let me begin with the proliferation of weapons of mass destruction.

Mr. Chairman, on proliferation, the picture that I drew last year has become even more stark and worrisome. Transfers of enabling technologies to countries of proliferation concern have not abated. Many states in the next ten years will find it easier to obtain weapons of mass destruction and the means to deliver them. Let me underline three aspects of this important problem:

- First, the missile threat to the United States from states other than Russia or China is steadily emerging. The threat to US interests and forces overseas is here and now.

- Second, the development of missiles and weapons of mass destruction in South Asia has led to more-advanced systems, and both sides have begun to establish the doctrine and tactics to use these weapons.

- Third, some countries that we have earlier considered exclusively as weapons technology importers may step up their roles as “secondary suppliers,” compounding the proliferation problem even further.

Let’s look at the first issue, the growing threat to the United States. We’re all familiar with Russian and Chinese capabilities to strike at military and civilian targets throughout the United States. To a large degree, we expect our mutual deterrent and diplomacy to help protect us from this, as they have for much of the last century.

Over the next 15 years, however, our cities will face ballistic missile threats from a wider variety of actors—North Korea, probably Iran, and possibly Iraq. In some cases, this is because of indigenous technological development, and in other cases, because of direct foreign assistance. And while the missile arsenals of these countries will be fewer in number, constrained to smaller payloads, and less reliable than those of the Russians and Chinese, they will still pose a lethal and less predictable threat.

North Korea already has tested a space launch vehicle, the Taepo Dong-1 which it could theoretically convert into an ICBM capable of delivering a small biological or chemical weapon to the United States although with significant inaccuracies. Moreover, North Korea has the ability to test its Taepo Dong-2 this year; this missile may be capable of delivering a nuclear payload to the United States.

Most analysts believe that Iran, following the North Korean pattern, could test an ICBM capable of delivering a light payload to the United States in the next few years.

Given that Iraqi missile development efforts are continuing, we think that it too could develop an ICBM—especially with foreign assistance—sometime in the next decade.

These countries calculate that possession of ICBMs would enable them to complicate and increase the cost of US planning and intervention, enhance deterrence, build prestige, and improve their abilities to engage in coercive diplomacy.

As alarming as the long-range missile threat is, it should not overshadow the immediacy and seriousness of the threat that US forces, interests, and allies already face overseas from short- and medium-range missiles. The proliferation of medium-range ballistic missiles (MRBMs)—driven primarily by North Korean No Dong sales—is significantly altering strategic balances in the Middle East and Asia.

Mr. Chairman, nowhere has the regional threat been more dramatically played out than in South Asia. Both Pakistan and India have intensified their missile and nuclear rivalry. Further nuclear testing is possible and both states have begun to develop nuclear-use doctrines and contingency planning. This is a clear sign of maturing WMD programs. I will discuss South Asia’s broader problems later in my briefing.

Mr. Chairman, another sign that WMD programs are maturing is the emergence of secondary suppliers of weapons technology.

While Russia, China, and North Korea continue to be the main suppliers of ballistic missiles and related technology, long-standing recipients—such as Iran—might become suppliers in their own right as they develop domestic production capabilities. Other countries that today import missile-related technology, such as Syria and Iraq, also may emerge in the next few years as suppliers.

Over the near term, we expect that most of their exports will be of shorter range ballistic missile-related equipment, components, and materials. But, as their domestic infrastructures and expertise develop, they will be able to offer a broader range of technologies that could include longer-range missiles and related technology.

Iran in the next years may be able to supply not only complete Scuds, but also Shahab-3s and related technology, and perhaps even more-advanced technologies if Tehran continues to receive assistance from Russia, China, and North Korea.

Mr. Chairman, the problem may not be limited to missile sales; we also remain very concerned that new or nontraditional nuclear suppliers could emerge from this same pool.

This brings me to a new area of discussion: that more than ever we risk substantial surprise. This is not for a lack of effort on the part of the Intelligence Community; it results from significant effort on the part of proliferators.

There are four main reasons. First and most important, proliferators are showing greater proficiency in the use of denial and deception.

Second, the growing availability of dual-use technologies—including guidance and control equipment, electronic test equipment, and specialty materials—is making it easier for proliferators to obtain the materials they need.

The dual-use dilemma is a particularly vexing problem as we seek to detect and combat biological warfare programs, in part because of the substantial overlap between BW agents and legitimate vaccines. About a dozen countries either have offensive BW programs or are pursuing them. Some want to use them against regional adversaries, but other see them as a way to counter overwhelming US and Western conventional superiority.

Third, the potential for surprise is exacerbated by the growing capacity of countries seeking WMD to import talent that can help them make dramatic leaps on things like new chemical and biological agents and delivery systems. In short, they can buy the expertise that confers the advantage of technologies surprise.

Finally, the accelerating pace of technological progress makes information and technology easier to obtain and in more advanced forms than when the weapons were initially developed.

We are making progress against these problems, Mr. Chairman, but I must tell you that the hill is getting steeper every year.

TERRORISM

Let me now turn to another threat with worldwide reach—terrorism.

Since July 1998, working with foreign governments worldwide, we have helped to render more than two dozen terrorists to justice. More than half were associates of Usama Bin Ladin's Al-Qaida organization. These renditions have shattered terrorist cells and networks, thwarted terrorist plans, and in some cases even prevented attacks from occurring.

Although 1999 did not witness the dramatic terrorist attacks that punctuated 1998, our profile in the world and thus our attraction as a terrorist target will not diminish any time soon.

We are learning more about the perpetrators every day, Mr. Chairman, and I call tell you that they are a diverse lot motivated by many causes.

Usama Bin Ladin is still foremost among these terrorists, because of the immediacy and seriousness of the threat he poses. Everything we have learned recently confirms our conviction that he wants to strike further blows against America. Despite some well-publicized disruptions, we believe he could still strike without additional warning. Indeed, Usama Bin Ladin's organization and other terrorist groups are placing increased emphasis on developing surrogates to carry our attacks in an effort to avoid detection. For example, the Egyptian Islamic Jihad (EIJ) is linked closed by Bin Ladin's organization and has operatives located around the world—including in Europe, Yemen, Pakistan, Lebanon, and Afghanistan. And, there is now an intricate web of alliances among Sunni extremists worldwide, including North Africans, radical Palestinians, Pakistanis, and Central Asians.

Some of these terrorists are actively sponsored by national governments that harbor great antipathy toward the United States. Iran, for one, remains the most active state sponsor. Although we have seen some moderating trends in Iranian domestic policy and even some public criticism of the security apparatus, the fact remains that the use of terrorism as a political tool by official Iranian organs has not changed since President Khatami took office in August 1997.

Mr. Chairman, we remain concerned that terrorist groups worldwide continue to explore how rapidly evolving and spreading technologies might enhance the lethality of their operations. Although terrorists we've preempted still appear to be relying on conventional weapons, we know that a number of these groups are seeking chemical, biological, radiological, or nuclear (CBRN) agents. We are aware of several instances in which terrorists have contemplated using these materials.

Among them is Bin Ladin, who has shown a strong interest in chemical weapons. His operatives have trained to conduct attacks with toxic chemicals or biological toxins.

HAMAS is also pursuing a capability to conduct attacks with toxic chemicals.

Terrorists also are embracing the opportunities offered by recent leaps in information technology. To a greater and greater degree, terrorist groups, including Hizballah, HAMAS, the Abu Nidal organization, and Bin Ladin's al Qa'ida organization are using computerized files, e-mail, and encryption to support their operations.

Mr. Chairman, to sum up this part of my briefing, we have had our share of successes, but I must be frank in saying that this has only succeeded in buying time against an increasingly dangerous threat. The difficulty in destroying this threat lies in the fact that our efforts will not be enough to overcome the fundamental causes of the phenomenon—poverty, alienation, disaffection, and ethnic hatreds deeply rooted in history. In the meantime, constant vigilance and timely intelligence are our best weapons.

NARCOTICS

Mr. Chairman, let me now turn to another threat that reaches across borders for its victims: narcotics. The problem we face has become considerably more global in scope and can be summed up like this: narcotics production is likely to rise dramatically in the next few years and worldwide trafficking involves more diverse and sophisticated groups.

On the first point, coca cultivation in Peru and Bolivia has continued to decline—due largely to successful eradication efforts—but that will probably be offset to some extent by increases in Colombian cultivation. More productive coca varieties and more efficient processing results in production of cocaine more than two and a half times that previously estimated.

There is some good news in Colombia. Under President Pastrana's leadership, Bogota is beginning to improve on its 1999 counterdrug efforts. In November, Pastrana approved the first extradition of a Colombian drug trafficker to the United States since passage of a 1997 law.

On the other side of the world, a dramatic increase of opium and heroin production in Afghanistan is again a cause for concern. This year, Afghanistan's farmers harvested a crop with the potential to produce 167 tons of heroin, making Afghanistan the world's largest producer of opium. Burma, which has a serious drought, dropped to second place, but will likely rebound quickly when the weather improves.

Explosive growth in Afghan opium production is being driven by the shared interests of traditional traffickers and the Taliban. And as with so many of these cross-national issues, Mr. Chairman, what concerns me most is the way the threats become intertwined. In this case, there is ample evidence that Islamic extremists such as Usama Bin Ladin uses profits from the drug trade to support their terror campaign.

INTERNATIONAL ORGANIZED CRIME

Mr. Chairman, let me turn now to the related issue of organized crime. Organized crime has become a serious international security issue. It not only can victimize individuals, but it also has the potential to retard or undermine the political and economic development of entire countries, especially newly independent ones or those moving from command systems to open societies.

The threat is quite apparent in Russia, where it has become a powerful and pervasive force. Crime groups there have been aggressive in gaining access to critical sectors of Russia's economy—including strategic resources like the oil, coal, and aluminum industries.

Meanwhile, money is moving out of Russia on a large scale. Russian officials estimate that some \$1.5 to \$2 billion leaves the country monthly. Most is not derived from criminal activities but rather is sent abroad to avoid taxation and the country's economic instability. Still, Russian officials say that criminal activity may account for about one-third of the capital flight.

INFORMATION OPERATIONS

Finally Mr. Chairman, before I end this chapter on transnational issues, let me note the especially threatening nature of a relatively new phenomenon—information warfare. I say especially threatening because as this century progresses our country's security will depend more and more on the unimpeded and secure flow of information. Any foreign adversary that develops the ability to interrupt that flow or shut it down will have the potential to weaken us dramatically or even render us helpless.

A surprising number of information warfare-related tools and “weapons” are available on the open market at relatively little cost. Indeed, the proliferation of personal computers, and the skills associated with them, has created millions of potential “information warriors”.

Already, we see a number of countries expressing interest in information operations and information warfare as a means to counter US military superiority. Several key states are aggressively working to develop the IW capabilities and to incorporate these new tools into their warfighting doctrine.

This is one of the most complex issues I’ve put on the table. Mr. Chairman, but, simply put, information warfare has the potential to be a major force multiplier. And why is this?

It enables a single entity to have a significant and serious impact.

It is a weapon that “comes ashore” and can effect the daily lives of Americans across the country.

It gives a force projection capability to those who have never had it before, and it can be used as an asymmetric response.

It will be a basic capability of modern militaries and intelligence services around the world in the near future and secondary players not long thereafter.

All of this amounts to one of the “cutting edge” challenges for intelligence in the 21st century. We are working on means of prevention, warning, and detection, but as in so many areas in the technological age, Mr. Chairman, we are truly in a race with technology itself.

REGIONAL ISSUES

At this point, Mr. Chairman, I’d like to leave the transnational issues and turn briefly to some of the regions and critical states in the world.

RUSSIA

We begin with Russia. As you know, we are now in the post-Yeltsin era, and difficult choices loom for the new president Russians will choose in exactly two months:

He will face three fundamental questions:

First, will he keep Russia moving toward further consolidation of its new democracy or will growing public sentiment in favor of a strong hand and a yearning for order tempt him to slow down or even reverse course?

Second, will he try to build a consensus on quickening the pace of economic reform and expanding efforts to intergrate into global markets—some Russian officials favor this—or will he rely on heavy state intervention to advance economic goals?

Finally, will Moscow give priority to a cooperative relationship with the West or will anti-US sentiments continue to grow, leading to a Russia that is isolated, frustrated, and hostile? This would increase the risk of an unintended confrontation, which would be particularly dangerous as Russia increasingly relies on nuclear weapons for its defense—an emphasis reflected most recently in its new national security concept.

As these questions indicate, a new Russian President will inherit a country in which much has been accomplished—but in which much still needs to be done to fully transform its economy, ensure that democracy is deeply rooted, and establish a clear future direction for it in the world outside Russia.

Russian polls indicate that Acting President Putin is the odds on favorite to win the election—though I must tell you, Mr. Chairman, that two months can be an eternity in Russia’s turbulent political scene. Putin appears tough and pragmatic, but it is far from clear what he would do as president. If he can continue to consolidate elite and popular support, as president he may gain political capital that he could choose to spend on moving Russia further along the path toward economic recovery and democratic stability.

Former Premier Primakov is in the best position to challenge Putin, though he faces a big uphill battle. He would need the backing of other groups—most importantly the Communists. The Communists, however, have shown their willingness to deal with Putin’s party in a recent agreement that divided Duma leadership positions between them. Such tactical alliances are likely to become more prevalent as parties seek to work out new power relationships in the post-Yeltsin era.

At least two factors will be pivotal in determining Russia’s near-term trajectory: The conflict in Chechnya: Setbacks in the war could hurt Putin’s presidential prospects unless he can deftly shift blame, while perceived successes there will help him remain the front runner.

The economy: The devalued ruble, increased world oil prices, and a favorable trade balance fueled by steeply reduced import levels have allowed Moscow to actu-

ally show some economic growth in the wake of the August 1998 financial crash. Nonetheless, Russia faces \$8 billion in foreign debt coming due this year. Absent a new I-M-F deal to reschedule, Moscow would have to redirect recent gains from economic growth to pay it down, or run the risk of default.

Over the longer term, the new Russian president must be able to stabilize the political situation sufficiently to address structural problems in the Russian economy. He must also be willing to take on the crime and corruption problem—both of which impede foreign investment.

In the foreign policy arena, US-Russian relations will be tested on a number of fronts. Most immediately, Western criticism of the Chechen war has heightened Russian suspicions about US and Western activity in neighboring areas, be it energy pipeline decisions involving the Caucasus and Central Asia, NATO's continuing role in the Balkans, or NATO's relations with the Baltic states. Moscow's ties to Iran also will continue to complicate US-Russian relations, as will Russian objections to US plans for a National Missile Defense. There are, nonetheless, some issues that could move things in a more positive direction.

For example, Putin and others have voiced support for finalizing the START II agreement and moving toward further arms cuts in START III.

Similarly, many Russian officials express a desire to more deeply intergrate Russia into the world economy, be it through continued cooperation with the G-8 or prospective membership in the WTO.

One of my biggest concerns—regardless of the path that Russia chooses—remains the security of its nuclear weapons and materials. Russia's economic difficulties continue to weaken the reliability of nuclear personnel and Russia's system for securing fissile material. We have no evidence that weapons are missing in Russia, but we remain concerned by reports of lax discipline, labor strikes, poor morale, and criminal activities at nuclear storage facilities.

THE CAUCASUS AND CENTRAL ASIA

Mr. Chairman, earlier I mentioned the war in Chechnya in the context of Russia's domestic situation. Chechnya also has significance for the Caucasus and Central Asia, a part of the world that has the potential to become more volatile as it becomes more important to the United States.

As you know, the United States has expended great effort to support pipelines that will bring the Caspian's energy resources to Western markets. One oil pipeline is expected to pass through both Georgia and Azerbaijan. Western companies are trying to construct a gas pipeline under the Caspian Sea from Turkmenistan through Azerbaijan and Georgia en route to Turkey.

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

Most economies are stagnating or growing very slowly, unemployment is rising, and poverty remains high. This creates opportunities for criminals, drug runners, and arms proliferators. It also means the region could become a breeding ground for a new generation of Islamic extremists, taking advantage of increasing dissatisfaction.

There is not much popular support for Islamic militancy anywhere in Central Asia or the Caucasus, but as militants are pushed out of Chechnya, they may seek refuge—and stoke militancy—in the South Caucasus and Central Asia.

THE MIDDLE EAST

Mr. Chairman, let me turn now to another region of the world where vital US interests are at stake: the strategically important Middle East. Many positive developments are apparent, most notably the new potential for progress on peace. But if we step back for a moment, it is clear that the Middle East is entering a major transition in many aspects of its political, economic, and security environment.

In addition to the leadership successions that have begun with the passing of King Hussein of Jordan, the Amir of Bahrain, and King Hassan of Morocco, there is the challenge of demographics. Many of the countries of the Middle East still have population growth rates among the highest in the world, significantly exceeding 3 percent, meaning that job markets will be severely challenged to create openings for the large mass of young people entering the labor force each year.

Another challenge is economic restructuring. There is a legacy of statist economic policies and an inadequate investment climate in most countries in the Middle East.

As the region falls behind in competitive terms—despite a few positive steps by some countries—governments will find it hard over the next 5 to 10 years to maintain levels of state sector employment and government services that have been key elements of their strategy for domestic stability.

Finally, there is the information revolution. The rise of regional newspapers, satellite television, and the Internet are all reducing governments' control over information flows in the Middle East. Islamist groups, among others, already are taking advantage of these technologies to further their agendas.

What all of this means, Mr. Chairman, is that the Middle East—a region on which we will depend even more for oil a decade from now (40 percent compared to 26 percent today)—is heading into a much less predictable period that will require even greater agility from the United States as it seeks to protect its vital interests there.

Iran

Turning now to Iran: Change in Iran is inevitable. Mr. Chairman. The election of President Khatami reflected the Iranian popular desire for change. He has used this mandate to put Iran on a path to a more open society. This path will be volatile at times as the factions struggle to control the pace and direction of political change.

A key indicator that the battle over change is heating up came last July when student protests erupted in 18 Iranian cities for several days. The coming year promises to be just as contentious as Iran elects a new Majles (Parliament) in February.

Many Iranians particularly the large cohort of restive youth and students will judge the elections as a test of the regime's willingness to accommodate the popular demand for reform.

If they witness a rigged election, it could begin to radicalize what has so far been a peaceful demand for change.

Fair elections would probably yield a pro-reform majority, but opponents of change still exert heavy control over the candidate selection process.

Former President Rafsanjani's decision to run for the Majles—apparently at the urging of the conservatives—highlights the leadership's desire to bring the two factions back to the center. The conservatives are supportive of his candidacy, because they believe a centrist Rafsanjani is a more trustworthy alternative to the reformers.

Even if the elections produce a Majles dominated by Khatami's supporters, further progress on reform will remain erratic. Supreme Leader Khamenei and key institutions such as the Revolutionary Guard Corps and the large parastatal foundations will remain outside the authority of the Majles and in a position to fight a stubborn rearguard against political change.

Moreover, even as the Iranians digest the results of the Majles elections, the factions will begin preliminary maneuvering for the presidential election scheduled for mid-2001, which is almost certain to keep the domestic political scene unsettled.

The factional maneuvering probably means that foreign policy options will still be calculated first to prevent damage to the various leaders' domestic positions. This will inhibit politically risky departures from established policy. This means that Iran's foreign policy next year will still exhibit considerable hostility to US interests. This is most clearly demonstrated by Tehran's continued rejection of the Middle East peace process and its efforts to energize rejectionist Palestinian and Hizballah operations aimed at thwarting a negotiated Arab-Israeli peace. Iranian perceptions of increasing US influence in the Caucasus—demonstrated most recently by the signing of the Baku-Ceyhan pipeline agreement—could similarly motivate Iran to more aggressively seek to thwart what it regards as a US effort to encircle it to the north.

Iraq

With regard to Iraq, Saddam faced a difficult start in 1999—including the most serious Shia unrest since 1991 and significant economic difficulties.

The Shia unrest was not confined to the south but also affected some areas of Baghdad itself, presenting Saddam's regime with a major security problem. On the economic side, to rein in inflation, stabilize the dinar, and reduce the budget deficit, Saddam was forced to raise taxes, ease foreign exchange controls, and cut nonwage public spending.

Saddam has, however, shown himself to be politically agile enough to weather these challenges. He brutally suppressed the Shia uprisings of last spring and early summer. The regime is still gaining some revenue from illegal oil sales. Increased access to food and medical supplies through the oil for food program has improved living conditions in Baghdad.

A major worry is that Iraqi reconstruction of WMD-capable facilities damaged during Operation Desert Fox and continued work on delivery systems shows the priority Saddam continues to attach to preserving a WMD infrastructure. And Iraq's

conventional military remains one of the largest in the Middle East, even though it is now less than half the size during the Gulf War.

He can still hurt coalition forces, but his military options are sharply limited. His continuing challenge to the no-fly-zone enforcement remains his only sustainable means of engaging US and UK forces.

In sum, to the extent that Saddam has had any successes in the last year, they have been largely tactical. In a strategic sense, he is still on a downward path. His economic infrastructure continues to deteriorate, the Kurdish-inhabited northern tier remains outside the grip of his army, and although many governments are sympathetic to the plight of the Iraqi people, few if any are willing to call Saddam an ally.

THE BALKANS

Mr. Chairman, looking briefly at the Balkans—

Signs of positive long-term change are beginning to emerge there as the influence of the Milosevic regime in the region wanes in the wake of the Kosovo conflict and a new, more liberal government takes the reigns of power in Croatia. Political alternatives to the dominant ethnic parties in Bosnia also are beginning to develop, capitalizing on the vulnerability of oldline leaders to charges of corruption and economic mismanagement. Despite this progress, there is still a long way to go before the Balkans move beyond the ethnic hatreds and depressed economies that have produced so much turmoil and tragedy. Of the many threats to peace and stability in the year ahead, the greatest remains Slobodan Milosevic—the world's only sitting president indicted for crimes against humanity.

Milosevic's hold on power has not been seriously shaken in the past few months. He retains control of the security forces, military commands, and an effective media machine. His inner circle remains loyal or at least cowed. The political opposition has not yet developed a strategy to capitalize on public anger with Milosevic.

Milosevic has two problems that could still force him from power—the economy and the Montenegrin challenge. The Serbian economy is in a virtual state of collapse, and Serbia is now the poorest country in Europe. Inflation and unemployment are rising, and the country is struggling to repair the damage to its infrastructure from NATO air strikes. The average wage is only \$48 a month and even these salaries typically are several months in arrears. Basic subsistence is guaranteed only by unofficial economic activity and the traditional lifeline between urban dwellers and their relatives on the farms.

Milosevic's captive media are trying—with some success—to blame these troubles on the air strikes and on international sanctions. Nonetheless, as time passes, we believe the people will increasingly hold Milosevic responsible. Moreover, a sudden, unforeseen economic catastrophe, such as hyperinflation or a breakdown this winter of the patched-up electric grid, could lead to mass demonstrations that would pose a real threat.

For its part, Montenegro may be heading toward independence, and tensions are certainly escalating as Montenegrin President Djukanovic continues to take steps that break ties to the federal government. Milosevic wants to crush Djukanovic, because he serves as an important symbol to the democratic opposition in Serbia and to the Serbian people that the regime can be successfully challenged. Djukanovic controls the largest independent media operation in Yugoslavia, which has strongly criticized the Milosevic regime over the past several years for the Kosovo conflict, political repression and official corruption. Both Milosevic and Djukanovic will try to avoid serious confrontation for now, but a final showdown will be difficult to avoid.

Kosovo

Regarding Kosovo, Mr. Chairman, the international presence has managed to restore a semblance of peace, but it is brittle. Large-scale interethnic violence has vanished, but the UN Mission in Kosovo and K-FOR have been unable to stop daily small-scale attacks, mostly by Kosovar Albanians against ethnic Serbs. This chronic violence has caused most of the remaining 80,000–100,000 Serbs to congregate in enclaves in northern and eastern Kosovo, and they are organizing self-defense forces.

The campaign to disarm the former Kosovo Liberation army has had success, but both sides continue to cache small arms and other ordnance. There is even a chance that fighting between Belgrade's security forces and ethnic Albanians will reignite should Belgrade continue to harass and intimidate the Albanian minority in southern Serbia, and should Kosovo Albanian extremists attempt to launch an insurgency aimed at annexing Southern Serbia into a greater Kosovo.

CHINA

Mr. Chairman, let us now turn to East Asia, where China has entered the new century as the world's fastest rising power.

The leadership there is continuing its bold, 20-year-old effort to propel the nation's economy into the modern world, shedding the constraints of the old Communist central command system. The economy is the engine by which China seeks world prestige, global economic clout, and the funding for new military strength, thereby redressing what it often proclaims as a hundred years of humiliation at the hands of Western powers. Domestically, it also was the engine that Deng Xiaoping and his successors calculated would enable the Party to deliver on its unspoken social contract with the Chinese people: monopoly of political power in exchange for a strong China with a higher standard of living for its citizens.

But events conspired last year to tarnish Beijing's achievements, to remind people that China had not yet arrived as a modern world power, and to make the leadership generally ill-at-ease:

China put on an impressive display of military might at its 50th anniversary parade in Beijing, but the leadership today sees a growing technological gap with the West.

Inside China, the image of domestic tranquillity was tarnished by last April's appearance of the Falungoing religious sect, whose audacious, surprise demonstration outside the leadership compound call into question the Communist Party's ability to offer an ethos that still attracts the Chinese people.

Even the return of Macau in late December—the fall of another symbol of a divided China—was overshadowed by the actions of Taiwan President Lee Teng-hui. Lee declared last July that his island's relations with the mainland should be conducted under the rubric of “state to state” rather than “one China”.

Lee's statement has China deeply worried that Taiwan's return to Beijing rule is less likely than before. Chinese leaders act as if they believe that, at a minimum, a show of force is required if they are to preserve any hope of reunification.

Because of this, we see high potential for another military flare-up across the Taiwan Strait this year. The catalyst for these tensions is the Taiwan election on 18 March, which Beijing will be monitoring for signs that a new president will retreat from Lee Teng-hui's statements—or further extend the political distance from reunification.

Although Beijing today still lacks the air and seafight capability to successfully invade Taiwan.

China has been increasing the size and sophistication of its forces arrayed along the Strait, most notably by deploying short-range ballistic missiles.

China should receive the first of two modern, Russian-built Sovremenny destroyers later this month; we expect the ship to join the East Sea Fleet, which regularly conducts operations near Taiwan.

In the coming year, we expect to see an uncertain Chinese leadership launching the nation deeper into the uncharted waters of economic reform while trying to retain tight grip political control. Thus far, Beijing's approach has largely succeeded. But the question remains open whether, in the long run, a market economy and an authoritarian regime can co-exist successfully.

NORTH KOREA

Looking further east, North Korea's propaganda declares 1999 the “year of the great turnaround.” This is a view not supported by my analysts, however. Indeed, we see a North Korea continuing to suffer from serious economic problems, and we see a population, perhaps now including the elite, that is losing confidence in the regime. Mr. Chairman, sudden, radical, and possibly dangerous change remains a real possibility in North Korea, and that change could come at any time.

The North Korean economy is in dire straits. Industrial operations remain low. The future outlook is clouded by industrial facilities that are nearly beyond repair after years of underinvestment, spare parts shortages, and poor maintenance.

This year's harvest is more than 1 million tons short of minimum grain needs. International food aid has again been critical in meeting the population's minimum food needs.

Trade is also down. Exports to Japan—the North's most important market—fell by 17 percent from \$111 million to \$92 million. Trade with China—the North's largest source of imports—declined from nearly \$200 million to about \$160 million, primarily because China delivered less grain.

Kim Chong-il does not appear to have an effective longterm strategy for reversing his country's economic fortunes. Kim's inability to meet the basic needs of his people and his reliance on coercion makes his regime more brittle because even minor in-

stances of defiance have greater potential to snowball into wider anti-regime actions.

Instead of real reform, North Korea's strategy is to garner as much aid as possible from overseas, and the North has reenergized its global diplomacy to this end. It is negotiating for a high-level visit to reciprocate Dr. Perry's trip to Pyongyang. It has agreed to diplomatic talks with Japan for the first time in several years. It has unprecedented commercial contacts with South Korea, including a tourism deal with a South Korean firm that will provide almost \$1 billion over six years.

But Pyongyang's maneuvering room will be constrained by Kim's perception that openness threatens his control and by the contradictions inherent in his overall strategy—a strategy based on hinting at concessions on the very weapons programs that he has increasingly come to depend on for leverage in the international arena. Squaring these circles will require more diplomatic agility than Kim has yet to demonstrate in either the domestic or international areas.

EAST ASIA

Mr. Chairman, China and North Korea do not exist in a vacuum. They influence the policies of other states—including how those states relate to us. Nowhere is this more true than in East Asia. Let me talk about two trends there that I believe will affect US interests over the next several years.

The first is the growing concern in the region about China and North Korea. Leaders in Southeast Asia have long worried about Chinese interference in their internal affairs, but the concerns of these governments and publics also now focus on China's growing economic and military power and the potential influence it will provide Beijing. Concerns about North Korea are more varied and localized. Japan fears North Korea's expanding missile capabilities, while South Korea—along with the historical threat of a North Korean invasion—worries that the collapse of the regime in the North will create humanitarian, economic, and military challenges for the South.

These concerns create several dynamics. For one thing, they fuel incentives to expand and modernize defense forces. Japan's interest in building its own satellite imaging system, for example, is a direct result of its concern about North Korea. Vietnam's recent acquisition of Su-27 aircraft from Russia reflect concerns about China's future military might. And Seoul's attempts to modernize its air force and navy reflect the fact that it is looking beyond North Korea toward potential future threats.

In addition, these concerns reinforce the long-standing desire among almost all the states of the region for the US to remain engaged militarily. In short, regional leaders—and most publics—continue to see the US presence as key to East Asian stability, although I must tell you, Mr. Chairman, that some leaders in the region have doubts about our staying power there.

The second trend worth noting for you is the continuing pressure in East Asia for more open and accountable political systems. Over the last 15 years, that pressure brought political change to the Philippines, Thailand, South Korea, Taiwan, Japan, and most recently Indonesia. Others, including Malaysia and China, are certain to face similar pressure for change in the years ahead as the spread of information technology limits the ability of authoritarian leaders to control the public's exposure to democracy and to constrain opponents from organizing. These pressures, of course, create the potential for political instability, particularly if they are resisted by incumbent leaders.

INDONESIA

Mr. Chairman, I've mentioned Indonesia a couple of times earlier, so let me take a moment to say a few words about it. Indonesia is in the midst of a difficult transition to democracy that will have a powerful bearing on the country's future direction and perhaps even on its cohesion as a nation. President Wahid is grappling with a variety of long-standing, intractable issues including communal violence, separatist sentiments, and an economy in distress. At the same time, he is trying to forge a new role for the Indonesian military—which includes tighter civilian control and the gradual withdrawal of the armed forces from the domestic political arena—and create an open, consensual decisionmaking process in a country accustomed to 30-years of one-man rule.

Since his selection to the presidency last October, Wahid has implemented a variety of initiatives designed to set the country on the path to democracy. A popularly elected president who preaches religious and political tolerance, Wahid has succeeded in forming a viable coalition government drawn from disparate elements. He is actively supporting a national investigation into alleged human rights abuses by the Indonesian military in East Timor, and a once muzzled national press is flour-

ishing. He also is taking steps to improve Jakarta's bilateral relations with a number of countries and restore Indonesia's regional prominence, which suffered in the wake of the Asian financial crisis in 1997 and the domestic political uncertainty that surrounded the fall of President Soeharto in 1998.

Addressing demands from restive provinces to redefine their relationship with Jakarta is Wahid's most immediate challenge. Several leaders in the region remain concerned that Jakarta's loss of East Timor—coupled with growing separatist tensions and communal violence across the archipelago—could result in the Balkanization of the country over the next several years. The challenges are myriad: in the west, pressure is mounting from Acehese separatists who have resisted Jakarta's control since the 1950s and began an insurgency in 1976. To the east in Irian Jaya—recently renamed Papua—there is local resentment of Jakarta's exploitation of the province's natural resources, but the insurgent movement is weak. The nearby Malukus have been wracked by communal violence for the past year; this is Christian-Muslim violence with an ethnic overlay that may not only be difficult to pacify, but could ignite sectarian violence elsewhere in the archipelago, testing the country's long commitment to religious tolerance. Indonesia's ASEAN partners particularly fear the refugee and humanitarian crisis that would accompany such worst-case scenarios.

INDIA-PAKISTAN

Whatever suspicions and fissures exist among states in East Asia, they pale in comparison to the deep-seated rivalry between India and Pakistan. Mr. Chairman, last spring, the two countries narrowly averted a full-scale war in Kashmir, which could have escalated to the nuclear level.

The military balance can be summarized easily: India enjoys advantages over Pakistan in most areas of conventional defense preparedness, including a decisive advantage in fighter aircraft, almost twice as many men under arms, and a much larger economy.

Recent changes in government in both countries add tensions to the picture. The October coup in Pakistan that brought to power Gen. Musharraf—who served as Army chief during the Kargil conflict with India last summer—has reinforced New Delhi's inclination not to reopen the bilateral dialogue anytime soon.

Pakistanis are equally suspicious of India's newly elected coalition government in which Hindu nationalists hold significant sway. Clearly, the dispute over Kashmir remains as intractable as ever.

We are particularly concerned that heavy fighting is continuing through the winter, unlike in the past, and probably will increase significantly in the spring.

New Delhi may opt to crack down hard on Kashmiri militants operating on the Indian side of the Line of Control or even order military strikes against militant training camps inside Pakistani-held Kashmir.

Thus, we must head into the new year, Mr. Chairman, with continuing deep concerns about the antagonisms that persist in South Asia and their potential to fuel a wider and more dangerous conflict on the subcontinent.

AFRICA

Mr. Chairman, South Asia presents a discouraging picture but it hardly compares to sub-Saharan Africa, which has been largely bypassed by globalization and the accelerating spread of technology. The region has little connectivity to the rest of the world—with just 16 telephone lines per 1,000 people—and its battered infrastructure, the population's limited access to education, and widespread health problems such as AIDS and malaria have deterred many foreign investors.

One indicator of Sub-Saharan Africa's marginalization is its infinitesimal share of world trade in goods and services, which slipped from 2.8 percent in the early 1980s to just 1.5 percent in recent years.

As Africa's already small role in the international economy has faded, instability has intensified. Humanitarian crisis is constant. Since 1995, violent internal unrest has wracked 15 of the region's 48 countries, and 19 Sub-Saharan governments have deployed military forces—as peacekeepers, protectors of beleaguered regimes, or outright invaders—to other African states.

Instability fosters conditions potentially leading to genocide and other massive human rights abuses. In the Great Lakes region, Congo (K)'s beleaguered government periodically targets Tutsis as suspected saboteurs, while the civil war in Burundi could with little warning degenerate into another round of wholesale ethnic killings. In Sierra Leone, the rebels who used widespread mutilations of civilians as a conscious tactic of intimidation are poised to break a tenuous cease-fire and resume a campaign of terror.

Finally, endemic violence and instability increase the danger that criminal and insurgent groups will zero in on individual US citizens as soft targets.

CONCLUSION

Mr. Chairman, this has been a long briefing, and I'd like to get to your specific questions on these and other subjects. Before doing so, I would just sum it up this way: the fact that we are arguably the world's most powerful nation does not bestow invulnerability; in fact, it may make us a larger target for those who don't share our interests, values, or beliefs. We must take care to be on guard, watching our every step, and looking far ahead. Let me assure you that our Intelligence Community is well prepared to do that.

Thank you, Mr. Chairman. Now, I'd welcome any questions from you and your colleagues.

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

EXECUTIVE SUMMARY

The dynamic change and uncertainty that characterized the 1990s will likely continue through 2015 because the basic engines of turmoil remain largely in place. These include: Significant transitions underway in key states and regions such as Russia, China, North Korea, the Middle East, and Europe; the continued existence of rogue states, groups, and individuals who do not share our vision of the future; rapid technology development and proliferation; declining global defense spending; pressures resulting from uneven demographic and economic developments; evolving international and regional security structures, institutions, and concepts, including the growing influence of NGOs; reactions to the perception of western political, economic, military and social dominance; continuing international criminal activity, particularly the narcotics trade; ethnic, cultural, and religious conflict, and increased numbers of people in need.

These factors create the conditions in which threats and challenges emerge, and define the context in which US strategy, interests, and forces operate. Collectively, they foster a complex, dynamic, and dangerous global security environment that will continue to spur numerous crises, hotspots, and issues affecting US interests. Containing, managing, and responding to these will be a constant challenge.

Beyond this general global turmoil, three specific developments are likely to present more direct long-term military challenges to US policy and interest:

The asymmetric threat.—Most adversaries recognize our general military superiority and want to avoid engaging the US military on our terms, choosing instead to pursue a wide variety of initiatives designed to circumvent or minimize our strengths and exploit perceived weaknesses. Asymmetric approaches will become the dominant characteristic of most future threats to our homeland and a defining challenge for US strategy, operations, and force development.

Strategic nuclear missile threats.—We will continue to face strategic nuclear threats—from Russia and China, and eventually from North Korea and other 'rogue' states. While the total number of warheads targeted against us will be much lower than during the Cold War, the mix of threat nations, force structures, capabilities, and employment doctrines will complicate the strategic threat picture.

Large regional military threats.—Several potential regional adversaries will maintain large military forces featuring a mix of Cold War and post-Cold War technologies and concepts. Under the right conditions, these regional militaries could present a significant challenge.

THE GLOBAL SECURITY ENVIRONMENT

To paraphrase the ancient Chinese curse “. . . we are living in very interesting times.” More than a decade has passed since the end of the Cold War, yet we seem no closer to the emergence of a new, stable international order. Rather, the complex mix of political, economic, military, and social factors that have undermined stability during much of the 1990s remain at play. The most important of these include:

Significant continuing uncertainties, especially regarding the future of Russia, China, Europe, the Middle East, and the Korean peninsula. Developments in each of these key states and regions will go a long way towards defining the future security environment. But it would be difficult to be highly confident in predicting outcomes.

Rogue states, groups, and individuals (e.g. Iran and North Korea, numerous terrorist and international criminal groups, Usama Bin Ladin, etc.) who do not share

our vision of the future and are willing to engage in violence to improve their position and undermine order. Many of these adversaries view the United States as the primary source of their troubles, and will continue to target our policies, facilities, interests, and personnel.

Rapid technology development and proliferation—particularly in the areas of information processing, biotechnology, communications, nanotechnology, and weapons. Technology will continue to have a staggering impact on the way people live, think, work, and fight. Some aspects of our general military-technological advantage are likely to erode. Some technological surprises will undoubtedly occur.

Declining global defense spending. The 50% real reduction in global defense spending during the past decade is having multiple impacts. First, both adversaries and allies have not kept pace with the US military (despite our own spending reductions). This has spurred foes toward asymmetric options, widened the gap between US and allied forces, reduced the number of allied redundant systems, and increased the demand on unique US force capabilities. Additional, longer-term impacts—on global defense technology development and proliferation, and on US-allied defense industrial consolidation, cooperation, and technological competitiveness—are likely.

Pressures resulting from unfavorable demographic developments. By 2020, developing world population will increase some 25%. Meanwhile, some 20–30 million of the world’s poorest people move into urban areas each year. These trends will continue to stress the resources, infrastructure, and leadership of states throughout Africa, Asia, and Latin America.

Growing disparities in global wealth and resource distribution. One quarter of the world’s population (the developed world) controls nearly 80% of today’s wealth and consumes the great majority of the world’s resources. The numbers will get worse (from the developing world’s perspective) during the next 15 years, exacerbating north-south and inter-regional tensions.

Evolving global security structures, organizations, and institutions. The changing structure, role, adaptability, and influence of familiar Cold War entities—the UN, NATO, the nation state, etc.—and the increasing presence and impact of NGOs, brings greater uncertainty to the way policy is made and implemented in the post Cold War era.

Reaction to “western dominance.” Many individuals, groups, and states fear the global expansion and perceived dominance of western (and especially US) values, ideals, culture, and institutions. Efforts to resist, halt, or undo this trend will spur anti-US sentiments and behavior.

International drug cultivation, production, transport, and use will remain a major source of instability, both within drug producing, transit, and target countries, and between trafficking and consumer nations. The connection between drug cartels, corruption, and antigovernment activities (terrorism and insurgency) will increase as the narcotics trade provides an important funding source for criminal and antigovernment groups. States with weak democratic traditions and poor economic performance and prospects will be particularly susceptible. Counternarcotic activities will become more complex and difficult as new areas of cultivation and transit emerge and traffickers exploit advances in technology, communications, transportation, and finance.

Ethnic, religious, and cultural divisions will remain a motivation for and source of conflict in much of the world. As the situation in Kosovo demonstrates, ethnic-based conflict is often brutal and intractable.

Increasing numbers of people in need. A combination of factors—many of those listed above, plus inadequate infrastructure and health facilities, resource shortages, natural disasters, epidemics, and insufficient local, regional, and global response capabilities—have combined to increase the numbers of people requiring international humanitarian assistance. According to UN assessments, some 35–40 million people worldwide needed aid each year during the 1990s, compared to slightly more than 20 million in 1985. Likewise, the number, size, cost, and duration of UN and other “peace operations” have risen significantly since the late 1980s.

These factors create the conditions in which threats and challenges emerge, and define the context in which US strategy, interests, and forces operate. Collectively, they foster a complex, dynamic, and dangerous global security environment. A review of just a few of last year’s headlines—Iraq’s continued combativeness, prolonged ethnic tensions in the Balkans and Indonesia, Russia’s ongoing offensive in Chechnya, North Korea’s intransigence, continued hostility between India and Pakistan, Colombia’s insurgency, and tribal and internecine disputes throughout many parts of Africa—underscores the point. Moreover, no power, condition, or circumstance is likely to emerge during the next 15 years capable of transcending this general instability and imposing a new global order. Accordingly, we can expect the

global dynamic will continue to spur numerous crises, hotspots, and issues that will directly affect US policy and interests. Containing, managing, and responding to these will be a constant challenge.

Against this backdrop of general global turmoil, I'd like to focus on three specific developments that present more direct long term military challenges to US policy and interests:

The asymmetric threat.—Most adversaries recognized our general military superiority and want to avoid engaging the US military on our terms, choosing instead to pursue a wide variety of initiatives designed to circumvent or minimize our strengths and exploit perceived weaknesses. Asymmetric approaches will become the dominant characteristic of most future threats to our homeland and a defining challenge for US strategy, operations, and force development.

Strategic nuclear missile threats.—We will continue to face strategic nuclear threats—from Russia and China, and eventually from North Korea and other “rogue” states. While the total number of warheads targeted against us will be much lower than during the Cold War, the mix of threat nations, force structures, capabilities, and employment doctrines will complicate the strategic threat picture.

Large regional military threats.—Several potential regional adversaries will maintain large military forces featuring a mix of Col War and post-Cold War technologies and concepts. Under the right conditions, these regional militaries could present a significant challenge.

THE GROWING ASYMMETRIC THREAT

Most of the rest of the world believes the United States will remain the dominant global power during the next 15 years. Foreign assessments generally point to the following US strengths: our economy weathered the recent global financial crisis in excellent shape and is uniquely positioned to capitalize on the coming “high-tech boom;” we are among the world’s leaders in the development and use of the most important technologies (but civilian and military); we have the world’s best university system and the most fluid and effective capital markets; we spend nearly half of what the advanced industrial world spends on all types of research and development each year; we retain strong alliances with key nations; and we enjoy unrivaled “soft power”—the global appeal of American ideas, institutions, leadership and culture.

Perhaps even more striking, however, is how potential adversaries think about our military advantage. The superiority of US military concepts, technology, and capabilities has been a key theme in foreign military assessments since Operation Desert Storm. Moreover, many foreign military leaders and writing express concern that our conventional warfighting lead will grow, given our doctrinal and resource commitment to achieving the operational capabilities envisioned in Jointed Vision 2010.

Adversary anticipation of continued US military superiority is the genesis of the asymmetric challenge. Potential US opponents (from druglords and terrorists to criminal gangs, insurgents, and the civilian and military leadership of opposing states) do not want to engage the US military on its terms. They are more likely to pursue their objectives while avoiding a US military confrontation, and/or to develop asymmetric means (operational and technological) to reduce US military superiority, render it irrelevant, or exploit our perceived weaknesses. Asymmetric approaches are imperative for US adversaries and are likely to be a dominant component of most future threats.

The asymmetric problem is extremely complex because adversaries, objectives, targets, and means of attack can vary widely from situation to situation. Moreover, some developments—such as WMD and missile proliferation, counter-space capabilities, denial and deception operations, etc.—could have both symmetric and asymmetric applications, depending on the context. Recognizing these potential ambiguities, and understanding that many different approaches are possible, I am most concerned about the following “asymmetric” trends, developments, and capabilities.

Threats to Critical Infrastructure.—Many adversaries believe the best way to avoid, deter, or offset US military superiority is to develop a capability to threaten the US homeland. In addition to the strategic nuclear threats discussed below, our national infrastructure is vulnerable to disruptions by physical and computer attack. The interdependent nature of the infrastructure creates even more of a vulnerability. Foreign states have the greatest potential capability to attack our infrastructure because they possess the intelligence assets to assess and analyze infrastructure vulnerabilities, and the range of weapons—conventional munitions, WMD, and information operations tools—to take advantage of vulnerabilities.

The most immediate and serious infrastructure threat, however, is from insiders, terrorists, criminals, and other small groups or individuals carrying out well-coordinated strikes against selected critical nodes. While conventional munition attacks are most likely now, over time our adversaries will develop an increased capacity, and perhaps intent, to employ WMD. They are also likely to increase their capabilities for computer intrusion. Commercial off-the-shelf products and services present new security challenges and concerns, providing opportunities to develop software functions allowing unauthorized access, theft and manipulation of data, and denial of service.

Information Operations.—Information operations can involve many components including electronic warfare, psychological operations, physical attack, denial deception, computer network attack, and the use of more exotic technologies such as directed energy weapons or electromagnetic pulse weapons. Adversaries recognize our civilian and military reliance on advanced information technologies and systems, and understand that information superiority provides the US unique capability advantages. Many also assess that the real center of gravity for US military actions in US public opinion. Accordingly, numerous potential foes are pursuing information operations capabilities as relatively low cost means to undermine support of US actions, attack key US capabilities, and counter US military superiority.

The information operations threat continues to spread worldwide, with more mature technologies and more sophisticated tools being developed continuously. However, the level of threat varies widely from adversary to adversary. Most opponents currently lack the foresight or the capability to fully integrate all information operations tools into a comprehensive attack. Many with limited resources will seek to develop only computer network attack options—relying on modest training, computer hardware and software purchases, and/or the use of “hired” criminal hackers. At present, most nations probably have programs to protect their own information systems, and some—particularly Russia and China—have offensive information operations capabilities. Today, we are more likely to face information operations carried out by terrorists, insurgents, cults, criminals, hackers, and insider individuals spurred by a range of motivations.

Terrorism.—Terrorism remains a very significant asymmetric threat to our interests at home and abroad. The terrorist threat to the US will grow as disgruntled groups and individuals focus on America as the source of their trouble. Most anti-US terrorism will be regional and based on perceived racial, ethnic or religious grievances. Terrorism will tend to occur in urban centers, often capitals. The US military is vulnerable due to its overseas presence and status as a symbol of US power, interests, and influence. However, in many cases, increased security at US military and diplomatic facilities will drive terrorists to attack “softer” targets such as private citizens or commercial interests.

Terrorism will be a serious threat to Americans especially in most Middle Eastern countries, North Africa, parts of Sub-Saharan Africa, Turkey, Greece, the Balkans, Peru, and Colombia. The characteristics of the most effective terrorist organizations—highly compartmented operations planning, good cover and security, extreme suspicion of outsiders, and ruthlessness—make them very hard intelligence targets. Middle East-based terrorist groups will remain the most important threat. State sponsors (primarily Iran) and individuals with the financial means (such as Usama bin Ladin) will continue to provide much of the economic and technological support needed by terrorists. The potential for terrorist WMD use will increase over time, with chemical, biological, and radiological agents the most likely choice.

WMD and Missile Proliferation.—Many potential adversaries believe they can preclude US force options and offset US conventional military superiority by developing WMD and missiles. Others are motivated more by regional threat perceptions. In either case, the pressure to acquire WMD and missiles is high, and, unfortunately, the post Cold War environment is more amenable to proliferation activities. New alliances have formed, providing pooled resources for developing these capabilities, while technological advances and global economic conditions have made it easier to transfer materiel and expertise. The basic sciences necessary to produce these weapons are widely understood. Most of the technology is readily available, and the raw materials are common. All told, the prospects for limiting proliferation are slim, and the global WMD threat to US-allied territory, interests, forces, and facilities will increase significantly.

Several rogue states will likely acquire nuclear weapons during the next decade or so, and some existing nuclear states will undoubtedly increase their inventories. As these trends unfold, the prospects for limited nuclear weapons use in a regional conflict will rise. So too will the potential for a terrorist or some other sub-national group to acquire and use a weapon.

Chemical and biological weapons are generally easier to develop, hide, and deploy than nuclear weapons and will be readily available to those with the will and resources to attain them. I expect these weapons to be widely proliferated, and they could well be used in a regional conflict over the next 15 years. I am also concerned that sub-national groups or individuals will use chemical or biological agents in a terrorist or insurgent operation. Such an event could occur in the United States or against US-allied forces and facilities overseas. The planning for such “smaller-scale” incidents would be extremely difficult to detect, and consequently, to deter or warn against.

Theater-range ballistic and cruise missile proliferation is another growing challenge. I expect the numbers of ballistic missiles with ranges between 500 and 3,000 kilometers to increase significantly during the next 15 years and to become more accurate and destructive. Likewise, the potential for widespread proliferation of land attack cruise missiles is high. While the types of missiles most likely to be proliferated will be a generation or two behind the global state of the art, states that acquire them will have new or enhanced capabilities for delivering WMD or conventional payloads inter-regionally against fixed targets. Major air and sea ports, logistics bases and facilities, troop concentrations, and fixed communications nodes will be increasingly at risk.

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

Cover, Concealment, Camouflage, Denial and Deception (C3D2).—Many potential adversaries—nations, groups, and individuals—are undertaking more and increasingly sophisticated C3D2 activities against the United States. These operations are generally designed to hide key activities, facilities, and capabilities (e.g. mobilization or attack preparations, WMD programs, advanced weapons systems developments, treaty noncompliance, etc.) from US intelligence, to manipulate US perceptions and assessments of those programs, and to protect key capabilities from US precision strike platforms. Foreign knowledge of US intelligence and military operations capabilities is essential to effective C3D2. Advances in satellite warning capabilities, the growing availability of camouflage, concealment, deception, and obscurant materials, advanced technology for an experience with building underground facilities, and the growing use of fiber optics and encryption, will increase the C3D2 challenge.

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

THE STRATEGIC NUCLEAR THREAT

Russia.—Russian strategic forces are in flux. During the 1990s, force levels were reduced significantly, and additional reductions are certain during the next 15 year. But the precise size and shape of Moscow’s future strategic deterrent will depend on several “unknown” factors, including: future resource levels, arms control considerations, threat perceptions, Russia’s ability to maintain aging force elements, and the success of strategic force modernization programs. Despite this general uncertainty, I can foresee virtually on circumstance, short of state failure, in which Russia will not maintain a strong strategic nuclear capability, with many hundreds of warheads and relatively modern delivery platforms capable of striking the United

States. I say this because even during the past decade, with severe economic constraints and other pressing priorities, Moscow mustered the political will and resources to maintain key aspects of its strategic forces capability, fund several new strategic weapons programs, and upgrade portions of its strategic infrastructure. Moreover, strategic forces continue to receive priority today—in terms of manpower, training, and other resources.

In addition to the changes in strategic force composition, Moscow's thinking about the role, utility, and employment of nuclear forces is in flux. The 1999 Draft Russian Military Doctrine provides some insights. It includes a nuclear weapons use formulation similar to that described in the 1993 doctrinal document, but widens the theoretical threshold for Russian employment of nuclear weapons during a conventional conflict if the situation becomes "critical" to national security. Russia's strategic force posture and strategy will continue to evolve, reflecting the uncertain political and economic situation, changing Russian perceptions of the international security environment and strategic threats, and the increased dependence on strategic forces as the "backbone" of Russian military power. This uncertainty in Russian strategic thinking is troubling.

China.—China's strategic nuclear force is small and dated at present, but Beijing's top military priority is to strengthen and modernize its strategic nuclear deterrent. Several new strategic missile systems are under development, along with upgrade programs for existing missiles, and for associated command, control, communications and other related strategic force capabilities. In early August 1999, China conducted the first test flight of its DF-31 ICBM. It will be deployed on a road-mobile launcher and will have the range to target portions of North America. While the pace and extent of China's strategic modernization clearly indicates deterrent rather than "first strike" intentions, the number, reliability, survivability, and accuracy of Chinese strategic missiles capable of hitting the United States will increase significantly during the next two decades.

Rogue Strategic Forces.—Russia and China are the only potential threat states capable today of targeting the United States with intercontinental ballistic missiles. However, I am increasingly concerned that more radical hostile nation—particularly North Korea and Iran—will develop that capability over the next several years. The growing availability of missile technology, components, and expertise, intense political pressure to acquire longer-range ballistic missiles, the willingness of some states to take shortcuts and accept more risk in their missile development programs, and our sometimes limited ability to reliably track these protected programs, are all cause for concern. Moreover, we must assume that any state capable of developing or acquiring missiles with intercontinental range will likely be able to arm those missiles with weapons of mass destruction.

Whether this broader threat emerges sooner or later, during the next 15 years, the strategic nuclear environment will become more diverse and complex. This has significant implications for US strategic force planning, doctrine, deterrence, and testing.

LARGE REGIONAL MILITARIES

Joint Vision 2010 is the conceptual template for US force development. It envisions a 21st Century "information age" US military that leverages high quality, highly-trained personnel, advanced technology, and the development of four key operational concepts—dominant maneuver, precision engagement, full dimensional protection, and focused logistics—to achieve dominance across the range of military operations. The United States, and to a lesser extent our closest allies, are moving steadily toward the capabilities embodied in this vision.

In contrast, most other large militaries will continue to field primarily "industrial age" forces—generally mass and firepower oriented, employing large armored and infantry formations, late-generation Cold War (vice 21st Century) technologies, and centralized, hierarchical command-and-control structures. Over the next 15 years, many regional states will seek to augment these forces with selected highend capabilities, including: WMD and missiles, advanced C4I systems, satellite reconnaissance, precision strike systems, global positioning, advanced air defense systems, and advanced anti-surface ship capabilities. It is likely that in any large regional conflict beyond 2010, US forces will face adversaries who combine the mass and firepower of a late-20th century force with some more-advanced systems and concepts.

On paper, such forces would be hard pressed to match our dominant maneuver, power projection, and precision engagement capabilities. Most would prefer not to engage in traditional conventional warfare with the US. But in an actual combat situation, the precise threat these forces pose will depend on the degree to which they have absorbed and can apply key technologies, have overcome deficiencies in

training, leadership, doctrine, and logistics, and on the specific operational-tactical environment. Under the right conditions, their quantitative capability, combined with situational advantages—e.g. initiative, limited objective, short lines of communication, familiar terrain, time to deploy and prepare combat positions, and the skillful use of asymmetric approaches—will present significant challenges to US mission success. China and Russia at the high end, followed by North Korea, Iran, and Iraq, are all examples of militaries that could field large forces with a mix of current and advanced capabilities.

China.—Beijing is modernizing and improving the People’s Liberation Army (PLA) at a steady pace, consistent with the country’s overall emphasis on general economic and infrastructure development. During the past year, the PLA has fielded several new ballistic missiles, agreed to purchase Su-30 FLANKER aircraft from Russia (delivery within 2 years), and taken delivery of the fourth Russian KILO submarine and additional indigenous submarines. Just this month, the PLA received the first two SOVREMENNYI destroyers from Russia, and could field its first airborne early warning aircraft within the next year or so.

Beyond modernization, the PLA has revised its training program to improve pilot proficiency, improve its capabilities for engaging stealth aircraft, cruise missiles, and helicopter gunships, and improve its ability to defend against precision strikes, electronic jamming, and all forms of reconnaissance. In addition, logistics are being centralized and modernized across the force. The PLA is also upgrading C4I links to its forces with satellite dishes, fiber optic, and video links.

As a result of these and other developments, China’s capability for regional military operations will improve significantly. By 2010 or so, some of China’s best units will have achieved a reasonably high level of proficiency at maneuver warfare (though they will probably not fully master large, complex joint service operations until closer to 2020). Moreover, by 2015 Chinese forces will be much better equipped, possessing more than a thousand theater-range missiles, hundreds of fourth-generation aircraft, thousands of “late Cold War equivalent” tanks and artillery, a handful of advanced diesel and third generation nuclear submarines, and some 20 or so new surface combatants. China is also likely to field an integrated air defense system and modern command-and-control systems at the strategic and operational levels.

The Taiwan issue will remain a major potential flashpoint, particularly over the near term. As tensions between China and Taiwan remain high, there is an increased risk of small scale military “incidents”—intimidating exercises, heightened force readiness in border regions, accidents involving opposition air or naval forces in close proximity, etc. It is doubtful, however, unless Taipei moved more directly toward independence, that China would attempt a larger scale military operation to attack Taiwan outright. Beijing recognizes the risk inherent in such a move and, at least for the near term, probably has questions about its military ability to succeed. Nevertheless, by 2015, China’s conventional force modernization will provide an increasingly credible military threat against Taiwan (though probably not the large amphibious capability necessary for invasion).

Russia.—Moscow will remain focused on internal political, economic, and social imperatives for at least the next decade. Meanwhile, Russia’s Armed Forces continue in crisis. The military leadership remains capable of exercising effective control, but there is increased potential for collapse in military discipline, particularly in the event of a large-scale internal crisis. The Defense Ministry and General Staff are attempting to cope with broad-based discontent while struggling to implement much-needed reforms. Compensation, housing, and other shortfalls continue to undermine morale. Under these conditions—chronic underfunding and neglect—there is little chance that Moscow’s conventional forces will improve significantly during the next decade.

Beyond that timeframe, the size, characteristics, and capabilities of Russia’s conventional forces could vary widely, depending on the outcome of numerous unsettled issues. Among the most important of these are the size of Russia’s defense budget, Russian threat perceptions, the achievement of national consensus on a blueprint for military reform, and Moscow’s success at restoring the “intangible” components of military effectiveness (leadership, readiness, morale, sustainment, etc.). Two alternatives seem most likely:

If the Russian military experiences continued underfunding, indecision, and leadership indifference, it will remain chronically weak, and present about the same (or even a reduced) level of threat to US interests in 2015 as it does today. This alternative becomes more likely the longer Russia’s economic problems persist, defense budgets decline or remain relatively stagnant, there is no consensus on the direction for defense reform, and the national leadership continues to neglect the needs of the military.

If economic recovery and political stability come sooner rather than later, and the military receives stable, consistent leadership and resources, Russia could begin rebuilding an effective military toward the end of this decade, and field a smaller, but more modern and capable force in the 2015 timeframe. This improved force would be large and potent by regional standards, equipped with thousands of later-generation Cold War systems, and hundreds of more advanced systems built after 2005.

North Korea.—North Korea will remain a challenging dilemma: a “failing” state with rising internal pressures and limited conventional military capability, but posing an increasing regional and global threat by virtue of its expanding WMD and long-range missiles. As the pressure builds on the economy, society, and military, there is increased potential for internal collapse, instability, and leadership change.

North Korea’s capability to successfully conduct complex, multi-echelon, large-scale operations to reunify the Korean peninsula declined in the 1990s. This was, in large measure, the result of severe resource constraints, including widespread food and energy shortages. Still, Pyongyang has managed to maintain a huge military force numbering over one million personnel. I am most concerned about Pyongyang’s very large, forward-deployed forces, and its extensive “asymmetric” capabilities—WMD and missiles, underground facilities, and special operations forces. These capabilities, combined with the time, distance, terrain, and other theater characteristics, make a Korean war scenario very challenging. War on the peninsula would be very violent and destructive, and could occur with little warning.

North Korea’s resource difficulties will continue with limited policy changes insufficient to allow a major economic recovery. Nevertheless, Pyongyang will continue to place a high premium on military power (as a source of leverage in international and bilateral fora), and will strive, with some limited success, to slow the erosion of its conventional military forces and to continue to expand its asymmetric capabilities.

Iran.—Iran’s armed forces are embarked on an uneven, yet deliberate, military buildup designed to ensure the security of the cleric-led regime, increase its influence in the Middle East and Central Asia, deter Iraq or any other regional aggressor, and limit US regional influence. Iran’s leaders seek to dominate the Gulf area, and, at present, we have major concerns over how Teheran may act to undermine agreements between Israel and Syria, Lebanon, and the Palestinians. Iran’s conventional land and air forces have significant limitations with regard to mobility, logistics infrastructure, and modern weapons systems. Rivalry and mistrust between Revolutionary Guards, the regime’s main internal security arm, and the regular armed forces is serious and hampers effective operations among the nearly half million in the uniformed services. Iran has compensated for these weaknesses by developing (or pursuing) numerous asymmetric capabilities, to include subversion and terrorism, the deployment of air, air defense, missile, mine warfare, and naval capabilities to interdict maritime access in and around the Strait of Hormuz, and the acquisition of WMD and longer range missiles to deter the US and to intimidate Iran’s neighbors.

Iran has a relatively large ballistic missile force, and is likely assembling SCUD SSMs in the country. Last June, in response to the assassination of a high-ranking Iranian army general, Iran used SSMs to attack anti-regime Iranians encamped about 100 kilometers inside Iraq. Teheran intends to develop longer range SSMs capable of striking the entire Arabian Peninsula and Israel.

Iran’s navy is the most capable in the region and, even with the presence of Western forces, can probably stem the flow of oil from the Gulf for brief periods employing KILo submarines, missile patrol boats, and numerous naval mines, some of which may be modern and sophisticated. Aided by China, Iran has developed a potent anti-ship cruise missile capability to threaten sea traffic from shore, ship, and aircraft platforms.

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

Iraq.—Years of UN sanctions and embargoes as well as US and Coalition military actions have significantly degraded Iraq’s military capabilities. Overall manpower and material resource shortages, a problematic logistics system, and a relative inability to execute combined arms doctrine have adversely affected Iraqi military ca-

pabilities. These shortcomings are aggravated by intensive regime security requirements.

Nevertheless, Iraq's ground forces continue to be one of the most formidable within the region. They are able to protect the regime effectively, deploy rapidly, and threaten Iraq's neighbors absent any external constraints. Iraq's air and air defense forces retain only a marginal capability to protect Iraqi air space and project air power outside Iraq's borders. Although the threat to Coalition Forces is minimal, continued Iraqi confrontational actions underscore the regime's determination to stay the course. Iraq has probably been able to retain a residual level of WMD and missile capabilities. The lack of intrusive inspection and disarmament mechanisms permits Baghdad to enhance these capabilities. Lessons learned from survivability remain the regime's watchwords.

Absent decisive regime change, Iraq will continue to pose complex political and military challenges to Coalition interests well into the future. Baghdad's attempts to upgrade its military capabilities will be hampered as long as effective UN sanctions remain in place. Reconstitution of strategic air defense assets, WMD, and ballistic missile capabilities remain Baghdad's highest priorities. Expansion and modernization of ground and air forces are secondary objectives. Over the longer term, assuming Iraq's leadership continues to place a high premium on military power, is able to "get around the sanctions regime" sooner rather than later, and the price of oil is stable, Baghdad could, by 2015, acquire a large inventory of WMD, obtain hundreds of theater ballistic and cruise missiles, expand its inventory of modern aircraft, and double its fleet of armored vehicles. While this force would be large and potent by regional standards, its prospects for success against a western opponent would depend ultimately on how successful Baghdad was in overcoming chronic weaknesses in military leadership, reconnaissance and intelligence, morale, readiness, logistics, and training.

OTHER ISSUES OF CONCERN

There are two other nearer term issues—the situation in the Balkans and the continuing rivalry between India and Pakistan—that deserve comment based on their potential impact on US security interests.

Federal Republic of Yugoslavia.—During 1999, there was great upheaval within the Federal Republic of Yugoslavia (FRY). Despite remaining nominally part of the FRY, Kosovo was lost to Serb control during the summer. The year ended with increased tensions between the last two constituent republics of the FRY, Serbia and Montenegro. President Djukanovic of Montenegro, a long-time political rival of Milosevic, has moved to redefine relations between the two republics. His program calls for virtual political, economic, and foreign and defense policy independence of Montenegro. Predictably, Serbian President Milosevic resists these efforts. Though the Yugoslav Army maintains a garrison in Montenegro that could easily defeat the small Montenegrin paramilitary forces, neither side appears ready to force the issue at this time.

Despite defeat by NATO and the loss of Kosovo, FRY President Milosevic does not appear in imminent danger of losing his political control. This is probably attributable to the near total lack of unity among the various political opposition parties within Serbia. There is currently no reason to believe that Milosevic will not serve his entire term of office, which expires in the summer of 2001.

Kosovo.—Since entering Kosovo, NATO forces have overseen the withdrawal of Serb forces and the demobilization and disarmament of the UCK. KFOR is in control of the province, but ethnic violence continues, most directed at remaining Serbs by vengeful Kosovar Albanians. There is no direct military threat to KFOR, but there is always the possibility that KFOR troops could be caught in ethnic fighting. The FRY military has reorganized following the loss of Kosovo, but is concentrating on force and facility reconstitution and does not appear able or willing to attempt a re-entry into Kosovo.

Bosnia.—International peacekeeping forces in Bosnia continue to operate in a complex inter-ethnic environment that poses significant challenges to the establishment of a stable and enduring peace. Deep mutual distrust among Bosnia's ethnic factions and the legacy of war has created an impetus toward de facto partition of Bosnia. All three of the Bosnian factions have resisted full implementation of the Dayton Accords at one time or another. Each ethnic group will only cooperate as long as its perceived, long-term interests are not forfeited or marginalized. Although the civilian aspects of Dayton are lagging in their implementation, progress has been made. We believe the Bosnian factions will continue to generally comply with the military aspects of the Dayton Accords and SFOR directives, and will not engage in widespread violence, so long as peacekeeping forces remain credible. Pervasive

international engagement—both political and economic—will be necessary to prevent a permanent division of Bosnia along ethnic lines.

SFOR is the dominant military force in Bosnia, and the direct military threat facing it remains low. SFOR monitors all factional armies, permitting the entities to train only with SFOR approval, and keeping all equipment in cantonment sites. None of the factions will risk taking any kind of overt military action against SFOR. The Federation Army is receiving assistance from the Train and Equip Program, which is moving the military balance in its favor. However, the Federation Army continues to be hampered by the unwillingness of the Muslims and Croats to effectively integrate. The Bosnian Serb Army, which no longer enjoys an overwhelming superiority in heavy weapons, poses very little threat to SFOR as it is hampered by its own internal problems such as insufficient funds for training, equipment modernization, maintenance, and personnel.

Participating in refugee resettlement, freedom of movement, and other civil implementation issues may expose SFOR personnel to increased risk. The international community proclaimed 1999 as a year of refugee returns, and it began to focus on moving people back to areas where they are ethnically in the minority. An increase of 40% was realized in minority returns in 1999, but this is a slow and uncertain process that is marked by occasional incidents of local violence.

India and Pakistan.—The tense rivalry between India and Pakistan remains an important security concern. Both nations continue to invest heavily in defense and the procurement of military equipment. At present, each side possesses sufficient material to assemble a limited number of nuclear weapons, has short-range ballistic missiles, and maintains large standing forces in close proximity across a tense line of control. With each viewing their security relationship in zero-sum terms, we remain concerned about the potential, particularly over the near term, for one of their military clashes to escalate into a wider conflict.

The dispute between India and Pakistan concerning the status of the state of Jammu and Kashmir is the most likely trigger for war between the two countries. The state was the site of major fighting in 1947, 1965 and 1971; and again witnessed heavy military action in 1999. With Islamabad and Delhi's respective positions on Kashmir firmly entrenched, meaningful progress on the issue is unlikely in the near term.

CONCLUSION

The dynamic change and uncertainty that characterized the 1990s will likely continue through 2015 because the basic engines of turmoil remain largely in place. The volatile mix of global political, economic, social, technological, and military conditions will continue to bring great stress to the international order. While no Soviet-like military competitor will emerge during this timeframe, the combined impact of numerous local, regional, and transnational challenges presents a formidable obstacle to our strategic vision.

Most adversaries will attempt to avoid directly confronting the United States military on our terms, choosing instead to pursue a variety of asymmetric means that undermine our power, leadership, and influence. Strategic nuclear threats will endure through this timeframe, but the mix of adversary strategic doctrines and capabilities will complicate deterrence planning. China, Russia, North Korea, Iran, and Iraq will maintain relatively large and well-equipped militaries, which could pose a significant challenge under the right operational conditions.

TESTIMONY OF HON. GEORGE TENET, DIRECTOR OF CENTRAL INTELLIGENCE ACCOMPANIED BY VICE ADMIRAL THOMAS WILSON, DIRECTOR, DEFENSE INTELLIGENCE AGENCY; AND AMBASSADOR STAPLETON ROY, ASSISTANT SECRETARY OF STATE FOR INTELLIGENCE AND RESEARCH

Director TENET. Thank you, Mr. Chairman.

I appreciate the opportunity to discuss with the Committee our assessment of the threats facing the United States. But before so doing, I want to make some brief comments about recent news articles concerning a highly sensitive classified report by the CIA's Inspector General.

The report, which was provided to the Committee in August of 1999, was critical of an internal investigation of former Director John Deutch's mishandling of classified information.

You and Senator Kerrey have communicated directly with me about your insistence that classified material be properly handled and that you will defend any employee of the Intelligence Community who brings instances of mishandling to your attention. You've also asked me to provide you with the results of the accountability determination when it is completed, and I will certainly do so.

The Inspector General's report was thorough and its conclusions and recommendations were sound. The IG report did not conclude that anyone intentionally impeded the security investigation relating to DCI Deutch. Had the Inspector General any evidence to that effect, he would have been obliged to refer the matter to the Department of Justice. He did not do so.

At the conclusion of the Inspector General's investigation last August, when all of the relevant facts were available to me, I made the decision to suspend the security clearances of my predecessor, John Deutch. My action and his response were made public at that time.

As the IG report documents, the internal investigation took too long to complete. The process certainly was not perfect, Mr. Chairman, and I fully accept that finding. Yet, once the facts were put forward by the Inspector General, I did take decisive action.

That said, let me discuss the matters which continue to concern me and you—threats to our national security. Mr. Chairman, as we face a new century, we face a new world—a world where technology, especially information technology, develops and spreads at lightning speed and becomes obsolete just as fast; a world of increasing economic integration, where a U.S. company designs a product in Des Moines, makes it in Bombay and sells it in Sydney; a world where nation-states remain the most important and powerful players, but where multinational corporations, nongovernment organizations, and even individuals can have a dramatic impact.

This new world harbors the residual effects of the Cold War, which had frozen many traditional ethnic hatreds and conflicts within the global competition between the two superpowers. Over the past ten years, they began to thaw in Africa, the Caucasus and the Balkans, and we continue to see the results today. It is against this backdrop that I want to describe the realities of our national security environment in the first year of the 21st century, where technology has enabled, driven, or magnified the threat to us; where age-old resentments threaten to spill over into open violence, and where growing perception of our so-called hegemony has become a lightning rod for the disaffected. Moreover, this environment of rapid change makes us even more vulnerable to sudden surprise.

Mr. Chairman, let me first talk to you about the proliferation of the weapons of mass destruction. The picture that I drew last year has become even more stark and worrisome. Transfers of enabling technologies to countries of proliferation concern have not abated. Many states in the next ten years will find it easier to obtain weapons of mass destruction and the means to deliver them.

Let me underline three aspects of this important problem. First, the missile threat to the United States from states other than Russia or China, is steadily emerging. The threat to U.S. interests and forces overseas is here and now.

Second, the development of missiles and weapons of mass destruction in South Asia has led to more advanced systems, and both sides have begun to establish the doctrine and tactics to use these weapons.

Third, some countries we have earlier considered exclusively as weapons technology importers may step up their roles as secondary suppliers, compounding the proliferation problem even further. We are all familiar with Russian and Chinese capabilities to strike at military and civilian targets throughout the United States. To a large degree, we expect our mutual deterrent and diplomacy to help protect us from this as they have for much of the last century.

Over the next 15 years, however, our cities will face ballistic missile threats from a wider variety of actors—North Korea, probably Iran, and possibly Iraq. In some cases, this is because of indigenous technological development, and in other cases because of direct foreign assistance. And while the missile arsenals of these countries will be fewer in number, constrained to smaller payloads and less reliable than those of the Russians and Chinese, they will still pose a lethal and less predictable threat.

North Korea already has tested a space launch vehicle, the Taepo Dong I, which it could theoretically convert into an ICBM capable of delivering a small biological or chemical weapon to the United States, although with significant inaccuracies. Moreover, North Korea has the ability to test its Taepo Dong II this year. This missile may be capable of delivering a nuclear payload to the United States.

Most analysts believe that Iran, following the North Korean pattern, could test an ICBM capable of delivering a light payload to the United States in the next few years. Given that Iraq missile developments are continuing, we think that it, too, could develop an ICBM, especially with foreign assistance, sometime in the next decade. These countries calculate that the possession of ICBMs would enable them to complicate and increase the cost of U.S. planning and intervention, enhance deterrence, build prestige and improve their abilities to engage in coercive diplomacy.

As alarming as the long-range missile threat is, it should not overshadow the immediacy and seriousness of the threats that U.S. forces, interests and allies already face overseas from short and medium-range missiles. The proliferation of medium-range ballistic missiles, driven primarily by the North Korean No Dong sales, is significantly altering strategic balances in the Middle East and Asia. Nowhere has the regional threat been more dramatically played out than in South Asia. Both Pakistan and India have intensified their missile and nuclear rivalry. Further nuclear testing is possible, and both states have begun to develop nuclear-use doctrines and contingency planning. This is a clear sign of maturing WMD programs.

Another sign that WMD programs are maturing is the emergence of secondary suppliers of weapons technology. While Russia, China and North Korea continue to be the main suppliers of ballistic missiles and related technology, longstanding recipients, such as Iran, might become suppliers in their own right as they develop domestic production capabilities. Other countries that today import missile-

related technology, such as Syria and Iraq, also may emerge in the next few years as suppliers.

Over the near term, we expect that most of their exports will be of shorter-range ballistic missiles-related equipment, components and technologies. But as their domestic infrastructures and expertise develop, they will be able to offer a broader range of technologies that could include longer-range missiles and related technology. Iran, in the next few years, may be able to supply not only complete SCUDs, but also Shahab-3s and related technology, and perhaps even more advanced technologies, if Tehran continues to achieve assistance from Russia, China and North Korea.

Mr. Chairman, the problem may not be limited to missile sales. We also remain very concerned that new or non-traditional nuclear suppliers could emerge from this same pool. This brings me to a new area of discussion that more than ever we risk substantial surprise. This is not for a lack of effort on the part of the Intelligence Community; it results from significant effort on the part of proliferators.

There are four main reasons: denial and deception; the growing availability of dual-use technology; the potential for surprise is exacerbated, thirdly, by growing capacity of these countries seeking WMD to import talent that can help them make dramatic leaps on things like new chemical and biological agents; finally, the accelerating pace of technological progress makes information and technology easier to obtain in more advanced forms than when the weapons were initially developed.

We are making progress on these problems, Mr. Chairman, but I must tell you the hill is getting steeper every year.

With regard to terrorism, since July of 1998, working with foreign governments worldwide, we have helped to render more than two dozen terrorists to justice. More than half were associates of Usama Bin Ladin's organization. These renditions have shattered terrorist cells and networks, thwarted terrorist plans, and in some cases even prevented attacks from occurring. Although 1999 did not witness the dramatic terrorist attacks that punctuated 1998, our profile in the world—thus our attraction as a terrorist target—will not diminish any time soon.

We are learning more about our perpetrators every day. Bin Ladin is still foremost among these terrorists because of the immediacy and seriousness of the threat he poses. Everything that we have learned recently confirms our conviction that he wants to strike further blows against the United States. Despite some well-publicized disruptions, we still believe he could strike without additional warning. Indeed, Bin Ladin's organization and other terrorist groups are placing increased emphasis on developing surrogates to carry out attacks, in an effort to avoid detection.

For example, the Egyptian Islamic Jihad is linked closely to Bin Ladin's organization and his operatives located around the world, including in Europe, Yemen, Pakistan, Lebanon, and Afghanistan. And now, Mr. Chairman, there is an intricate web of alliances among Sunni extremists worldwide, including North Africans, radical Palestinians, Pakistanis, and Central Asians. Some of these terrorists are actively sponsored by national governments that harbor great antipathy for the United States.

Iran, for one, remains the most active state sponsor. Although we have seen some moderating trends in Iranian domestic policy and even some public criticism of the security apparatus, the fact remains that the use of terrorism as a political tool by official Iranian organs has not changed since President Khatami took office in August of 1997.

Mr. Chairman, let me move on to narcotics. The problem we face has become considerably more global in scope and can be summed up like this: Narcotics production is likely to rise dramatically in the next few years, and worldwide trafficking involves more diverse and sophisticated groups. On the first point, coca cultivation in Peru and Bolivia has continued to decline, due largely to successful eradication efforts. But that will probably be offset to some extent by increases in Colombian cultivation. More productive coca varieties and more efficient processing results in production of cocaine more than two and a half times that previously estimated.

There is some good news in Colombia. Under President Pastrana's leadership, Bogota is beginning to improve on its 1999 efforts. In November, Pastrana approved the first extradition of a Colombian drug trafficker to the United States since the passage of legislation in 1997.

On the other side of the world, a dramatic increase in opium and heroin production in Afghanistan is again a cause for concern. This year Afghanistan's farmers harvested a crop with the potential to produce 167 tons of heroin, making Afghanistan the world's largest producer of opium. Burma, which has had a serious drought, dropped to second place but will likely rebound quickly when the weather improves.

Explosive growth in Afghan opium production is being driven by the shared interests of traditional traffickers and the Taliban. And, as with so many of these cross-national issues, Mr. Chairman, what concerns me most is the way the threats become intertwined. In this case, there is ample evidence that Islamic extremists, such as Usama Bin Ladin, uses profits from the drug trade to support their campaign of terrorism.

Mr. Chairman, my statement goes on to talk about information operations and organized crime, but let me move to regional issues in the interest of time. First, let me start with Russia. As you know, we are now in the post-Yeltsin era, and difficult choices loom for the new president Russians will choose in exactly two months. He will face three fundamental questions: First, will he keep Russia moving toward the consolidation of its new democracy, or will growing public sentiment in favor of a strong hand and a yearning for order tempt to slow him down or even reverse course?

Second, will he try to build a consensus on quickening the pace of economic reform and expanding efforts to integrate into global markets—some Russian officials favor this—or will he rely on heavy state intervention to advance economic goals? Finally, will Moscow give priority to a cooperative relationship with the West, or will anti-U.S. sentiments continue to grow, leading to a Russia that is isolated, frustrated or hostile? This would increase the risk of unintended confrontation, which would be particularly dangerous as Russia increasingly relies on nuclear weapons for its de-

fense, an emphasis reflected most recently in its new National Security Concept.

As these questions indicate, the new Russian president will inherit a country in which much has been accomplished but in which much still needs to be done to transform its economy, ensure that its democracy is deeply rooted, and establish a clear future direction for it in the world outside of Russia. Russian polls indicate that Acting President Putin is the odds-on favorite to win the election, though I must tell you, Mr. Chairman, that two months can be an eternity in Russia's turbulent political scene. Putin appears tough and pragmatic, but it is far from clear what he would do as president. If he can continue to consolidate a lead in popular support, as president he may be able to gain political capital that he could choose to spend on moving Russia further along the path of economic recovery and democratic stability.

Former Premier Primakov is in the best position to challenge Putin, though he faces an uphill battle. He would need the backing of other groups, most importantly the communists. The communists, however, have shown their willingness to deal with Putin's party in a recent agreement that divided the Duma leadership positions between them. Such tactical alliances are likely to become more prevalent as parties seek to work out new power relationships in the post-Yeltsin era.

At least two factors will be pivotal in determining Russia's near-term trajectory. First, the conflict in Chechnya. Setbacks in the war could hurt Putin's presidential prospects unless he can deftly shift blame, while perceived successes there will help him remain the front runner. The economy. The devalued ruble, increased world oil prices and favorable trade balance, fueled by steeply reduced import levels, have allowed Russia to actually show some economic growth in the wake of the August '98 financial crash. Nonetheless, Russia faces an \$8 billion in foreign debt coming due this year. Absent a new IMF deal to reschedule, Moscow would have to redirect recent gains for economic growth to pay it down or run the risk of default.

Over the longer term, the new Russian president must be able to stabilize the political situation sufficiently to address structural problems in the Russian economy. He must also be willing to take on the crime and corruption problem, both of which impede foreign investment.

In the foreign policy arena, U.S.-Russian relations will be tested on a number of fronts. Most immediately, Western criticism of the Chechen war has heightened Russian suspicions about U.S. and Western activity in neighboring areas, be it energy supply decisions involving the Caucasus in Central Asia, NATO's continuing role in the Balkans, or NATO's relations with Baltic states. Moscow's ties to Iran will also continue to complicate U.S.-Russian relations, as will Russian objections to U.S. plans for national missile defense.

There are, nonetheless, some issues that could improve things and move them in a more positive direction. Putin and others have voiced support for finalizing the START II agreement and moving toward further arms cuts on START III. Similarly, many other Russian officials express a desire to more deeply integrate Russia

into the world economy, be it through continued cooperation with the G-8, or prospective membership in the WTO.

One of my biggest concerns, regardless of the path that Russia chooses, remains the security of its nuclear weapons and materials. Russia's economic difficulties continue to weaken the reliability of nuclear personnel and Russia's system for security fissile material. We have no evidence that weapons are missing in Russia, but we remain concerned about reports of lax discipline, labor strikes, poor morale and criminal activities at nuclear storage facilities.

Mr. Chairman, let me move on to Iran. Change in Iran is inevitable. The election of President Khatami reflected the Iranian popular desire for change. He has used this mandate to put Iran on a path towards a more open society. This path will be volatile at times, as the factions struggle to control the pace and direction of political change. The key indicator that the battle over change is heating up came last July, when student protests erupted in 18 Iranian cities for several days. The coming year promises to be just as contentious, as Iran elects a new parliament in February.

Many Iranians, particularly the large cohort of restive youth and students, will judge the elections as a test of the regime's willingness to accommodate the popular demand for reform. If they witness a rigged election, it could begin to radicalize what has so far been a peaceful demand for change. Fair elections would probably yield a pro-reform majority, but opponents of change still exert heavy control over the candidate selection process.

Former President Rafsanjani's decision to run for the Majlis, apparently at the urging of conservatives, highlights the leadership's desire to bring the two factions back to the center. The conservatives are supportive of his candidacy because they believe a centrist Rafsanjani is a more trustworthy alternative to the reformers. Even if elections produce a Majlis dominated by Khatami supporters, further progress on reform will remain erratic. Supreme Leader Khamenei and key institutions such as the Revolutionary Guard Corps and the large parastatal foundations will remain outside the authority of the Majlis and in a position to fight a stubborn, rear-guard action against political change.

Moreover, even as the Iranians digest the results of the Majlis elections, the factions will begin preliminary maneuvering for the presidential election scheduled for mid-2001, which is almost certain to keep the domestic political scene unsettled. The factional maneuvering probably means that foreign policy options will still be calculated first to prevent damage to the various leaders' domestic positions. This will inhibit politically risky departures from established policy. This means that Iran's foreign policy next year will still exhibit considerable hostility to U.S. interests. This is most clearly demonstrated by Tehran's continued rejection of the Middle East peace process and its efforts to energize rejectionist Palestinian and Hizbollah operations aimed at thwarting a negotiated Arab-Israeli peace.

Iranian perceptions of increasing U.S. influence in the Caucasus, demonstrated most recently by the signing of the Baku-Ceyhan pipeline agreement, could similarly motivate Iran to more aggressively seek to thwart what it regards as a U.S. effort to encircle it from the north.

Mr. Chairman, let me move to the Balkans, an important area. Signs of positive long-term change are beginning to emerge there as the influence of the Milosevic regime in the region wanes in the wake of the Kosovo conflict, and a new, more liberal government takes the reins of power in Croatia. Political alternatives to the dominate ethnic parties in Bosnia are also beginning to develop, capitalizing on the vulnerability of old-line leaders to charges of corruption and economic mismanagement.

Despite this progress, there is still a long way to go before the Balkans move beyond the ethnic hatreds and depressed economies that have produced so much turmoil and tragedy. Of the many threats to peace and stability in the year ahead, the greatest remains Slobodan Milosevic, the world's only sitting president indicted for crimes against humanity. Milosevic's hold on power has not been seriously shaken in the past few months. He retains control of the security forces, military commands, and an effective media machine. His inner circle remains loyal or at least cowed. The political opposition has not yet developed a strategy to capitalize on public anger with Milosevic.

Milosevic has two problems that could still force him from power—the economy and the Montenegrin challenge. The Serbian economy is in a virtual state of collapse, and Serbia is now the poorest country in Europe. Inflation and unemployment are rising, and the country is struggling to repair the damage to its infrastructure from NATO airstrikes. The average wage is only \$48 a month, and even these salaries typically are several months in arrears. Basic subsistence is guaranteed only by unofficial economic activity and the traditional lifeline between urban dwellers and their relatives on the farms. Milosevic's captive media are trying, with some success, to blame these troubles on the air strikes and on international sanctions.

Nonetheless, as time passes, our analysts believe that the people will increasingly hold Milosevic responsible. Moreover, a sudden unforeseen economic catastrophe, such as hyperinflation or a breakdown this winter of the patched-up electric grid, could lead to mass demonstrations that would pose a real threat.

For its part, Montenegro may be heading toward independence, and tensions are certainly escalating as Montenegrin President Djukanovic continues to take steps to break ties with the federal government. Milosevic wants to crush Djukanovic because he serves as an important symbol to the democratic opposition in Serbia and to the Serbian people that the regime can be successfully challenged. Djukanovic controls the largest independent media operation in Yugoslavia, which has strongly criticized the Milosevic regime over the past several years for the Kosovo conflict, political repression, and official corruption. Both Milosevic and Djukanovic will try to avoid serious confrontation for now, but a final showdown will be difficult to avoid.

Regarding Kosovo, the international presence has managed to restore a semblance of peace, but it is brittle. Large-scale inter-ethnic violence has vanished, but the U.N. Mission in Kosovo and KFOR have been unable to stop daily small-scale attacks, mostly by Kosovar Albanians against ethnic Serbs. This chronic violence has caused most of the remaining 80,000 to 100,000 Serbs to con-

gregate in enclaves in northern and eastern Kosovo, and they are organizing self-defense forces.

The campaign to disarm the former Kosovo Liberation Army has had success, but both sides continue to cache small arms and other ordnance. There's even a chance that fighting between Belgrade security forces and ethnic Albanians will reignite, should Belgrade continue to harass and intimidate the Albanian minority in southern Serbia, and should Kosovo Albanian extremists attempt to launch an insurgency aimed at annexing southern Serbia into a greater Kosovo.

Let me now turn to China, Mr. Chairman. The leadership there is continuing its bold 20-year-old effort to propel the nation's economy into the modern world, shedding the constraints of the old communist central command system. The economy is the engine by which China seeks world prestige, global economic clout and the funding for new military strength, thereby redressing what it often proclaims as 100 years of humiliation at the hands of Western powers. Domestically, it was the engine that Deng Xiaoping and his successors calculated would enable the party to deliver on its unspoken social contract with the Chinese people—monopoly of political power in exchange for a strong China with a higher standard of living for its citizens.

But events conspired last year to tarnish Beijing's achievements, to remind people that China had not yet arrived as a modern world power, and to make the leadership generally ill at ease. China put on an impressive display of military might at its 50th anniversary parade in Beijing, but the leadership today sees a growing technological gap with the West.

Inside China, the image of domestic tranquility was tarnished by last April's appearance of the Falun Gong religious sect, whose audacious surprise demonstration outside the leadership compound called into question the Community Party's ability to offer an ethos that still attracts the Chinese people.

Even the return of Macao in late December, the fall of another symbol of a divided China, was overshadowed by the actions of Taiwan President Lee Teng-Hui. Lee declared last July that his island's relations with the mainland should be conducted under the rubric of state-to-state rather than one-China. Lee's statement has China deeply worried that Taiwan's return to Beijing is less likely than before. Chinese leaders act as if they believe at a minimum a show of force is required if they are to preserve any hope of reunification.

Because of this, we see a high potential for yet another military flare-up across the Taiwan Strait this year. The catalyst for these tensions is the Taiwan election on the 18th of March, which Beijing will be monitoring for signs that a new president will retreat from Lee's statements or further extend the political distance from reunification. Although Beijing today still lacks the air and sealift capability to invade Taiwan, China has been increasing the size and sophistication of its forces arrayed along the strait, most notably by deploying short-range ballistic missiles. China should receive the first two Russian-built destroyers later this month. And we expect the ships to join the East Sea Fleet, which regularly conducts operations near Taiwan.

In the coming year, we expect to see an uncertain Chinese leadership launching the nation deeper into the uncharted waters of economic reform, while trying to retain a tight grip on political control. But the question remains open, Mr. Chairman, whether in the long run a market economy and an authoritarian regime can coalesce equally.

Mr. Chairman, I want to talk about two more subjects, North Korea, and India and Pakistan, and we'll reserve the rest. North Korea's propaganda declares 1999 the year of the great turnaround. This is not a view supported by my analysts. Indeed, we see a North Korea continuing to suffer from serious economic problems, and we see a population, perhaps now including the elite, that is losing confidence in the regime. Mr. Chairman, sudden radical and possibly dangerous change remains a real possibility in North Korea, and that change could come at any time.

The North Korean economy is in dire straits. Industrial operations remain low. The future outlook is clouded by industrial facilities that are nearly beyond repair after years of underinvestment, spare-parts shortages and poor maintenance. This year's harvest is more than one million tons short of the minimum grain needs. International food aid has again been critical in meeting the population's minimum food needs. Trade is also down. Exports to Japan, the North's most important market, fell by 17 percent. Trade with China, the North's largest source of imports, declined to \$160 million, primarily because China delivered less grain.

Kim Jong Il does not appear to have an effective long-term strategy for reversing his country's economic fortunes. His inability to meet the basic needs of his people and reliance on coercion makes his regime more brittle because even minor instances of defiance have greater potential to snowball into wider anti-regime actions. Instead of real reform, North Korean strategy is to garner as much aid as possible from overseas, and the North has reenergized its global diplomacy to this end.

It has agreed to diplomatic talks with Japan for the first time in several years. It has unprecedented commercial contacts with South Korea, including a tourism deal with a South Korean firm that will provide almost a billion dollars. But Pyongyang's maneuvering room will be constrained by Kim's perception that openness threatens his control and by contradictions inherent in his overall strategy, a strategy based on hinting at concessions on the very weapons program that he has increasingly come to depend on for leverage in the international arena. Squaring these circles will require more diplomatic agility than Kim has yet to demonstrate in either domestic or international arenas.

Finally, Mr. Chairman, let me talk about India and Pakistan. Last spring the two countries narrowly averted a full-scale war in Kashmir, which could have escalated to the nuclear level. The military balance can be summarized easily. India enjoys advantages over Pakistan in most areas of conventional defense preparedness, including a decisive advantage in fighter aircraft, almost twice as many men under arms, and a much larger economy.

Recent changes in the government of both countries add tensions to the picture. The October coup in Pakistan that brought General Musharraf to power, who served as the army chief during the

Kargil conflict with India last summer, has reinforced New Delhi's inclination not to reopen the bilateral dialogue anytime soon. Pakistanis are equally suspicious of India's newly elected coalition government, in which Hindu nationalists hold significant sway.

Clearly, the dispute over Kashmir remains as intractable as ever. We are particularly concerned that heavy fighting is continuing through the winter, unlike in the past, and probably will increase significantly in the spring. New Delhi may opt to crack down hard on Kashmiri militants operating on the Indian side of the line of control, or even order military strikes against militant training camps inside Pakistan-held Kashmir.

Thus, Mr. Chairman, we must head into this new year with continuing deep concerns about the antagonisms that persist in South Asia and their potential to fuel a wider and more dangerous conflict on the subcontinent.

Mr. Chairman, I know this has been a long briefing, and we skipped over many subjects, and we want to get to your questions. But before so doing, I would sum it up this way: The fact that we are arguably the world's most powerful nation does not bestow invulnerability. In fact, it may make us a larger target for those who don't share our interests, our values, and our beliefs. We must take care to be on guard, watching our every step and looking far ahead. Let me assure you that our Intelligence Community is well prepared to do just that.

Thank you, Mr. Chairman. Thank you, Senator Bryan.

Chairman SHELBY. Director Tenet, it's been reported that former Director Deutch placed highly classified materials on his unclassified home computer, a computer that was connected to the Internet, but that, as far as can be determined, no outsider gained access to this material. That's what we've been told.

Director TENET. Yes, sir.

Chairman SHELBY. Can you assure us that the classified files in Mr. Deutch's unclassified computer were not accessed from outside?

Director TENET. Mr. Chairman, we cannot assure you of that fact. All I can say is we came to a judgment that said we cannot exclude that possibility. We have no evidence to suggest that that has occurred. But, I cannot give you assurances.

Chairman SHELBY. You can't reassure us?

Director TENET. No, sir, I can't give you a definitive statement to say it absolutely didn't happen.

Chairman SHELBY. When evaluating the scope of information potentially compromised by Mr. Deutch to the material disclosed by Mr. Ames or Pollard, how would you rate it? In other words, was it sensitive, more sensitive or less sensitive?

Director TENET. Well, Mr. Chairman, we have to make a distinction between espionage cases where people were intending to harm the United States—

Chairman SHELBY. I know that.

Director TENET [continuing]. And documents that you found on someone's computer who was working at home. I don't think there is any way.

Chairman SHELBY. But, we are talking about materials, classified materials.

Director TENET. I understand that.

Chairman SHELBY. Okay.

Director TENET. In both the case of Ames and in the case of Pollard, we can document the fact that a foreign power had direct access to significant material, including human assets. In this case, we can't tell you that any damage has occurred. We don't exclude the possibility; I can't tell you it has or has not occurred. So I don't think that that's a fair comparison.

Chairman SHELBY. You can't confirm it and you can't deny it, right?

Director TENET. You can't, sir, but I can't put the Deutch case in the same context as Pollard or Ames. I don't think that's fair.

Vice Chairman BRYAN. Mr. Chairman, I don't think you got an answer to your question. I don't think the Chairman was impugning motives here. He was asking as to the material itself.

Chairman SHELBY. The material, the sensitivity of the material.

Director TENET. As you know, in the report—and I don't want to go into it specifically in open session—there was enormously sensitive material on this computer, at the highest levels of classification.

Chairman SHELBY. Highest levels of classified information were transferred from—to an unclassified—

Director TENET. Sir, the distinction again—and I think we should let the Inspector General walk you through all this—but there is a distinction between the transfer and his sitting down at a computer and writing. He basically created all these documents, rather than transferring files, which is a distinction; there is a difference there.

Chairman SHELBY. But it was, as you just said, very sensitive material.

Director TENET. Yes, sir.

Chairman SHELBY. Was Mr. Deutch ever asked to take a polygraph examination concerning the information he took to his home while Director of CIA?

Director TENET. Mr. Chairman, I'd preferred that you ask the Inspector General and the investigators how they conducted their investigation, rather than me getting into how they did their business.

Chairman SHELBY. Senator Bryan brought this up earlier and I believe this is about right. It took the CIA almost a year and a half to notify the Intelligence Committees after the material was discovered on Dr. Deutch's computers. Why did it take so long to notify this Committee and why did it take so long to notify the Department of Justice?

Director TENET. Well, sir, I don't have—there is no excuse for that. That should have been done promptly. Certainly by the spring of 1997, when internal reviews had been completed by the Office of Personnel Security, we should have come to you. But my view is, is that when you have a case involving the Director, the notification should have been prompt. And there is no excuse for that. And we should not have assumed that it happened, and it should have happened.

Chairman SHELBY. Director Tenet, why wasn't the FBI brought into the investigation of this early on?

Director TENET. Well, Mr. Chairman, remember—and the IG again should come talk to you about all these facts.

Chairman SHELBY. He's going to. He's going to come.

Director TENET. One of the things that he and our internal accountability board is looking at right now is that originally, in fact, a referral was not made to the Department of Justice. There was a legal judgment made not to refer the case. Well, we have to get underneath that.

As you know, subsequently, when we get to the 1998 time period, the IG did make a referral, the Justice Department did decline to prosecute, so that the Justice Department did have an opportunity to play in this case at a later date.

Chairman SHELBY. If you were faced with a similar set of facts today, involving anyone at Langley, at the CIA, an employee, how would you react?

Director TENET. Certainly, Senator, I think I would have taken the same ultimate disciplinary action, which has to be the same for everybody. In fact, the action we took against the Director was unprecedented in its scope, because we believe that everybody has to be treated equally, whether at the top of the chain or the bottom of the chain, so that the men and women who work for us understand that there are not two standards.

Everybody has a right to due process, and process is provided to everybody, but in essence that would be my answer. Obviously, there are lessons learned in how we did this, and we're looking at all those things as well.

Chairman SHELBY. Senator Bryan.

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

Let me just pursue the Chairman's questions for just a moment. I understand the state of the record. It's clear there is no evidence—repeat, no evidence—that Mr. Deutch transferred any information to unauthorized personnel. And that is a distinction between the Aldrich and the Pollard matter, as you've made clear. Nevertheless, you have characterized the information that was on the unclassified computer as highly sensitive. And I take it that we can get into that in more detail in a closed hearing.

Director TENET. Yes, sir.

Vice Chairman BRYAN. I take it that this is not just something that people ought not to know about, but this is serious stuff. Is that a fair generalization?

Director TENET. Yes, sir.

Vice Chairman BRYAN. Very serious stuff. And so, I guess my follow-up questions are twofold. Have you done a damage assessment?

Director TENET. Well, sir, we've certainly, I think we—no, not in a formal way. We have basically fulfilled all the obligations the Inspector General—or are in the process of fulfilling all the obligations the Inspector General imposed on us.

In a formal sense, no, I have not done it a damage assessment in terms of what the possibility would be.

Vice Chairman BRYAN. I ask that question in the context that, as I understand it, because this information was on an unclassified computer, for purposes of our counterintelligence—

Director TENET. Yes, sir.

Vice Chairman BRYAN [continuing]. We have to assume that that information may have been compromised.

Director TENET. Yes, sir.

Vice Chairman BRYAN. If that is the case, then it seems to me that a damage assessment would be appropriate. And, the follow-on question to that, it seems to me, is what actions have been taken in response to that assessment. That is to say, are we changing, making any different responses because of the assumption that we have to make that this information—

Director TENET. Yes, sir. Well, I'd like to—first, Senator, I think it's valid and legitimate to go do a damage assessment. In closed session, I'd like to walk you through—we can talk about some of the documents and you'll see—you'll get a full sense of the issue I think in closed session.

Vice Chairman BRYAN. Let me ask you about the accountability review. Where are we on that? When can we expect to get that?

Director TENET. The Executive Director has completed that review as of yesterday, and he will forward it through the Deputy Director and then on to me. So I hope that we will provide that to you very quickly.

Vice Chairman BRYAN. And can you give us the scope of the review? Obviously it should include yourself, as well as others, and does it do that?

Director TENET. Yes, sir. It goes through the entire chain of command, looks at everybody who touched this, looks at their actions, looks at their judgments and will cover everybody.

Vice Chairman BRYAN. And let me just say, the Chairman raised the question—I mean, the delay, which you've acknowledged is inexcusable, what actions are going to be taken prospectively? The Committee is entitled to receive this information—

Director TENET. Yes, sir.

Vice Chairman BRYAN [continuing]. As part of its oversight. You would not deny that. What steps are being taken so that if something like this happens prospectively that the Committee gets an earlier notification?

Director TENET. Sir, you know that there is a notification process and policy in place that gives you everything, almost as soon as I get it. That's the standard. We need to move. There is no upside in not bringing you this information. Everybody understands that.

Chairman SHELBY. What happened in this case?

Director TENET. That's another issue in terms of the accountability. I mean, there are multiple nodes that had a responsibility to move this information and they understood that, and that's something that we're dealing with.

Vice Chairman BRYAN. And let me say as the new Vice Chairman, not only is the notification important, but the manner in which we are notified is important. To be presented with some information in the talking points during the course of a hearing is really not the kind of notification I think the Committee's entitled to. You've acknowledged and we all understand that this compromise is serious. It strikes me that when we have that kind of compromise that there needs to be a process by which the Chairman or the Vice Chairman and the staff directors are requested to have a meeting with you or your authorized representatives to say,

“Look, here’s the situation.” And I would hope that we would have that commitment from you.

Director TENET. In fact, Senator, that’s what we do today. Even on the most sensitive issues, you’re provided written, detailed notifications. There are briefings. I think there’s a process here that’s working extremely well. It didn’t work in this case as well as it needed to, but we have a process in place that we pay a lot of attention to, and I think the record’s a good one.

Vice Chairman BRYAN. I think the other question that’s raised publicly is the treatment in the Deutch case, with reference to referral to the Department of Justice for possible action. The delay there seems to me to have been excessive. My understanding is that it is regarded as a very serious offense when information is mishandled—classified information such as this.

In hindsight, shouldn’t that have been referred to the DOJ earlier for whatever determination they want to make?

Director TENET. Sir, the Inspector General feels so. But there was a legal judgment made. I’m not a lawyer, but I understand that there was a debate within the office of the General Counsel about what the right way to proceed here was. There was a decision not to make the referral. That’s something that we’re looking at in our own accountability chain to understand why this decision was made that way.

There was a subsequent decision to refer by the General Counsel and Justice declined a prosecution. So, we’re looking at all that.

The IG will have a view on that, and we will in terms of our accountability process as well.

Vice Chairman BRYAN. But in hindsight, wouldn’t it have been better to do so?

Director TENET. Well, of course. In hindsight, of course.

Vice Chairman BRYAN. I mean, because the thrust of what the article in the newspaper yesterday seems to suggest, in using the language of impeding, is that the process was deliberately slowed so that the time period for referral to independent counsel was allowed to expire. I’m not making that assertion, Mr. Tenet. I want to be clear.

Nevertheless, the actions, or the inactions, do give some arguable credibility to that position. Could you respond to that?

Director TENET. Sir, the thing that worries me is of course there was no impeding. There was no intentional effort. The IG didn’t find that. If he had, we would have had another Justice Department issue. The perception has been created that that’s what happened. I think it was erroneously portrayed in the news piece.

The fact is that this didn’t work as quickly as it should have worked. We know that now, and we make no excuses. We were in a period of great transition. We were dealing with a former Director. People were trying to do their best job. At the end of the day, we now know that we all could have done this better. The entire system could have performed better.

We take a lot of pride in policing ourselves. You know, some people say, “Can the CIA police itself?” Well, we take a lot of pride in our own internal accountability and our professional responsibility and conducting ourselves honorably and ensuring that this Committee and the American people believe that.

Anything that detracts from that is not good for me and not good for my people.

Vice Chairman BRYAN. And I think the final observation that I would have is certainly the appearance is of a dual standard. That is to say that the former DCI, an individual who we all know—we respect his talents and abilities and his contributions. Nevertheless, you cannot escape the conclusion that had this been someone who was on a lower level in the hierarchy, that different treatment would be given.

I think that's damaging to morale within the agency itself because everybody ought to be held to the same standard of accountability.

Director TENET. Well.

Vice Chairman BRYAN. Do you agree with that?

Director TENET. In terms of process, everybody has a right to due process and I never want to be in a situation where my employees at the lower ranks feel that the people higher up get any benefits or privileges.

I will say this. There have been analogous cases to Director Deutch's case where we did not take the kind of action we took against this Director. I believe stronger action was required, because as the leader of the organization, you're required to act and behave on the basis of higher standards.

So when we look at punishment, I think that the statement to everybody ultimately is, we took decisive, tough action against the former leader of the organization. And that has an impact as well in the positive, I believe.

Vice Chairman BRYAN. So I take it that your view would be that within the agency the perception is that the treatment of Mr. Deutch was comparable that others who might have been guilty of similar classified violations would have received.

Director TENET. Well, sir, I don't want to speak for them. I can't—you know, I didn't take a poll after the action to find out what the constituencies felt, but here's the message I want to leave to the men and women that I lead: There is one standard. People up and down the chain of command will get disciplined. This process—we will ensure that a process is fair, not just for people at the top but people at the bottom, and everybody gets the same treatment.

And that's the message I want to leave them with. There are no distinctions between the top and the bottom, and we run a fair and honest institution when it comes to disciplining men and women.

Vice Chairman BRYAN. So your own perspective would be that you have treated others, or the agency has treated others in situations similar to Mr. Deutch, in a comparable fashion?

Director TENET. Yes, sir, although I do feel in his case we went the extra mile because of his leadership position.

Vice Chairman BRYAN. Mr. Chairman, I thank you. Thank you very much, Mr. Tenet.

Chairman SHELBY. Director Tenet, is it troubling to you, as it is to me, that—we know Mr. Deutch, Dr. Deutch we call him. And we know that he's done a lot, served this nation in the defense over at the Pentagon and in the CIA and all this. He has an exemplary career. But isn't it troubling to you that someone at the CIA—espe-

cially a Director—but anybody that would use unclassified computer to do all these things, not inadvertently, not once, but continuously, to a great extent. Isn't that troubling? You wouldn't do that, would you?

Director TENET. Mr. Chairman—

Chairman SHELBY. Sir, would you do that?

Director TENET. Well, my computer literacy is so low that I probably couldn't do it. [Laughter.]

But in any event—

Chairman SHELBY. Now I didn't ask you, could you.

Director TENET. Let me say something serious to you. I wouldn't do it, Mr. Chairman. And obviously, there's no education in the second kick of a mule and everybody's gotten the picture here. But, let me say this to you: You know, I took a stern action against John. He's obviously my predecessor and my friend. He was sloppy in what he did. He worked around the clock. He didn't think about what he was doing.

Nevertheless, as Director, I believe he should have known better. And I think, you know, in some way you have a salutary impact here because everybody understands. We talk about computer security, we talk about electronic means of getting into our databases. Now it's shown that this is an important issue that we're all paying attention to.

And, you know, one man's mistake is another man's stupidity. Of course, it's troubling that we're in this situation. It's a tough situation for all of us to be in and we took a tough action for it.

Chairman SHELBY. Was he polygraphed regarding any of this? Do you know?

Director TENET. I don't, and I'd prefer that you'd talk to the investigators and the folks who—

Chairman SHELBY. We will. You don't know and you're not going to say.

Director TENET. Let's talk about that later, if we could, sir.

Chairman SHELBY. Do you know if he has ever failed a polygraph test?

Director TENET. I don't know that.

Chairman SHELBY. You don't. We'll get into it a little later, in the closed session.

Director TENET. Okay.

Chairman SHELBY. To go back to the counterintelligence threat, the recent discovery of a Russian listening device inside the State Department and reports of PRC espionage against the Department of Energy's nuclear labs have served all of us as stark reminders of the continued counterintelligence threat to the U.S. government facilities and personnel.

The Intelligence Community is currently reviewing, as you well know, its counterintelligence postures for the 21st century in an exercise dubbed CI-21. The Intelligence Committee will be holding closed hearings on CI-21, as well as on the State Department bug. But I think it's important here today to take the opportunity, while we're in open session, to outline the extent of this problem for the American people who have heard about it.

Director Tenet, which countries are most aggressively engaged in collection of intelligence against the United States? What are their

primary targets—political and diplomatic intelligence, military plans and defense and technology, economic and industrial secrets? And to what extent have the traditional threats changed?

Director TENET. Well, Mr. Chairman, let me—

Chairman SHELBY. You can talk about some of it here.

Director TENET. Yes. Let me say this. There are a lot of countries involved in espionage against the United States—traditional enemies, some friends.

Chairman SHELBY. Sure.

Director TENET. Different motivations. Why do they do it? One, they want to penetrate the United States government. Two, they want to get access to your trade secrets and your economic well-being. They want to access technology. They want to access what our private sector does for a living. What we're trying to do in CI-21, Louis Freeh and I are trying to design a system that basically allows us to understand what the most important threats are, and then allocate people and resources to work against these threats not just within the government, but also to engage the private sector in a way that it's never been engaged before, in creating something so that, Mr. Chairman, we're not talking to you about counterintelligence when we have a case. When we have a case, it's too late; it means that something's already happened.

Chairman SHELBY. Something bad, generally.

Director TENET. Something bad is generally happening. So the only good news here is there is an arrest, followed by the bad news of a damage investigation. And what we would like to do is use the resources in the intelligence and law enforcement communities proactively, engage analysis and use analytical tools in a way we haven't done before, and create something that's new.

Now, Louis and I are going to brief this. He needs to brief the Attorney General, I'm going to brief the National Security Adviser. I think the President has a keen interest in this. And then we will come forward and give you this new plan that we plan to undertake.

Chairman SHELBY. Sure. I think it's very important, and the timeliness couldn't be better.

Director TENET. Yes, sir.

Chairman SHELBY. Admiral Wilson, do you have any comments on this threat?

Admiral WILSON. Well, I certainly agree with the threat. And the world of information superiority being so important, protecting your own is too often undervalued compared to acquiring others'. So we would support aggressive moves in counterintelligence improvements.

Chairman SHELBY. Ambassador Roy, I know you are new on this job. You have served this country with distinction in your ambassadorial post. But over in State, where you are dealing with intelligence and security there, isn't it troubling to you, the bug and the penetration somewhat, that was in the paper recently, about the State Department, out of Russia—probably not shocking?

Ambassador ROY. It is troubling to me. My experience has been that maintaining the alertness and the procedures that you need is difficult, because of the human factor, over time. And to protect secrets properly, you have to maintain the highest standards over

time. In that sense, I think that the recent cases have been useful because they have provided the additional impetus for all of us to tighten our procedures.

That's what the State Department has been doing; I am confident that's what other members of the Intelligence Community have been doing. In the case of the State Department, I think the damage assessments are under way, and the probable damage is limited.

Chairman SHELBY. Admiral Wilson, what's your assessment of the performance of the Russian military recently, particularly the army in their current operation in Chechnya?

Admiral WILSON. Well, first of all, the Chechen situation will not be solved by military actions alone. It's been going on for centuries, and it won't be solved by military action. The Russians do show a good ability to move forces to the region; however, they have taken a high percentage of their ready forces to do so. And, therefore, it impedes Russian military modernization to any extent that they could accomplish that in the economic environment that exists there.

They have used some of the same brute-force tactics that did not work well earlier in the nineties, in 1996 specifically—of heavy bombardment of the city and then followed up with infantry and internal security forces, which are ill-prepared to conduct urban warfare, which is difficult for any military to conduct.

So the Russian military is not well-prepared for the situation that they were thrust into. It's a difficult situation for any military. They are taking losses, as are the Chechens. And it will not solve the problem, which will be around for a long time at the current pace.

Chairman SHELBY. Okay.
Senator Bryan?

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

Mr. Tenet, returning to you for a moment, I am sympathetic with the position that you find yourself in, that when you do achieve success in breaking up terrorist cells or activity, it's not something that you can proclaim. Your failures are on the front page of the morning newspaper and the lead stories on television across the country. And I think it's fair to acknowledge that there have been, as you made oblique reference to in your presentation, that there have been successes that you've briefed the Committee on, and we applaud those efforts and commend them.

Nevertheless, it appears to me that we may be just chipping around on the edge. My question: Is there a broader, more systemic approach that we ought to be undertaking? And if we are doing that, to the extent that you can do so in an open session, would you care to respond to that?

Director TENET. Let me handle this in the open, but then I'd like to talk about it in closed session at greater length. There is— I don't want you to think that there is not a systematic effort to look at a worldwide terrorist infrastructure and think about how you disrupt or make it more difficult for them to operate. Indeed, what we learned over the course of the five or six weeks leading up to the New Year celebrations, on the basis of all the actions we took,

we learned that there's an infrastructure out there that is perhaps bigger than we anticipated.

And we essentially have undertaken to systematically develop a strategic plan to attack this infrastructure. And I don't want to say more than that. But we look at this not just from an event perspective. I come and tell you two dozen renditions. That's tactical in nature. There is a strategic outlook about how to do this, not just by ourselves, but in concert with our allies.

Of course, in terms of the bigger picture, at the end of the day you've got to go back, and we won't go through what I said about the Middle East, but you've got to go back and look at the economics and demographics of the region of the world that basically is going to spawn, unless some changes are made, large numbers of unemployed men to whom bin Ladin's message resonates, and people like him.

So there are big systemic issues about economic opportunity. Chechnya is another example, for example. I mean, Afghanistan was the calling card in the seventies and eighties; Chechnya will become the calling card of this millennium in terms of where do terrorists go and train and act. So these conflicts, while we talk about them from the concept of the Chechens and the Russians, also turn into spawning grounds of the next generation of people who try their skills.

Now, that all involves a very intricate strategy that we need to think about. So, it's not just what the law enforcement and Intelligence Community does. It's how we look at a world and regions of the world where we can strategically use relationships that undermine the terrorists' ability to operate.

Vice Chairman BRYAN. So you're really suggesting to us that the Russian-Chechnyan conflict is, from our point of view, a potential source of a new generation of terrorists who will learn their craft—

Director TENET. Yes, sir.

Vice Chairman BRYAN [continuing]. And that long after that conflict may subside—assuming that it does, at least in its present form—there may be some spin-off implications for us that can be very troubling.

Director TENET. I think that you should expect that the opportunity the terrorists will take to inject themselves in this, for Muslim reasons and reasons to aid the Chechens, many of whom are not terrorists, will create a cascading effect of people proving their mettle on a battleground that they will then come back and test against us in other places, yes, sir.

Vice Chairman BRYAN. Changing the focus a little bit, Mr. Tenet, one of my first calls as the new Vice Chairman dealt with a fairly significant information systems breakdown. I want to speak somewhat obliquely here. My question is, what are we doing to prevent a recurrence of that? Are there other aspects in the Intelligence Community, not precisely of this same nature, that are in jeopardy of a breakdown or a failure of this magnitude? And thirdly, what, if anything, do you need from us in the Congress to address any of those concerns?

Director TENET. First, let me say that Mike Hayden has it totally under control. We did have a problem for a series of days. He did

undertake the work-arounds. He did all the right things. He is in the middle of a lessons-learned. He believes there was no intelligence loss, that we've retrieved all that collection and processed it all. And we are now looking at an after-action with him.

The point I would make is we need to find out what happened. The point I would make is that we have an infrastructure that is functioning at near or overcapacity constantly, and we need to ensure that we're making the right investments and that our leadership is looking at these things as carefully as they need to. And I think that we are.

And I think the men and women out there did a great job in getting us back up and running without missing a beat. And it was something that had us all concerned, but handled very well by General Hayden and the folks at NSA.

Vice Chairman BRYAN. I hope that you will follow up on this and give us a report. You're making a critical judgment in terms of personnel and the way it was handled, but to have something of that magnitude occur for that length of time, had the situation globally been more—

Director TENET. Yes, sir.

Vice Chairman BRYAN. [continuing]. Volatile it would have been extremely dangerous in terms of the lack of information that we were able to gather. And so I would hope that you would report back to us, once the after-action report is completed, what, if anything, we need to do to help you.

Director TENET. Yes, sir.

Vice Chairman BRYAN. This is not in a critical vein, but to help you in that.

Director TENET. Right. We will do that.

Vice Chairman BRYAN. Admiral Wilson, if I might just ask you a question about the situation in Colombia, what is the status with the guerrilla action there and the government? The DCI made reference to the situation in Colombia, but I don't really have a sense. It's been a few years since I've been there and flew into the part of the country where a lot of the coca is being processed and some of the plants are grown. Give us your assessment. Are we winning? Are we losing? Are we holding our own? It looks like more and more of that country seems to have been taken over, in a de facto sense, at least, by the guerrilla movements, even though the government itself tends to be more cooperative in terms of extraditions and other kinds of activity.

Admiral WILSON. Senator, I think that the government of Colombia, and specifically their security force, is enormously challenged in dealing with the insurgent threat in rural Colombia, which, of course, is fueled by narcotics and other criminal activity. They're trying hard and have made some improvements, but are still challenged by mobility and flexibility and command-and-control and intelligence shortfalls against a difficult adversary.

The rebels, the insurgents, have used the demilitarized zones disproportionately to their advantage in the field of military activity, and so they continue to be a challenge for Colombian security forces. The Colombian Army, while it appears able to protect large cities and the urban environment, is not able to control the countryside where the insurgents operate.

So, I think I would say that while they are certainly not winning, they're trying very hard to hold their own in a very difficult situation, even as the President tries to put together a political process that will reach some type of peace agreement in the future with the insurgents.

Vice Chairman BRYAN. Were you all involved, and if so, what role did you play in providing the intelligence data needed for the supplemental appropriation request for Colombia? Were you involved in that process from the intelligence point of view, in terms of what was needed?

Admiral WILSON. We did provide intelligence associated with that. Yes, sir.

Vice Chairman BRYAN. And specifically, I mean, some areas that you felt ought to be included in terms of the request.

Admiral WILSON: Yes.

Vice Chairman BRYAN. You were?

Admiral WILSON: We did, as a community, participate in the exercise.

Vice Chairman BRYAN. I appreciate that. Let me yield back to the Chairman.

Chairman SHELBY. Thank you, Senator Bryan.

Director Tenet, we all realize we're going into a closed hearing later this afternoon and we'll be able to get into just about everything there. But could you assess here today, to some extent, what's the status of Iran's nuclear weapons program?

Director TENET. Well, we should talk about this behind closed doors.

Chairman SHELBY. Okay. Could you say here that Russia, the PRC and other people, other suppliers have given assistance to their nuclear program?

Director TENET. Let me outline all of that for you behind closed doors.

Chairman SHELBY. Okay. What about North Korea? Do you believe that North Korea is continuing to work on its nuclear weapons program and related activities, or can you say here, or you'd rather get into that in a closed session too?

Director TENET. Sounds good to me, Mr. Chairman. [Laughter.]

Chairman SHELBY. Okay, that's what you'd rather do.

Senator Bryan, do you have any other questions?

Vice Chairman BRYAN. Well, we wouldn't want to neglect Ambassador Roy. Let me ask you, one of the perennial questions that comes up every year is the degree of cooperation we get with Mexico, whether we ought to recertify them for compliance. Give us your take. I mean, I must say that I don't see a lot of encouraging news there. Maybe we haven't focused on some of the areas that may give some cause for hope. But your analysis there, Mr. Ambassador, if I may.

Ambassador ROY. We think we're making progress in addressing a very difficult and complex issue. As you know, it was our success in attacking the narcotics routes through the Caribbean that resulted in the diversion of those routes to Mexico, and Mexico is now the principal route through which cocaine from South America enters the U.S. market.

We have worked with the Mexican government. They have set up special police forces. They are using new technology at border points to try to interdict actions. They have passed new laws which are designed to improve their ability to get rid of corrupt security officials. They have focused at senior government levels on the problem of dealing with corruption at the highest levels of the government that are related to the narcotraffic. This has affected governors in Mexico.

So that on balance, we feel that we are working in the right direction with the Mexican government and are getting a positive spirit of cooperation from them.

Vice Chairman BRYAN. Well, I hope so. I was in Mexico a few years ago, and they cited operations where we have very carefully screened everybody, and they had passed all of the litmus tests, and this was something that gave us great cause for hope.

I understand now that we have determined that we are going to abandon that particular effort because the corruption has been so pervasive. It would appear to be 180 degrees from where we were a few years ago. I don't minimize the difficulty of the problem; I think it's tremendous. But I mean—progress—I don't think that the American public, Mr. Ambassador, sees great results there.

You know, the amount of narcotics that comes into the United States, I think, in no way has been abated. I am not suggesting we ought not to try to interdict that. And you are quite right; the supply route has changed, based upon some of the successes previously elsewhere in the Caribbean.

Ambassador ROY. Senator, our assessments of the issues you have just addressed are objective. When we see increases in the narcotics entering the United States, we say so. But at the same time, it would be our judgment that the problem would be much worse if we had not been able to accomplish the progress in working with the Mexican government in addressing these types of problems that you refer you that we have made.

But it is a constant, and indeed a growing, problem. As you know, our assessments of the amount of cocaine produced in South America have risen recently. So I would agree with your assessment that this is a growing threat to our well-being. It's not one that we can say we are winning the war against.

Vice Chairman BRYAN. The last question: To what extent has Mexico's evolving pluralistic political structure, where they do have opposition parties who not only can challenge but actually can prevail to what extent is that a factor either that helps or impedes this effort of trying to get greater cooperation from Mexico and to ferret out those elements that are part of this pervasive corruption that makes it so difficult for us? Is that a positive factor, a negative factor; I mean, politically, how does that play in Mexico? And what role do the two parties take, the same or different, with respect to this issue of cooperation with the U.S.?

Ambassador ROY. It's a mixed picture. We welcome progress toward democratization. But our experience in other countries—I have personal experience of my own in this respect—is that the process of democratization brings new problems, even as it enables the countries to solve old problems. And I think in the case of Mexico a more open political system there is not going to be an

unmixed blessing in terms of the efficiency of our antinarcotics operations. But I think it's an area where we can make progress as long as we understand the problem and devote the necessary attention and resources, which I think we are doing.

Vice Chairman BRYAN. Gentlemen, thank you very much. I know we're going to get into more of these questions in closed session. Mr. Chairman, thank you very much.

Chairman SHELBY. Thank you.

We'll conclude this hearing. Thank you all—Admiral Wilson, Director Tenet, Ambassador Roy. The Committee is adjourned.

[Whereupon, at 11:25 a.m., the Committee adjourned.]