

# CURRENT AND PROJECTED NATIONAL SECURITY THREATS TO THE UNITED STATES

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

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WEDNESDAY, FEBRUARY 5, 1997

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Printed for the use of the Select Committee on Intelligence



U.S. GOVERNMENT PRINTING OFFICE

43-758 CC

WASHINGTON : 1997

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For sale by the U.S. Government Printing Office  
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402  
ISBN 0-16-055767-4

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WEDNESDAY, FEBRUARY 5, 1997

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

The Select Committee met, pursuant to notice, at 10:05 a.m., in room SH-216, Hart Senate Office Building, the Honorable Richard C. Shelby (Chairman of the Committee) presiding.

Present: Senators Shelby, DeWine, Kyl, Inhofe, Hatch, Roberts, Coats, Kerrey of Nebraska, Glenn and Robb.

Also Present: Taylor Lawrence, Staff Director; Chris Straub, Minority Staff Director; Suzanne Spaulding, Chief Counsel; Kathleen McGhee, Chief Clerk; and Don Mitchell, Professional Staff Member.

Chairman SHELBY. The committee will come to order.

This year marks the 50th anniversary of the enactment of the National Security Act of 1947, which established the post-World War II era structure for our national defense and intelligence organizations including the creation of the Central Intelligence Agency. With this legislation, the CIA's Director was given the role of consolidating intelligence obtained by elements of other departments and agencies—usually referred to as the Intelligence Community—to support the vital national interests of this country.

Half a century later, the Intelligence Community's mission is more important in some ways than it was in 1947. While the cold war is over, the United States confronts a host of threats including terrorism, the proliferation of weapons of mass destruction, their delivery systems and the spread of illegal narcotics.

In recent years, the Intelligence Community has increasingly been asked to justify its budget and therefore its role to the American public. The pressure for greater openness will persist for a long time to come, and this is as it should be.

To the fullest extent possible, consistent with the protection of sensitive sources and methods, Americans should be made aware of what the Intelligence Community is capable of accomplishing. This public hearing on the Intelligence Community's assessment of the national security threat to the United States is conducted in this spirit to inform the American public about the threat to their country and their country's interests.

We have here with us today Mr. George Tenet, Acting Director of the Central Intelligence Agency; Lieutenant General Patrick Hughes, Director of the Defense Intelligence Agency; and Assistant Secretary of State for Intelligence and Research, INR, Mrs. Toby Gati. We welcome you all to the committee.



I would like to take just a moment to note that Mrs. Gati has recently been the subject of a State Department Inspector General investigation regarding allegations about improper disclosure of classified information. This investigation concluded that the allegations were without merit. This committee has enjoyed a close and productive working relationship with Assistant Secretary Gati, who we believe is a capable and respected public servant with demonstrated integrity. We look forward to continuing that close relationship with Ms. Gati in the 105th Congress.

Acting Director Tenet will give his statement and then we will open the session to 5 minutes of questions from each member of the committee. General Hughes and Mrs. Gati, Secretary Gati, will submit their written testimony for the record and are available to answer questions.

At the conclusion of this session, we will recess and reconvene in SH-219 for a closed session to address members questions regarding classified details supporting the witnesses' opening statements and testimony.

Senator Kerrey.

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

I join you, first of all, in welcoming Acting Director Tenet, General Hughes and Assistant Secretary Gati to this very important hearing. I realize that much of the supporting data for the testimony that we're going to hear today must be examined in closed session to protect intelligence sources and methods. But I'm pleased that we're having at least part of this hearing in the open because it's important for the American public to hear about the threats which cause the greatest concern to the Intelligence Community.

This annual public review of the threats is probably our most important hearing. It sets the context for the resource decisions we will make in the intelligence budget. But even more important, it informs the public that there are still threats to the Nation, and the people who work for our witnesses are sizing the threats and helping us to counter them. We have a special obligation to size the threats, to prioritize them in terms of the pain they could inflict and the likelihood of their occurring. One of the frustrations I have felt as a Senator and as a member of this committee, Mr. Chairman, is the tendency in our post-cold war world to flit from threat to threat, following the curve of journalistic interests.

I can no longer include the Administration in that criticism because by Presidential Directive, the Administration has laid out a classified list of threat priorities which guides the Intelligence Community. And I'd like to see the same kind of prioritization guide the public debate based on what a particular threat could do to our country and when it could do it.

Before the testimony begins, I, like you, Mr. Chairman, would like to second your recognition of the fact that the State Department IG has found no basis for the irresponsible charges maliciously leaked to the press that Assistant Secretary Gati had improperly disclosed classified information. This kind of baseless character assault has unfortunately become part of the price many officials pay to perform public service, but that doesn't make it any easier to bear. I and the committee continue to benefit from Sec-

retary Gati's counsel and the country continues to benefit from the impact of her strong leadership at INR.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Kyl.

Senator KYL. Mr. Chairman, I don't have a statement. I appreciate the witnesses being here. I'm sure I share their desire to get on with providing the information that we're seeking today.

I just want to make one pre-announcement and that is that as Chairman of the Judiciary Committee's Subcommittee on Terrorism and Technology, one of the things that we're going to be doing is holding some hearings on terrorism, some of which will be overlapping jurisdiction, and we'll certainly appreciate the cooperation of the agencies represented here in that regards.

Thank you.

Chairman SHELBY. Thank you, Senator.

Senator Glenn.

Senator GLENN. Mr. Chairman, this is the one hearing that by tradition, and more than anything else is open, and in which we lay out the general parameters of the threat to our country. And I think it's good that we do this every year. And I want to congratulate you on having this hearing. And we flush this session out with our classified hearings and may have a closed session at the end of this open session.

Chairman SHELBY. That's right.

Senator GLENN. So I just wanted to make that statement this morning. We don't have most of our hearings open and I don't think they should be open. But this is the one hearing where the posture statement is and should be open, and I just wanted to make that statement.

Thank you.

Chairman SHELBY. Senator Robb.

Senator ROBB. Thank you, Mr. Chairman.

I join, particularly Senator Glenn's sentiments. I understand the need to have this particular hearing open. But I hope that most of our hearings will be closed so that we can go into details that would not be appropriately discussed in this forum.

And I thank you.

Chairman SHELBY. Senator Roberts.

Senator ROBERTS. After last night, Mr. Chairman, I think probably brevity is in order.

[General laughter.]

Chairman SHELBY. Senator DeWine.

Senator DEWINE. I have no opening statement.

Chairman SHELBY. Senator Coats.

Senator COATS. No statement, Mr. Chairman.

Chairman SHELBY. Mr. Tenet.

[The prepared statements of Mr. Tenet and General Hughes follow:]

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

Mr. Chairman, thank you for the opportunity to address this committee today on threats to U.S. national security.

In the months following the Second World War, the hallmarks of America's new role as a global leader were set—we needed to ensure that our diplomacy would be

engaged, our military power ready, and our intelligence alert. Over the next fifty years, America's leaders summoned the best of the nation to respond to the political, military, and ideological challenges that threatened to undermine our hard fought victory and undercut our dreams of a more hopeful world.

Mr. Chairman, as we survey today's world, core threats which dominated our national security for fifty years have ended or receded. In their place, however, is a far more complex situation that holds at least five critical challenges as we bring this century to a close and usher in the next. As was the case fifty years ago, these challenges will require the best from the Intelligence Community in helping defend American interests and support American leadership. Let me briefly list these challenges and then describe them in greater detail.

- First, is the continuing transformation of Russia and the evolution in China, and the roles each will play beyond their borders.
- Second, are those states—North Korea, Iran, Iraq—whose hostile policies can undermine regional stability.
- Third, are transnational issues that cut across nations and regions. These include terrorism, the proliferation of weapons of mass destruction, international drug trafficking and the growth in international organized crime, and threats to our information systems.
- Fourth, are those regional hotspots—such as the Middle East, the South Asian subcontinent, Bosnia, and the Aegean—which carry a high potential for conflict.
- Fifth, are states and regions buffeted by human misery and suffering on a large scale; states involved in, or unable to cope with, ethnic and civil conflict, forced migration, refugees, and the resulting potential for large scale deaths from disease and starvation. From Bosnia to Burundi, these crises have resulted in new—and growing—demands on our military capabilities and on intelligence to support these operations.

#### THE FIRST CHALLENGE: GREAT POWERS IN TRANSITION

Let me begin with Russia.

Russia is in the midst of an unprecedented socio-political-economic transformation. Literally overnight, Russia faced the challenge of building entirely new political and economic institutions—with little preparation, no historical experience and a long tradition of central control dating back hundreds of years. Moscow has made remarkable progress in many areas:

- For the first time in Russian history, national and local elections have become a regular part of the political landscape.
- Since 1991, there have been 2 legislative elections, a Presidential election, and hundreds of local elections—inculcating a spirit of accountability so essential to the democratic process.
- Equally important, Russia has made great strides toward federalism—power has flowed to the provinces, and local officials now are directly responsible for meeting the needs of their constituents.

On the economic side, Russia has made significant progress in dismantling the world's biggest state command economy and building a genuine market-driven economy. It has freed prices, achieved some measure of financial stability, joined the World Bank and IMF to move Russia toward integration into the world financial system, privatized most small and medium-size industry, and ended the dominant role of the country's defense industries.

These major gains notwithstanding, Russia still faces major challenges in advancing the reform process.

- Renewed concern about President Yel'tsin's health and Duma calls for limiting presidential powers highlight the fact that Russia's political institutions are young, fragile—and untested.
- The Russian people are still trying to adjust to the reality that their fate rests in their own hands. Some have prospered, but others look for a new "strong hand" that would provide them the stability and predictability of the Soviet system which insured them jobs, subsidized housing, and health care.
- Similarly, there are cries for law and order to combat organized crime and government corruption—problems which also undermine confidence in the economic reform program. These problems stem, in large part, from the absence of legislation that sets down clear rules and guidelines for economic activity. New laws in areas such as private property and taxation would reduce the size of the burgeoning "unreported economy," generate much needed revenue, and diminish opportunities for crime groups to provide protection and contract enforcement services.

The Russian military, meanwhile, is suffering from serious social and economic difficulties. The process of downsizing, reorganizing, and adjusting to new missions

will be long and hard, given reduced defense resources. Russian military planners also are examining very closely various ongoing arms control regimes and treaties—particularly CFE, START II, CWC, and ABM—to assure that they adequately protect what they perceive to be key Russian security needs during this period of great change and uncertainty. Economic hardship, flagging morale, and corruption raise other military concerns as well: the security and control of nuclear weapons and fissile materials.

Despite these difficult times for the military, Russia retains a major nuclear arsenal—nearly 6,000 deployed strategic warheads—and a range of development programs for conventional and strategic forces. In terms of overall military planning, the Russian government is emphasizing research and development over production in its parceling of a tight defense budget.

In the international arena, Moscow has sought to insure its great power status by bolstering its ties to Germany, France, China and Japan and demanding an equal voice in the resolution of international issues, particularly with regard to the shape of future European security architecture and NATO's role in it. While wary of what it sees as U.S. efforts to dominate a "unipolar" world, Russia still continues to seek close cooperation with the United States on matters of mutual concern, provided that such cooperation is perceived domestically as serving Russia's national interests.

Closer to home, Moscow has placed a high priority on retaining its influence in the New Independent States and minimizing the influence of outside powers. President Yel'tsin and other leaders have pursued integration with some of these states through multilateral mechanisms—the Commonwealth of Independent States—and bilaterally. For example, Russia and Belarus have both talked about reuniting, although many practical obstacles remain. Moscow also seeks to play an influential role in the Caucasus and Central Asia, where rich energy resources have drawn considerable outside attention.

#### TURNING NOW TO CHINA . . .

China is emerging on the world stage as a major economic, political, and military power, and its actions and public statements show it is determined to assert itself as the paramount East Asian power. Led by President and party chief Jiang Zemin, the senior leadership supports the need for continued economic reform, and for China to be taken as a serious player, both regionally and globally.

- Over the past ten years, China's foreign trade has soared from \$83 billion to \$290 billion, with imports more than tripling from \$43 billion to \$139 billion—making it one of the world's fastest growing markets. China is currently second only to the United States in annual direct foreign investment into its economy. Moreover, with the United States purchasing more than one-third of China's exports, the U.S. annual trade deficit with China is second only to Japan's.

- That said, China has major economic hurdles to overcome in its transition from a command to a market-oriented economy. These include ailing state-owned enterprises, energy production shortfalls, inadequate transportation and communication systems, and an underemployed agricultural work force that has been estimated as high as 100 million people.

With one-fifth of the world's population and the largest standing army, China stands poised to compete as a dominant regional military power, and it can aspire to be the first new great power since World War II. Early in the next century, China will have a much improved force projection capability.

China's military modernization efforts will be hampered by its difficulty in raising revenues from relatively autonomous provinces, competition for available resources with an increasingly urbanized population, and ongoing difficulties in successfully designing, developing and fielding complex weapons systems. One of China's options in pursuing its programs is to use part of its vast foreign exchange reserve—second only in size to that of Japan—to fund purchases from foreign suppliers.

- China has bought significant weapons and weapons technology from Russia, including modern fighter aircraft, air defense systems, and submarines. In fact, China's once hostile relationship with Russia is now touted by both sides as a new type of "strategic partnership" for the next century, with a strong emphasis on cooperation and high level contacts but not a strategic alliance.

China's new assertiveness has led, at times, to frictions with Washington over issues of significant U.S. national security interest. Among these are troubling proliferation activities by China, particularly with Pakistan and Iran, and continuing concerns about the human rights situation.

Beijing's leaders view the 1 July 1997 reversion of Hong Kong to Chinese rule as a particularly important symbol of China's reemergence as a world player. Chinese

leaders unquestionably understand the economic value of Hong Kong and will work to preserve its economic vibrancy. What remains unclear is the degree to which they will tolerate political activism and dissent in Hong Kong after the reversion, given their intolerance of political dissent within China.

#### SECOND CHALLENGE: STATES THAT THREATEN REGIONAL STABILITY

Let me turn to those states that can undermine our security interests and the security of our friends and allies in their respective regions. I'll begin with North Korea, then discuss Iran and Iraq.

##### *North Korea*

The continued deterioration of the North Korean economy is weakening the stability of the regime. North Korea's grain harvest last fall was less than half of its projected need for this year, and industrial operations in December fell to less than half the pace of 1992. The declines are the result of poor weather, a lack of fertilizer, raw materials hostages, aging factories and infrastructure, the inefficiencies stemming from central planning, and the large share of non-food output that goes to the military.

The decline in living conditions is eroding popular faith in the regime. Shortages of food and fuel in the military are becoming common and causing morale and discipline problems. Potential dangers to the regime could include: food shortages becoming widespread among front-line military units, the security services becoming reluctant to crack down on dissent, or elites concluding that their fortunes were no longer inextricably linked to Kim Chong-il. While we have no evidence that any of these conditions are present at this time, we remain concerned about how the regime's evolution will play out.

The North's economic difficulties make it even more dependent on external assistance—most of which comes from China, Japan, South Korea, and the United States. Food aid, for example, last year totaled nearly 700,000 tons. Without additional imports or aid, the North probably will face worse food shortfalls this spring.

What makes us especially concerned about the future evolution of North Korea is its military strength. Its 1.1 million-strong military retains the ability to inflict enormous destruction on Allied forces, including the 37,000 U.S. troops deployed in South Korea. North Korea's long-range artillery and surface-to-surface missiles near the DMZ can hit forward defenses, U.S. military installations, and Seoul. We are increasingly concerned about North Korea's exports of major weapons systems.

On a more positive note, regarding the October 1994 Agreed Framework, the IAEA has maintained a continual presence at Yongbyon since the May 1994 defueling of the reactor. North Korea has not refueled its reactor or operated its reprocessing plant at Yongbyon and has halted construction of additional, larger reactors.

##### *Iran*

Turning to Iran, conservatives secured a plurality in last March's Majles, or Parliamentary, elections and are positioning themselves to capture the presidency in June. This political feat will not blot out the reality of Iran today: economic stagnation, rising numbers of disaffected youth, and questions about the clerics' day-to-day role in governance.

Despite growing discontent among many Iranians, opposition to clerical rule lacks a charismatic leader or an institutional power base. Moreover, the clerics are adept at burying their differences in the interests of retaining their control.

Iran's leaders know they face twin challenges of ebbing public support for the revolution at home and superior American military power abroad as witnessed in Desert Storm. But they have no intention of abandoning their anti-western stance or their goals in the region. Rather, they will seek other ways to undermine the U.S. position—for example, by improving their military capabilities relative to their neighbors and by using what we call asymmetric means—ranging from the increased use of terrorism to developing weapons of mass destruction—in order to subvert or intimidate our allies, undermine the confidence of our friends and allies in our military presence, and eventually expel us from the region. Moreover the Iranians are attempting to improve their foreign ties by reaching out to the Turks and Kazaks, and by solidifying their oil supplier relationship with Japan and Germany.

Iran is improving its ability to potentially interdict the flow of oil through the Strait of Hormuz. For example, it has acquired Kilo-class submarines from Russia and is upgrading its antiship missile capabilities. It is building its capabilities to produce and deliver weapons of mass destruction—chemical, biological, and nuclear—and in less than 10 years probably will have longer range missiles that will enable it to target most of Saudi Arabia and Israel.

Iran sees terrorism as a useful tool. In addition to carrying out its own acts, Iran continues to sponsor training in the region and millions of dollars to a variety of militant Islamic groups such as Hizballah and Palestinian groups opposed to the peace process.

#### *Iraq*

Iraq under Saddam continues to present a serious threat to U.S. forces, interests, and allies. In 1996 Iraqi forces again fired at coalition forces as Saddam tried to test his limits—as he has every year since Desert Storm. His long-term goals have not changed. He is unrepentant for having triggered the Gulf war. He remains hostile to Israel and the peace process, and he is determined to possess weapons of mass destruction and to dominate the Gulf region. His military remains the largest in the Gulf region—an abiding threat to Iraq's southern neighbors, and to Kurdish and Shia Iraqis.

U.N. sanctions remain intact and, given Baghdad's continued evasive stance toward U.N. weapons inspectors, are unlikely to be lifted anytime soon. These sanctions severely constrain Saddam, and he has managed to survive the pressures sanctions have created almost entirely due to the strength of his elaborate security services, which have priority access to Iraq's constricted resources. These forces have been very successful in penetrating and destroying organized political opposition inside Iraq. Nevertheless, Iraq's economy is in shambles, and the intense resentment that the regime has engendered in Iraq still poses a constant threat to Saddam and his family, as suggested by the assassination attempt against Saddam's son Uday in December.

Saddam's propaganda machine has touted U.N. Resolution 986 as the beginning of the end of sanctions and as the first step toward a return to normalcy. If properly enforced, however, Resolution 986 will modestly benefit the average Iraqi without significantly improving the regime's crumbling infrastructure. Indeed, the regime's overselling of Saddam's acceptance of 986 may backfire as sanctions continue, and the modest nature of the gains for the Iraqi people under 986 become clear. Pessimism even at the center—within Saddam's establishment—is likely to resurface as Iraqis realize that sanctions remain intact, the economy remains crippled, and institutions like the Iraqi military continue to decline. We cannot rule out that Saddam's frustration with this situation will prompt him to threaten another military confrontation with the United States and its Coalition partners.

#### THE THIRD CHALLENGE: TRANSNATIONAL ISSUES

Let me address the third challenge—those issues which cut across borders, with the potential of affecting our regional, and in many cases, our global interests.

#### *Terrorism*

Although recorded incidents of terrorism in 1996 were fewer than at any time since 1971, total deaths and injuries from terrorist attacks have increased during the period 1992–1996. Indeed, even as our counterterrorism efforts are improving, international groups are expanding their networks, improving their skills and sophistication, and working to stage more spectacular attacks.

International terrorist groups have developed large transnational infrastructures, which in some cases literally circle the globe. These networks may involve more than one like-minded group, with each group assisting the others. The terrorists use these infrastructures for a variety of purposes, including finance, recruitment, the shipment of arms and material, and the movement of operatives. With regard to finance, we have seen increasingly complicated channels for soliciting and moving funds, including the use of seemingly legitimate charitable or other nongovernmental organizations as conduits for the money.

These globe-circling infrastructures can also be used by the terrorists to attack at times and places of their own choosing—as demonstrated by the two bombings by Lebanese Hizballah against Israeli or Jewish targets in Buenos Aires in 1992 and 1994.

Modern international terrorists also exhibit a high degree of sophistication and expertise. We see this whenever a successful counterterrorist operation provides a glimpse into their operations, including how they communicate, conduct surveillance, and maintain operational security. We see the same level of sophistication in actual or attempted terrorist attacks.

State sponsorship of terrorism continues. I noted Iran's significant involvement earlier. Sudan also is continuing to support terrorism by providing a safehaven for a variety of Islamic extremist and opposition forces. We cannot rule out that Iraq, or surrogate groups, will aim for U.S. or U.N. targets.

### *Proliferation of Weapons of Mass Destruction*

Now let me turn to the issue of proliferation. Not too many years ago, the primary threat facing the United States was from a single country with its thousands of nuclear weapons on alert. Today we face a spectrum of threats from more than two dozen countries developing or acquiring the same kinds of devastating weapons we feared during the Cold War. Our concern is increasing as the ability of these countries to develop indigenous capabilities, including production technologies, continues to grow.

For years, our greatest concern has been the loss of control of nuclear weapons or materials that can be used in such weapons. In the past, there were two impediments to would-be proliferators: the technical know-how for building a bomb and the acquisition of fissile material. Fissile material is the highly enriched uranium or plutonium whose atoms split apart in a chain reaction and create the energy of an atomic bomb.

Today, the major impediment to a nation committed to acquiring a nuclear capability is the acquisition of fissile material. It is by no means easy to make a nuclear weapon, but knowledge of weapons design is sufficiently widespread that trying to maintain a shroud of secrecy around this technical knowledge no longer offers adequate protection. Much has been written about our concerns about nuclear weapons and materials security in the countries of the Former Soviet Union.

Several U.S. programs, such as the Nunn-Lugar program on Cooperative Threat Reduction, are designed to improve this security. But, Russia and the other states of the former Soviet Union are increasingly not the only potential sources of nuclear weapons and materials. Weapons stockpiles are increasing in other countries, and materials reprocessed from power reactors are becoming more widespread.

Nuclear weapons are certainly not our only worry. Materials and technologies for other weapons of mass destruction are more accessible now than at any other time in history. About 20 countries, among them Iran, Libya, and Syria, have or are actively developing chemical and biological weapons.

Let's look at two examples. Despite the most intrusive inspection regime ever imposed against weapons of mass destruction programs, Iraq still has not properly accounted for all its program activities, according to the United Nations Special Commission. In the biological weapons area, Iraq declared that it produced a total of 11,000 liters of concentrated botulinum toxin and 8,500 liters of anthrax. At least some of this was weaponized in the form of 122-mm rockets, bombs, and warheads. While the Iraqis have said they were all destroyed after the Gulf war, they have not provided verifiable evidence of their destruction. Moreover, Iraq has the ability to restart these programs as soon as sanctions are lifted and the U.N. presence reduced.

Iran has an increasingly active chemical weapons program. Over the last year, it has sought the capability to produce not only the chemical agents themselves, but also the precursor chemicals, making it less vulnerable to export controls of its foreign suppliers.

In the last few years, the state-sponsored weapons of mass destruction programs are yielding some of our concern to the possibility of terrorist use. Terrorist interest in chemical and biological weapons is not surprising, given the relative ease with which some of these weapons can be produced in simple laboratories, the large number of casualties they can cause, and the residual disruption of infrastructure. We are increasingly seeing terrorist groups looking into the feasibility and effectiveness of chemical, biological, and radiological weapons. And as the Aum Shinrikyo terrorist incident in the Tokyo subway showed, no country is invulnerable to the possibility of massive civilian casualties from terrorist use.

### *Drug Trafficking and International Organized Crime*

Narcotics production is expanding, traffickers are developing new transshipment routes and methods, and trafficking networks are increasingly sophisticated in their operations. Narcotics production continues to meet rising worldwide demand for both cocaine and heroin: potential cocaine production in 1996 exceeded 700 metric tons, and potential production of illicit opium—the raw material for heroin—reached a record high for the second successive year, exceeding 4,200 metric tons.

Counternarcotics operations have dealt significant blows to some of the world's most notorious drug trafficking organizations, but the international narcotics trade remains a formidable threat. While top leaders of the Colombian Cali cartel are in prison, other Columbian traffickers—as well as traffickers in Peru, Bolivia, and Mexico—seek to increase their role. Mexican drug trafficking organizations, which also smuggle heroin and marijuana into the United States, are now becoming a major source of methamphetamine for the U.S. market. The dismantling of the

Burma-based Mong Tai Army in the last year has not significantly affected heroin flows from Southeast Asia.

Powerful drug traffickers manipulate the political and legal systems in many of the major narcotics-producing countries. Just as in many other countries, narcotics corruption and violence are of increasing concern to Mexican Government officials. In late 1996 the Mexican Congress passed a legal reform package to facilitate government efforts to combat crime and corruption.

While narcotics production and trafficking are expanding, so are money laundering, financial crime, alien smuggling, and criminal involvement in the gray arms trade, challenging governments and law enforcement authorities worldwide. Russian, Nigerian, Italian, and ethnic Chinese criminal networks, in particular, have become worldwide in scope and more sophisticated and multifaceted in their operations.

The multi-billion dollar scope of worldwide money laundering poses a significant threat to countries on both a micro- and macro-economic level. The tremendous wealth being legitimized by laundering allows criminal organizations to gain a large amount of economic power fairly quickly. Front companies—legitimate businesses through which illicit profits are funneled—are the predominant means of laundering funds used by almost all criminal groups. As drug trafficking and other criminal organizations invest more in these businesses, their toehold in the legitimate economy of a country grows, as does the economic, social, and political influence of the criminal kingpins.

### *Security of Information Systems*

The tremendous growth in communications technology is shrinking distances and weakening barriers to the flow of information. This technology also presents us with an important transnational challenge—protecting our information systems. Recognizing this problem, we are assessing which countries have such potential, including which appear to have instituted formal information warfare programs. To date the number is not large. This is small comfort, however. We believe that this problem will grow, given the potential lucrative market for criminal groups, and the potential for mischief on the part of foreign intelligence services or rogue groups such as terrorist organizations.

### THE FOURTH CHALLENGE: REGIONAL HOTSPOTS

Mr. Chairman, I'd like to briefly highlight four regional areas of concern: the Middle East, South Asia, Bosnia, and the Aegean.

#### *Middle East Peace Process*

The 15 January signing of the Hebron Protocol brings the parties back from the brink of violence and embeds Prime Minister Netanyahu's Likud government more deeply than ever before into the process begun by the previous Labor-led government. But we are still far from the final chapter in the peace process. Many of the most difficult, contentious, and time consuming issues lie ahead, including the status of Jerusalem and settlements. And Israel and Syria continue to haggle over terms to restart talks on the Golan Heights—which also promises to be a long-difficult, and uncertain process.

The Hebron agreement has temporarily restored some confidence among the Arab states in the new Israeli government's approach to peace and relations with the Arab world. The new calm, though, will soon be tested again with Israel's expected withdrawals from more West Bank territory as extremists from both sides threaten to disrupt the process. Many Arab states put on hold plans to establish or deepen ties with Israel when violence broke out on the West Bank last September. Some may reconsider in the wake of the Hebron agreement, but most appear to be waiting for further progress.

#### *South Asia*

In South Asia, relations between India and Pakistan remain poor, and we see few signs that point toward a serious thaw. Although neither side wants war, the two rivals could stumble into it, most likely as a result of misperceptions of each others' intentions or military posture. Deterrence has worked for years; but it could break down in a crisis, and the time available to national leaders and external powers to defuse tensions would be limited.

Leaders in both Pakistan and India face daunting domestic and political challenges at the same time that they have to contend with foreign policy issues that require political strength. These include: nuclear testing, missile proliferation, negotiating global nonproliferation regimes, and working out differences over Kashmir.



### *Bosnia*

Let me turn to the situation in Bosnia, and provide the committee both with a status report, and a look ahead over the next 18 months.

There have been a number of positive trends during the first year of Dayton implementation:

- The exchanges of territory envisioned under Dayton occurred without bloodshed.
- The former warring parties have significantly demobilized their forces and put their weapons in cantonment sites, thereby making it more difficult for them to resume fighting.
- The Iranian-Bosnian military relationship has been terminated and we judge that Bosnia is in compliance with the foreign forces provision of the Dayton Accords.
- Central institutions—albeit still in an early stage of development—were established following national elections.
- Economic reconstruction assistance has begun to flow in—although still not at a level to make the peace process self-sustaining.

At the same time, however, relatively little progress has been made in implementing other provisions of Dayton which relate to freedom of movement and resettlement of refugees and displaced persons.

Looking out over the next 18 months, opportunities have improved for creating the conditions that would permit the withdrawal of SFOR without a resumption of conflict. In particular, the split between Milosevic and the Bosnian Serb leadership has removed—for the time being—the option of Republika Srpska's unification with Serbia. As a result, Bosnian Serb leaders will have an incentive to cooperate to a limited extent with Bosnian central authorities. If this cooperation can be sustained, the next 18 months provides an opportunity to build momentum on economic reconstruction and economic ties between the Srpska and Croatia and the Federation.

There are several challenges in the months ahead that could disrupt the reconciliation process, including reaction to the Brcko arbitration decision—expected later this month—and forced resettlement of refugees. Such tensions could complicate OSCE's current plan to conduct municipal elections in mid-July. Meanwhile, two new wildcards have come on the scene in the last few months—instability in Serbia and the possibility of leadership change in Croatia.

The political turmoil in Serbia has had little impact in Bosnia. The same cannot be said of Kosovo, where the situation remains tense. Some fear that Milosevic might even provoke a crisis in Kosovo to distract attention from domestic problems.

### *The Aegean*

We are concerned about the rising tensions between Greece and Turkey. Long-standing animosity, exacerbated by festering disputes over Cyprus and the Aegean, are fueling growing nationalist sentiments in both countries. Both states have been more aggressive since January 1996 in challenging Aegean sea and air boundaries and disputing the sovereignty of selected islands. On Cyprus, Greek Cypriots have concluded deals to take delivery of more military equipment, including SA-10 surface-to-surface air missiles. Several events have the potential for provoking violence in the coming months, including delivery of these missiles and national military exercises by both sides on Cyprus that are scheduled for the fall.

In the current political environment of both countries, maneuvering room is limited and prospects for compromise dim. In Greece, Prime Minister Simitis must balance often competing views about the approach Athens should take to these tensions. As for Turkey, it is beset by a host of domestic and foreign challenges. At home its attention is focused on Kurdish separatism, structural economic problems, and a growing debate about the role of Islam in modern Turkey. To the south and east, Turkey sees rivalries, instabilities, and conflict. To the north, Turkey sees indifference—if not hostility—from Western Europe.

### FIFTH CHALLENGE: HUMANITARIAN CRISES

During the past five years we have witnessed a growing phenomenon—conflict within states has far outstripped conflict between them. The number of people requiring foreign humanitarian assistance remains three times the number in need during the early 1980s. Currently, more than 34 million people have been unable to return to their homes; more than 20 million are internally displaced and 14.5 million are refugees.

As a result, our attention is increasingly focused on, and our resources committed to such crises and their consequences: disruptions in the supply of food and clean water which threaten deaths from starvation and disease, refugee flows impacting on neighboring states, murderous ethnic and civil conflict, and even state disintegra-

tion. Because of our military capabilities, nations will turn to us to join, if not play a leading role, in transporting supplies and equipment, distributing needed materials, protecting those displaced, and helping to re-establish a semblance of stability and order. Our intelligence capabilities will be needed to warn of impending conflicts, and to help our military forces cope with these crises as they unfold.

Sub-Saharan Africa is a special area of concern. The situation created by civil conflict in sub-Saharan Africa remains critical. In West Africa, 700,000 Liberians have taken refuge in neighboring countries (principally Guinea and Côte d'Ivoire) with 1.5 million internally displaced. Sierra Leone has generated 330,000 refugees, with 1.2 million internally displaced. While internal conditions in Sierra Leone have begun to improve, the possible revival of full-scale factional warfare in Liberia risks extending a human tragedy.

In the Great Lakes area, fighting continues between Hutu insurgents and the government within Burundi, which remains under sanctions by its neighbors. Although Rwanda has done a remarkable job of absorbing 700,000 returning refugees, communal tensions persist and may be aggravated by the genocide prosecutions now underway.

Stability of these smaller countries depends in good measure on the stabilization of the Eastern Zaire border areas—now under Zairian rebel control—and on their relations with Kinshasa and the rest of Zaire, where President Mobutu's uncertain health creates the specter of a destabilizing succession struggle.

### *Grappling with the New World*

Mr. Chairman, as we try to array our resources against this expanding list of challenges, we will be working to close critical gaps on the highest priority intelligence targets. Success will mean greater security for U.S. forces and better tools for U.S. efforts to head off regional instability and manage relations with major powers.

At the same time, we are convinced in looking ahead that there will be no relief from the sort of crises that appear suddenly and do not fit the traditional mold. We also will be providing global coverage—including a capacity to surge during crises—and investing in longer-term programs that will deliver sound intelligence well into the 21st century.

As the century draws to a close, we must be mindful of our duty to preserve and enhance the intelligence capabilities on which our Nation has come to rely.

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### PREPARED STATEMENT OF LIEUTENANT GENERAL PATRICK M. HUGHES, USA, DIRECTOR, DEFENSE INTELLIGENCE AGENCY

Mr. Chairman, I am pleased to have the opportunity to provide a Defense Intelligence Agency perspective on the threats and challenges facing the United States and its interests, now and well into the next century. It is important to note at the outset that this testimony directly reflects the baseline threat assessment DIA has provided to the Joint Staff and the Office of the Secretary of Defense in support of the ongoing Quadrennial Defense Review. This review of the global security environment assumes that the United States remains a global power politically, economically, and militarily, and that our country continues its active engagement in world affairs. If either of those assumptions are wrong, then the threat picture depicted here would change significantly. Finally, this analysis presents a global overview of the future in somewhat linear form—that is, we are providing our best estimate, from today's perspective, under the working premise that current trends and conditions will continue to evolve along discernible lines. We recognize, however, that the future is non-linear, and that what we present here is likely to change. To address that concern, DIA analysts will continue to examine and study alternatives and excursions to each specific condition, event, and circumstance.

### THE NEW ORDER . . . TRANSITION, TURMOIL, AND UNCERTAINTY

*"There is nothing more difficult to take in hand, more perilous to conduct or more uncertain in its success, than to take the lead in the introduction of a new order of things."*—Machiavelli

The world is in the midst of an extended post-Cold War transition that will last at least another decade. Many factors and forces are at work during this transition and some aspects of it have so far been very positive. The community of democratic states is expanding, the world economy has largely recovered from the decline of the late 80's and early 90's, and most experts expect steady, positive global economic growth—on the order of four percent per year—well beyond the next decade. From

a national security standpoint, the threats facing the United States have diminished in order of magnitude, and we are unlikely to face a global military challenger on the scale of the former Soviet Union for at least the next two decades. The world is spending in real terms some 30–40 percent less on defense than it did during the height of the Cold War, the “rogue” states are relatively isolated, and at least one—North Korea—is probably terminal.

But despite these and other positive developments, this era of transition remains complex and dangerous. In much of the world, there still exists a potentially explosive mix of social, demographic, economic, and political conditions which run counter to the global trend toward democracy and economic reform. I will highlight the most significant of these.

#### *Demographic Trends*

Global population will increase some 20 percent between now and 2010, with 95 percent of that growth occurring in the developing areas that can least afford it. Many of these states will experience the “youth bulge phenomena” (a relatively high percentage of the population between 18 and 25 years of age) which, historically, has been a key factor in instability. At the same time, we are witnessing virtually unchecked urbanization in many developing regions as millions of the world’s poorest people move from rural to urban areas each year. These factors are straining the leadership, infrastructure, and resources of many developing states and regions. Some governments—mostly in the developing world—will be unable to cope with these challenges.

#### *Growing Humanitarian Needs*

A combination of several factors—the great disparity in north-south distribution of wealth, rising nationalism, the violent fragmentation of existing states due to ethnic, religious, political, and economic strife, and the steady occurrence of natural disasters—has led to dramatic increases in both the number and scale of humanitarian operations. Compared to the 1980’s, such crises are four times more frequent, last longer, and are more dangerous to respond to because they more frequently involve large numbers of internally displaced persons located in remote, conflict-ridden regions. One measurable consequence of these trends is the significant increase in the number, size, cost, and intensity of U.N. Peace Operations over the past decade. While there is some evidence that these trends have leveled off over the past few years, the plateau is a high one, and we expect no significant decrease over the next decade or so.

#### *Resource Scarcity*

While most experts predict global resource availability will keep pace with increased consumption, local and regional shortages will occur more frequently, particularly in areas experiencing rapid population increases and/or expanded economic growth. These shortages will retard economic, social, and environmental progress, and will frequently be seen by affected peoples and states as a distribution contest in which the needs of others have been given priority for political, economic, or social reasons. Such perceptions will increase the potential for violence—moves by individual nations to control fresh water supplies already contribute to tensions among nations and future conflicts over water are increasingly likely. On a global scale, the worldwide demand for Persian Gulf oil will remain high and, for regions such as Asia, dependency on Gulf oil could reach 90 percent of total oil imports by the end of the next decade. This dependence places a very high premium on ensuring stability in this troubled region.

#### *WMD and Missile Proliferation*

Proliferation—particularly with regard to nuclear, chemical, and biological weapons and missile delivery systems—constitutes a direct threat to U.S. interests worldwide. Many states view the acquisition of these capabilities as vital to countering U.S. conventional warfighting superiority and to providing an unparalleled measure of power, respect, and deterrent value within a regional context. Currently some two dozen states remain actively engaged in the pursuit of weapons of mass destruction—we do not expect that number to grow substantially. While nuclear technology is difficult and expensive to obtain, counter-proliferation efforts are not perfect, and one or more of the determined rogue states are likely to develop or acquire nuclear weapons over the next decade. One complicating factor is the security of weapons-usable material within the former Soviet Union. Although the Russians are working in good faith to protect such material and related capabilities, the potential for loss of control will remain with us into the foreseeable future, in part because of the unstable conditions in Russia.

Chemical and biological agents are likely to be more widely proliferated. Chemical weapons are easiest to develop, deploy, and hide and the technology and materials to produce relatively sophisticated weapons are readily available, often as dual-use items in the commercial world. Similarly, biological weapons technology is also widely available but handling and weaponizing is more difficult.

In my view, ballistic and cruise missile proliferation presents one of the greatest emerging threats to U.S. regional interests and deployed forces. The types of missiles most likely to be proliferated in significant numbers—SCUD upgrades and UAV-like cruise missile variants—and the nations which field them, will generally not have the technical sophistication or targeting support which is available to more advanced military powers. But these missiles will have sufficient range, accuracy, and payloads to deliver WMD or conventional warheads inter-regionally to the vicinity of an intended target. As such, they pose a direct threat to fixed targets such as large personnel and equipment concentrations, airfields, seaports, ships at pier or anchor, C3 nodes, logistics/transportation centers, and amphibious assault zones. Possession of such weapons by adversaries complicates U.S. and Allied planning, decisionmaking, and operations, and is a source of local and regional instability.

Regarding longer range missiles, fewer than five nations now possess operational theater ballistic missiles with ranges greater than 500 km—that number could grow to more than 10 by 2010. In terms of intercontinental missiles, it is unlikely that any state, other than the declared nuclear powers, will develop or otherwise acquire a ballistic missile in the next 15 years that could directly target the United States. However, in this key area, I believe we could encounter some form of technical surprise, where a rogue state could acquire the capability to build and use a missile which could threaten our vital interests. We must carefully monitor this potential threat.

#### *The Rejection of Western Culture*

The abrupt end of the Cold War, the rapid spread of western values, ideals, and institutions, and the dramatic personal, societal, and global changes underway as a result of the global village phenomenon and broad technology proliferation, are changing fundamental concepts, beliefs, and allegiances in many areas of the world. Those peoples, groups, and governments who are unable to cope with or unwilling to embrace these changes frequently resent the dominant role played by the United States in the international security environment, and attempt to undermine U.S. and western influence and interests. Two aspects of this condition are particularly noteworthy. First, although there is not at present an ideology that is both inimical to our interests and widely appealing, one could conceivably arise under the rhetoric of providing a counterpoint to western culture. Second, the perception of western political, economic, and especially military "dominance" means that many of our enemies will choose asymmetric means to attack our interests—that is, pursuing courses of action that attempt to take advantage of their perceived strengths while exploiting our perceived weaknesses. At the "strategic" level, this probably means seeking to avoid direct military confrontation with U.S. forces; at the operational and tactical levels it means seeking ways of "leveling the playing field" if forced to engage the U.S. military.

#### *Terrorism*

Terrorism will remain a major transnational problem, driven by continued ethnic, religious, nationalist, separatist, political, and economic motivations. One worrying trend is the rise of terrorists groups that are more multinational in scale of operation and less responsive to domestic or external influences. Middle East-based terrorism, especially that supported by Iran and private sources in several other countries, remains the primary terrorist threat to U.S. interests. While advanced and exotic weapons are increasingly available, their employment is likely to remain minimal as terrorist groups concentrate on peripheral technologies—communications, more sophisticated conventional weapons, and weapon disguise techniques—that improve the prospects for successful execution of attacks. If weapons of mass destruction are used, chemical or biological agents would likely be the choice, since they are easier to build, hide, and transport. The Japanese experience with the Aum Shin-Rykyo sect is a harbinger of what is possible in the future.

#### *The Drug Trade*

The international drug trade is becoming more complex as new areas of drug cultivation and transit continue to emerge and international criminal syndicates take advantage of rapid advancements in global communications, transportation, and finance to mask their illicit operations. Drug-related crime and corruption will remain endemic throughout the major drug source and transit countries. Non-democratic states, or those with weak democratic traditions, are particularly susceptible to

criminal penetration of police, security, legislative, judicial, banking, and media organizations, and to insurgency which is supported by narco-trafficking. Drug money will retain its influence in populations with little or no opportunity for equivalent, legitimate sources of income and employment. This situation produces a newly monied element in drug-producing and transit countries, and engenders serious, often violent clashes between and among these elements, established social structures, and national governments. These drug trafficking constituencies also contribute to tensions between their countries and other governments, notably consumer nations. One especially troublesome trend is the rise of urban drug production using non-organic chemicals. These production facilities are relatively easy to conceal, their product is easy to transport and distribute and, since the distance between producer and consumer is minimal, the supply is difficult to interdict.

### *Critical Uncertainties*

Beyond the obvious challenges outlined above, there is significant uncertainty surrounding today's international security environment. The end of the Cold War had three key strategic consequences—the collapse of international communism, the demise of the USSR, and a hiatus in bipolar competition. These consequences, in turn, are affecting power and security relationships throughout the world. One result is the relative dispersal of power away from the states of the former Soviet Union toward regional power centers. Another is the potential struggle within regions as the dominant states vie for position within the emerging power hierarchy. A third is that in many regions the "lid has come off" long simmering ethnic, religious, territorial, and economic disputes. These conditions are taxing the capabilities of what are still largely Cold War era international security concepts, institutions, and structures. The process of adapting the old security structures and developing new ones is often complex and confrontational. This will be particularly true within the remnant states of the former Soviet Union.

Beyond 2010, as the world becomes more multi-polar, there is the potential for increased-competition among and between the major powers for access to or control of resources, markets, and technology. The nature and extent of that competition will be a key determinant of international stability. One potential consequence of that competition would be the formation of strategic alliances between two or more major powers that directly challenged U.S. security interests. Overall, we expect future alliances and coalitions will be based more on specific issues than dogma or enduring ideology, and will therefore be more flexible in their membership and less durable than during the Cold War.

In addition to the broad uncertainty outlined above, the future of Russia and China—two major powers undergoing great change—plus other issues such as the dynamics on the Korean peninsula, the prospects for lasting peace or continuing conflict in the Middle East, genocide, ethnic, religious, and tribal conflict in Africa, the global impact of the proliferation of military technology, and an array of upcoming leadership changes; are but a few of the more specific uncertain circumstances we face.

### CHARACTERIZING THE THREAT

*"Gentlemen, I notice that there are always three courses (of action) open to an enemy and that he usually takes the fourth."—von Moltke the Elder*

This backdrop of change, turmoil, and uncertainty presents a complex strategic planning environment in which new challenges and opportunities arise on a daily basis. The critical task for military intelligence is to discern from these general conditions a more precise characterization of emerging threats—that is, the unique combination of location and circumstance, U.S. interests, and a potential enemy's capabilities, intentions, and will.

One key to understanding the strategic level of this dynamic is to recognize those conditions that would threaten our vital interests. A generalized list would include: the rise of an ideology inimical to U.S. ideals, concepts, and values; denial of access to key resources and markets; regional or local instability in areas of U.S. vital interest; and the emergence of foreign military capabilities that undermine our general deterrent and warfighting superiority.

Another important factor in identifying emerging threats—and also critical to deconflicting disputes or to crisis and conflict management—is an understanding of the reasons why peoples, leaders, and states engage in warfare. Generally, these include: competition grounded in antiquity; internal or external pressures on leaders, governments, and states; competition over access to or control of markets and resources; and dissatisfaction with present conditions or the perceived "likely" future.

A third imperative for discerning emerging threats is to understand the components of enemy capability, intent, and will. In most cases (barring exceptional technology breakthroughs or innovative doctrinal advancements) the intelligence community has enough information to measure and understand the capabilities of our adversaries. Intent, however, is another matter. Without indwelling or invasive sources, we cannot adequately anticipate or understand true intent. Will—being a function of dynamic conditions as well as the emotions and perceptions of leaders—is constantly in flux and very difficult to know with certainty.

Using this analytic framework, and our assessment of the global security environment, we can make a number of judgments about current and future threats to U.S. interests. These judgments fall into four broad categories: the emergence of a new threat paradigm; a reaffirmation—albeit with some modifications—of the traditional conflict spectrum; an analysis of key regional threats; and a look at future warfare trends.

### *The New Threat Paradigm*

First, the threat paradigm has shifted from the “known” enemies of the Cold War to a more generalized, global set of potential competitors, adversaries, and conflict circumstances, some of which do not conform to traditional nation-state or alliance definitions but rather transcend political boundaries and territorial limitations. These may be classified as follows:

- Partners and allies, who generally share U.S. values and interests and may be military allies. Often, however, these states produce weapons, technologies and other products that, once proliferated, enhance the capabilities of our enemies. In this regard, our partners and allies often present the “pacing technology threats” for U.S. weapons and technology development.
- Non-compliant competitors who generally do not conform to our values and interests, but are not military adversaries. While they are frequently in opposition to U.S. political, economic, and strategic goals and may undertake actions which compromise or endanger our interests, they do not generally engage in violence.
- Renegade adversaries, who engage in unacceptable behavior frequently involving military force and violence, are potential enemies of the U.S., and against whom we must consider the active use of military force.
- Emergency conditions—usually involving humanitarian disasters, attempts at deconfliction of warring groups, and/or the restoration of civil control—which could require the commitment of military force, often in threatening and sometimes lethal conditions.

The key conclusion from this new threat paradigm is that the nature of potential and actual conflict and the dimensions of it will vary broadly from place to place and circumstance to circumstance, bounded only by the dimensions of the conflict spectrum and the wide variety of conditions that are physically possible. Thus it is vital that we understand conditions and circumstances extant.

### *The Conflict Spectrum*

From the foregoing analysis, it seems apparent that specific situations for U.S. force employment can still arise anywhere along the traditional spectrum of potential contingencies, from conflict short of war, to conventional (both local and regional) war, to global nuclear war. However, the probability of large-scale regional war or global nuclear war is much lower today than during the Cold War. Indeed, it is unlikely to occur. It is most probably that U.S. involvement will occur along the lower end of the conflict spectrum. Chemical, biological, and information warfare transcend the entire conflict spectrum and can occur at any time. International terrorism will remain a transnational problem but will mainly be a factor at the lower end of the conflict spectrum. It is important to note that we see an increased probability that chemical (and perhaps biological) weapons will be employed, albeit generally within the context of very limited use and very restricted kinds of conflict.

### *Simultaneity*

We must also include in our assessment the concept of simultaneity—the possibility (probability) that several separate events or conditions will occur simultaneously, or concurrently, over time. Thus, we must anticipate a threat environment in which more than one substantial threat condition will require a direct military response by the United States.

### *Regional Threats*

Although no state will have the combined political, economic, and military power to present a peer challenge to the United States over the next two decades, a number of regional powers, that do not necessarily share the U.S. vision of the future, will retain significant capabilities to threaten our interests.

### *North Korea*

North Korea's capability to conduct large-scale combat operations continues to deteriorate as worsening internal economic conditions undermine training, readiness, and sustainment. Nevertheless, Pyongyang retains the potential to inflict enormous destruction on South Korea and a Korean war scenario remains our primary near-term military concern. With the North's forward positioning of strike forces—artillery, missiles, rocket launchers, and aircraft—war on the peninsula could erupt with little warning. Given the time and distance factors involved, and the fact that large civilian population and economic centers would be at risk from the outset of conflict, the situation is particularly troublesome.

For the future, we continue to assess that Pyongyang sees its best chance for survival in continued interaction with the west. The key will be how North Korea's uncertain and unstable leadership handles the increasing internal pressures resulting from long-term economic and social deterioration. Given these conditions, and the fact that our access to the North is limited, we must remain vigilant for both "implosion" and "explosion" possibilities.

### *China*

The key long-term security issue in Asia is the growth of Chinese power—more specifically, how China itself and the other regional powers adapt to and accommodate that development. In our judgment, China will continue to give priority to economic progress and modernization through at least the next decade as it moves forward in the transition to a new era of political leadership and regional influence. The result is likely to be continued high rates of economic growth (above 5 percent per year) and China's probable emergence, over the next 10–20 years, as the preeminent Asian-Pacific regional power (excluding the U.S.). Should China become more assertive and aggressive in that role, the prospects for direct confrontation with other regional powers will increase accordingly. In a worst-case scenario, China would view the United States as a direct military threat.

The next several years should provide some important clues in this regard. China's actions with respect to key Asian security issues—the reversion of Hong Kong later this year, Beijing's role in managing developments on the Korean peninsula, and its posture regarding Taiwan—will be key indicators of China's long-term security outlook.

Over the near term, we continue to monitor China's military development. PLA capabilities remain constrained at present—despite steady levels of defense spending—due to weaknesses in force projection, logistics, training, and command and control. But the military leadership is intent on addressing those shortfalls and is developing a more robust capability. To accomplish this, China continues to accord the highest priority—beyond strategic force enhancements—to acquiring advanced air, air defense, and sea denial capabilities, through both indigenous production and foreign purchases. In our judgment it will take at least a decade before China can acquire, absorb, and integrate these new capabilities; beyond that time frame, however, China will have real potential for significant increases in military effectiveness.

In part to fund modernization, Beijing is cutting force structure, particularly within the Army, but will retain forces that will be large and capable by regional and global standards. Following the doctrinal charge to "prepare for local war under high technology conditions" China's military is also emphasizing key force multipliers (e.g., electronic countermeasures, low observable technologies, and advanced SAMs), information warfare capabilities, and unconventional countermeasures and tactics.

Overall, China is one of the few powers with the potential—political, economic, and military—to emerge as a large-scale regional threat to U.S. interests within the next 10–20 years. Given Asia's growing global economic importance, its unsettled security picture, and the fact that four of the world's major powers—China, Russia, Japan, and the U.S.—all have interests and a presence there, the continued monitoring of Asia's security environment—and notably its biggest country, China—will remain a primary task for the U.S. Defense Intelligence Community.

### *Russia*

As China is the key to long-term stability in Asia, Russia is the key to stability in Europe. And like China, Russia also has the potential to emerge as a large-scale regional threat to U.S. interests within the next two decades. Accordingly, Russia's political and military future remains one of our key security concerns. For the near-to-midterm outlook, we expect slow progress along the current reform path as Moscow adapts and evolves in response to the tremendous political, economic, social, and security challenges confronting it. We expect continued political turmoil, peri-

odic crisis, and weaknesses in democratic values and institutions, as well as continued crime and corruption. Russia is likely to remain focused internally or on the "near abroad" unless Moscow perceives vital interests are at stake. Over the longer term, Russia will eventually stabilize and recover, and exhibit more nationalistic tendencies, motivated by a desire to reestablish its great power status.

In the meantime, Russia's strategic nuclear forces are the backbone of Moscow's military might, preserving Russia's perception of great power status and protecting its vital security interests. Russian general purpose forces retain sufficient capabilities to defend the country and conduct limited operations in the "near abroad," but are staggering under the cumulative impact of long-term leadership problems and serious funding shortfalls that have undermined manning, training, readiness, morale, sustainment, and modernization. While Russia retains a relatively robust military R&D program—with advanced technology systems under development in many combat areas—funding shortfalls, a depressed defense industry, and other domestic spending imperatives mean that few of these systems are likely to reach full-scale production within the next decade.

For the future, real progress at military reform will not occur until the economy improves sufficiently, domestic spending imperatives are satisfied, and the political and military leadership agree on the desired size, nature, and characteristics of the future force. In our judgment, it will take at least a decade before these circumstances occur. Beyond that time frame, however, the potential for Russia to re-emerge as a large and capable regional military rival of the United States increases significantly.

#### *Bosnia*

International peacekeeping forces in Bosnia continue to operate in a complex environment that poses significant challenges to the establishment of a stable and enduring peace. We believe the Bosnian factions will continue to generally comply with the military aspects of the Dayton Accords and Stabilization Force (SFOR) directives. We do not foresee the outbreak of widespread fighting between the Bosnian factions over the next 18 months so long as SFOR remains a credible military force. However, if civil implementation of Dayton lags, the prospects for renewed fighting would increase significantly following SFOR's withdrawal due to the unrealized aims of the Bosnian factions. The threat to U.S. and allied forces in SFOR from organized military forces will remain low. Nonetheless, SFOR will continue to face a threat from mines and various forms of low-level, sporadic and random violence, which could include high profile attacks by rogue elements or terrorists.

Deep mutual mistrust among Bosnia's ethnic factions and the legacy of war have created an impetus toward de facto partition of Bosnia. Pervasive international engagement—both political and economic—will be necessary to prevent a permanent division of Bosnia along ethnic lines.

#### *Iraq*

Iraq's military continues to suffer from the losses inflicted during the Persian Gulf War and more than six years of U.N. imposed sanctions. It has significant weaknesses in leadership, morale, readiness, logistics, and training that limit its effectiveness in combat against western forces. Nevertheless, Saddam has succeeded in restoring some elements of the military—which remains significant by regional standards—and retains the capability to overwhelm Kuwait if opposed only by regional states. Moreover, Saddam continues limited efforts to pursue WMD and missile development programs and to conceal those activities from U.N. inspection.

As long as Saddam is in power, Baghdad will retain the goal of dominating Kuwait; therefore, Baghdad will continue to pursue improvement of its military power and capabilities. Iraq will remain a threat to U.S. interests in the Gulf and to those elements of the Iraqi population that oppose Saddam's rule. His policies demand our continued enforcement of U.N. sanctions, the forward deployment of U.S. military power to deter or defend against Iraqi aggression, and continued intelligence monitoring of Iraq's military posture. While I cannot predict the nature of a post-Saddam government with certainty, it is very likely that Iraq will continue to maintain a strong military capability in order to ensure its own security and survival. The key question for the future is—will Iraq continue its belligerence toward the U.S. and continue to be aggressive against Kuwait? The short term answer is yes.

#### *Iran*

Iran's primary long-range goal is to establish itself as the pan-Islamic leader throughout the Middle East region and beyond. In pursuit of that goal it requires military forces that can deter or defeat Iraq, intimidate its Gulf Arab neighbors, and limit the regional influence of the West—particularly the United States. As long as Iraqi forces are constrained by U.N. sanctions, Iran can afford to prioritize the de-



velopment of specific elements of its military posture. Iran recognizes that it cannot hope to match U.S. military power directly and therefore continues to develop capabilities to challenge the U.S. indirectly: through subversion and terrorism directed against U.S. and western interests; the development of air, air defense, missile, mine warfare, and naval capabilities to interdict maritime access in the Gulf and through the Strait of Hormuz; and the pursuit of WMD designed to deter the U.S. and intimidate its neighbors. These efforts reflect a clear intent to build an offensive capability well beyond Iran's defense needs.

Tehran's military buildup has been slowed recently by serious economic problems and international supplier restraint (with the notable exception of Russia, China, and North Korea). Iran's demographic trends—a rapidly growing and youthful population—do not bode well for a significant increase in military spending. As a result, Iran's military progress will be slow but steady, and many of its current conventional force shortcomings—particularly command and control, maintenance, training, and equipment—will linger as Tehran pursues the unconventional, WMD, and maritime interdiction capabilities outlined above. Over time, however, U.S. interests will be challenged by a hegemonistic Iran seeking to dominate the region.

### *South Asia*

The tense rivalry between India and Pakistan is our most important security concern on the sub-continent. While neither side wants war, both see their security relationship in zero-sum terms. Moreover, both possess short range ballistic missiles, can quickly assemble nuclear weapons, and maintain large forces in close proximity across a tense line of control. With frequent low-level clashes, and potential for miscalculation and rapid escalation is constant.

The South Asian drug trade presents another serious regional concern, with many production and trafficking areas outside effective government control. Afghanistan and Pakistan will remain significant opium producers, with Pakistan and Iran also serving as key drug transit nodes. Extensive governmental corruption, other economic and political imperatives, and a general unwillingness to focus the energy and resources required will continue to limit the effectiveness of regional counterdrug efforts.

### *Latin America*

The scourge of narco-trafficking, related money laundering, weapons and contraband smuggling, and insurgency all combine to provide threatening conditions for the countries and governments of the region and for U.S. interests. The potential for more serious insurgency and more widespread terrorism and crime in several areas of Central and South America and the Caribbean continues to demand our vigilance.

### *Future Warfare Trends*

Key trends in military technology have the potential to dramatically alter the nature of warfare and the characteristics of the future threat. The impact of applied automation and computers, electromagnetic warfare, brilliant sensors, and the other technologies listed below signal the rise of a military-techno culture in which time, space, speed, and other fundamental conditions are radically changed.

- Nuclearization and the proliferation of WMD capabilities
- Precision munitions
- Electrodynamic weapons
- "Conventional" weapons of mass destruction
- Non-lethal weapons
- Information technology and cybernetic warfare
- Camouflage, cover, concealment, denial, and deception (C3D2)
- Techno-terrorism
- Nano-technologies

For the most part, however, the integrated application of these technologies and concepts has been limited to the advanced western militaries—particularly the United States. One key reason is that the elimination of Cold War threat perspectives and the corresponding decline in global defense spending sapped the motivation, resources, and capabilities of many nations to pursue high technology military endeavors. Over the next decade, however, as post Cold War defense reorganizations are completed, defense industries stabilize, and funding (potentially) increases, these areas are likely to see additional, albeit still limited, emphasis. Perhaps our greatest challenge is for a rogue nation or subnational group to acquire some key technology which might lead to some form of strategic technical surprise.

### *Ground Warfare*

Over the next decade, ground forces will remain the essential means of armed combat in many regions of the world and will be the critical force element in the conduct of military operations of all kinds in urban environs. Key trends include: the widespread proliferation of the best current-generation surplus Cold War equipment; the adoption of two-tiered force structures consisting of small, more mobile, ready components and larger, less-ready cadre units; and an increase in the number of urban combat deployments. For many nations, however, overall combat effectiveness will remain limited due to persistent shortfalls in training, maintenance, leadership, operational concepts, and morale.

### *Naval Warfare*

Foreign naval threats over the next decade will likely become more diverse. Key trends include: new ship designs that emphasize improved multi-mission capability, endurance, reduced signatures, and increased firepower; advances in submarine quieting, propulsion, weapons, and detection capabilities; an expansion of mine warfare capabilities; and the continued proliferation and development of anti-ship cruise missiles.

### *Air and Air Defense Warfare*

Worldwide aircraft inventories will likely shrink over the next decade as older aircraft are removed from service. Air warfare trends include: the back-fitting of advanced weapons, sensing, and avionics packages on 3rd and 4th generation aircraft; the proliferation of advanced air-to-air missiles, PGMs, land-attack cruise missiles, and "smart" weapons; the widespread use of UAVs; and the development and fielding of more multi-role hybrid aircraft.

The air defense threat will become more sophisticated as late generation SAM systems are proliferated widely and systems integration enhances overall capabilities. Key trends include: integrated C2 systems that are better at sharing data, predictive analysis, and speeding up sensor to shooter links; integrated weapons platforms that combine missiles, guns, and target detection and tracking radars; and more numerous and sophisticated man-portable air defense systems (MANPADS) systems.

### *Space Warfare Trends*

Over the next decade, increased foreign military space capabilities will erode the relative advantage the U.S. enjoys with regard to satellite reconnaissance, communications, and navigation. The number of countries capable of using space-based platforms for military purposes will increase, as will the potential for future adversaries to disrupt, degrade, or defeat portions of the U.S. space support system. However, the U.S. will remain the dominant space power.

### *Information Warfare*

Foreign states are increasingly cognizant of the link between automation and warfighting effectiveness and are developing a number of offensive and defensive information warfare capabilities. Information warfare will grow in importance and incidence as we continue to move into the information-technology age. Current information on vulnerabilities and foreign intelligence initiatives in general point to the following threats:

- trusted insiders who destroy the system from within
- sabotaging equipment during transport or storage
- network penetration and compromise
- electronic and/or physical attack
- empowered autonomous agents (cybernetic attack over time).

### *Conclusion*

The protracted transition from the Cold War order to an uncertain future continues with both positive and negative consequences. On one hand, for at least the next decade, the threats facing the United States will be of a decreased order of magnitude and we will not likely see a global "peer competitor" within 20 years. On the other hand, the world remains a very dangerous and complex place and there is every reason to expect U.S. military requirements at about the same level of the past several years:

- The explosive mix of social, demographic, and economic conditions—extant and through the foreseeable future—will mean a continued high demand for peace and humanitarian operations. Consequently, there is likely to be a continuing requirement for U.S. forces to engage in these demanding activities.
- Several key regional states—particularly North Korea and Iraq—retain the capability to threaten U.S. interests with conventional offensives. This condition de-

mands constant U.S. vigilance and the retention of demonstrable warfighting capabilities.

- A number of transnational threats—terrorism, weapons proliferation, drug trafficking—continue to plague the international environment and threaten U.S. citizens, forces, property, and interests.

- Russia and China retain strategic nuclear forces capable of threatening the U.S. homeland. Moreover, these pivotal states are both undergoing what are likely to be protracted, fundamental changes with uncertain outcomes and consequences. Both have the potential to emerge as large-scale regional threats to U.S. interests beyond the next decade.

- The changing nature of future warfare—the application of new technologies and innovative doctrinal concepts to “conventional” military operations, and the development of new forms of asymmetric warfare—poses a constant challenge to U.S. forces.

Against this backdrop of change, turmoil, and uncertainty, the U.S. military provides a much needed measure of consistency. Our national determination to remain actively engaged in the international arena, enlarging the community of market democracies while deterring and containing a range of threats to our nation, Allies and interests, is the single most important factor shaping an uncertain future. We in Defense Intelligence remain committed to providing the best possible military intelligence support for U.S. and Allied military forces and decision makers engaged in that effort.

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PREPARED STATEMENT OF TOBY T. GATI, ASSISTANT SECRETARY OF STATE FOR INTELLIGENCE AND RESEARCH

Chairman Shelby, Senator Kerrey, 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 national interests. Decades of diplomatic and military effort have greatly reduced the magnitude of traditional—primarily military—threats to the security of our nation and the well-being of our people. The specter of global war and nuclear annihilation has receded, both in fact and in our national psyche. But, as we all know, the world remains a dangerous place. Threats to our survival as a nation have been replaced by new perils which may jeopardize other vital national interests and the safety of American citizens everywhere.

The transition from military mega-dangers to smaller scale but more insidious threats is a positive development—the danger of short-warning, large-scale attacks on U.S. territory is much less than at any time since World War II—but it does not diminish the need for preparedness, prudence, and preventive diplomacy.

For the United States is a “global power” in more than one way. We have security and military interests and a global political and economic presence, but we also have American citizens in every part of the world—living, working, or travelling. Among these Americans are those kidnapped and being held hostage for ransom by guerrilla groups in South America and South Asia; targeted by terrorists in Europe, the Middle East, and Central Asia; and those serving in the Peace Corps and humanitarian organizations vulnerable to communal strife and to rival factions seeking bargaining chips. American tourists and residents abroad are susceptible to random acts of terrorism and live within range of terror weapons controlled by rogue states. The Department of Defense has responsibility for the safety of American troops abroad, but the first line of defense, support, and protection for the roughly 8 million American non-U.S. Government civilians (3 million residing; 5 million travelling) who are outside the United States at any one time is the Department of State.

The end of the Cold War removed the need to deal always in “crisis mode” with a single antagonist, but it also has had the collateral effect of removing constraints on ethnic, religious, territorial, historical, and other conflicts. None of these conflicts (e.g., Bosnia, the Great Lakes region of Central Africa, the Aegean, or the Indian subcontinent) threaten U.S. territory, but all of them, and many others, pose real dangers for America. We cannot afford to play down the threats that come from widespread human rights abuses, chronic humanitarian crises, and deteriorating environmental conditions in many regions. By providing global leadership, maintaining our military superiority, and adjusting our intelligence capabilities accordingly, we can diminish all these dangers as well as a different kind of threat, one that too often goes unrecognized—the threat of missed or unexploited diplomatic opportunities to advance our national agenda.

Intelligence support to diplomatic operations (SDO) can help prevent or reduce conflict. It can play a vital role in identifying opportunities for diplomatic intervention to prevent military conflict, protect our interests, promote our values, and preserve our environment. It can assist policymakers in determining which diplomatic steps may be most effective and inform U.S. approaches in bilateral and multilateral negotiations; intelligence also is essential for monitoring compliance with treaties and agreements intended to control the spread of weapons of mass destruction (e.g., the Nuclear Non-proliferation Treaty [NPT] and Chemical Weapons Convention [CWC]), reduce arsenals (START and Conventional Forces in Europe [CFE]), and combat terrorism. It can be as critical to saving American lives and treasure as is intelligence support to the conduct of military operations.

Secretary Albright said in her confirmation hearing that we need a full range of foreign policy tools to cope with the complex threats facing us today. Real interests need to be protected from real threats. It matters to Americans whether our government can protect them and service their needs when they travel abroad for business or pleasure. To do this takes real money. The United States needs not only a first-class military, but also first-class diplomacy. To be effective in protecting Americans and American interests at home and abroad, force and diplomacy must complement and reinforce each other. In today's world, when American interests and overseas activities are more global than ever, the defense of our interests and the protection of our people from the "small" threats is a big issue. The "small" crises that escalate quickly present real dangers to Americans abroad now, just as the mega-dangers of years past.

I would like to turn now to the central focus of this hearing—the current and projected threats to our national interest. They are grouped topically, followed by comments germane to specific countries and geographic regions.

#### TERRORISM

International terrorism poses an enormous danger to the security of U.S. government personnel, to private American citizens and property, and to U.S. national interests such as progress in the Middle East peace process. The risk is still greater outside than inside the United States, but the threat to American lives and property from groups able to take advantage of our open society is growing. We have been spared the agony of additional World Trade Center-like attacks because we have collected, correctly interpreted, and courageously acted on counterterrorism intelligence. INR's TIPOFF database plays a critical role by ensuring that counterterrorism intelligence is readily available to those directly responsible for border security.

In June 1996, 19 Americans were killed and 500 Americans and others injured in the bombing of the U.S. military housing facility, Khobar Towers, near Dhahran, Saudi Arabia. Responsibility for this act has not yet been determined, but several Islamic extremist groups have claimed credit. Others, including international terrorist financier Usama bin Ladin, have publicly threatened U.S. facilities in the Middle East.

The Middle East peace process remains vulnerable to efforts by several terrorist groups and some state sponsors to derail it with violence. Hamas, for example, has claimed responsibility for suicide bombings in Israel during February and March 1996 in which more than 50 persons were killed or injured.

Iran remains foremost among the states which sponsor terrorism. During the ongoing "Mykonos" murder trial in Germany, the German prosecutor accused Tehran of sanctioning at the highest level the 1992 murders of four oppositionists, and the German court issued an arrest warrant for an Iranian government minister. In May of 1996, another Iranian oppositionist was killed in Paris. An Iranian with alleged links to Iran's Ministry of Intelligence and Security was charged in France with the crime and extradited to Germany. Iran continues its support for terrorist organizations such as Hizballah and Hamas and continues to host offices of other terrorist groups in Tehran. While it is the most active, Iran is not the only state sponsor. Iraq, Libya, Syria, Sudan, Cuba and North Korea remain on the U.S. list of state sponsors of terrorism.

The proliferation of new, more internationally active terrorist groups continues. Such groups typically enjoy several sources of support, allowing them greater flexibility and autonomy in their actions. The welfare of an American citizen kidnapped by one such group in Kashmir in 1995 remains unknown. Many of these emerging groups also benefit from experience in Afghanistan's terrorist training camps or from the largess of private patrons, such as Usama bin Ladin.

Around the world, Americans can be in the wrong place at the wrong time. In Lima, Peru, American diplomats were among those captured and later released by

the Tupac Amaru Revolutionary Movement (MRTA) at the Japanese ambassador's residence. The MRTA's bold operation constitutes a major challenge to an otherwise successful antiterrorist program in Peru. In Colombia, leftist guerrillas have threatened to attack U.S. interests, and are holding four U.S. citizens for ransom. They frequently attack oil pipelines owned jointly by the Colombian Government and an international consortium that includes U.S. firms.

#### PROLIFERATION CONCERNS

The spread of weapons of mass destruction (WMD) poses another serious threat to U.S. national interests at home and abroad. Alert and focused diplomatic intervention, ably assisted by targeted and timely intelligence, is the key to limiting acquisition of sensitive technologies and halting proliferation before military options are considered. The United States continues to lead international efforts to establish and secure an effective and comprehensive nonproliferation regime.

To succeed in these efforts, the United States and its partners must address regional tensions and instabilities that provide political incentives and opportunities for WMD proliferation. Diplomatic efforts are especially intense in the Persian Gulf, the Korean Peninsula, and South Asia. The United States is working to ensure that WMD material and know-how in the former Soviet Union are safely secured and kept out of the reach of irresponsible regimes and terrorists. Preventing and limiting proliferation requires integrating global and regional efforts.

*Russia.* Russia has consolidated all its nuclear-tipped strategic missiles, formerly located in several states of the former Soviet Union, onto its own territory. We and Russia no longer target one another's territory. It continues to be a central concern of the intelligence community to provide assurance that Russia's strategic forces remain under responsible control and do not pose the threat of unwarned attack on the U.S.

*Fissile Material in the Former Soviet Union.* We regard any vulnerabilities of materials and technology to acquisition by aspiring proliferators as a very real threat with potentially catastrophic consequences.

Although we are heartened by reports of enhanced security at several installations, and by the decline since 1994 in known smuggling incidents, we are by no means at a point where we can speak of the problem in the past tense. Diplomatic initiative and persistence will be essential to ensuring the full cooperation of the governments of the Newly Independent States in cutting off the availability of material and technology at the source, and in stopping illicit trafficking before it begins. We will be expanding our efforts on the basis of the initiatives embraced at last year's nuclear summit in Moscow.

Building on initiatives supported by "Nunn-Lugar" emergency assistance funding and the transfer of responsibility for nuclear materials protection, control, and accounting programs to the Department of Energy, more than 40 Russian facilities are now engaged in national laboratory-led efforts to put in place modern nuclear material security systems, with many more facilities in the preparatory phase. At April's nuclear summit, the P-8 committed to greater information sharing and expanded law enforcement to combat nuclear smuggling. The United States objective is to control the problem as close to the source as possible. This means bringing an array of expertise and assistance to bear, from material security installation to law enforcement and information, as well as customs and border control assistance. In this spirit we are placing greater emphasis on preventing illicit trafficking through the southern tier of the Newly Independent States.

*China.* China continues to be a worrisome supplier of materials and technology to countries of proliferation concern. The United States maintains an active dialogue with China aimed at bringing it into full observance of all international supplier norms, including adoption of a more effective national export control system. The Chinese have agreed to conduct regular dialogues at the senior level on arms control, global security, and nonproliferation. These dialogues will provide the opportunity to review Chinese commitments on a regular basis. With respect to missile proliferation issues, the USG has had several contacts with China over the past year. Discussions last November between Undersecretary Davis and Vice Foreign Minister Li Zhaoxing were the most detailed talks between our two governments on this topic since 1993. With respect to nuclear proliferation issues, our discussions with China on establishing national nuclear export controls and our close monitoring of Chinese behavior should provide a basis for evaluating China's compliance with its stated policy of not providing assistance to unsafeguarded nuclear facilities and of not assisting non-nuclear weapon states to acquire or develop a nuclear explosive device.

*North Korea.* The North Korean nuclear weapons program remains frozen under the Agreed Framework, an achievement that demonstrates what can be done to stop proliferation through sustained and multifaceted diplomatic intervention. North Korea also has been a leading seller of SCUD missiles and missile technology in the Middle East since the mid-1980s and has been attempting to develop longer range missile systems. Our engagement to ensure regional stability and reduction of political tensions includes a strong reminder to North Korea that addressing our concerns on missile proliferation is required for bilateral relations to improve.

Discussion of North Korea's missile program raises the issue of the ballistic missile threat to the United States. Intensive analysis by the intelligence community on this issue, coupled with several reviews by experts outside the community, judged the threat to be low. But we must not become complacent; the situation could change and compel new conclusions. The IC certainly will continue to monitor the potential threat of ballistic missiles to the United States, and report on any significant changes in that threat.

*Iraq.* U.S. leadership has ensured that the U.N. Special Commission (UNSCOM) and the International Atomic Energy Agency (IAEA) continue to reveal the extent and operational details of Iraq's quest for WMD capabilities. Saddam Hussein will try to evade accountability as long as he can in order to preserve a residual WMD capability and to test the coalition's staying power over sanctions. International diplomatic and intelligence efforts limit Saddam's options, but only if the international community sustains its pressure on Saddam's ambitions.

*Iran.* Iran continues to seek a full range of WMD capabilities, but U.S.-led efforts have made it more difficult to acquire the technologies and equipment needed to pursue its WMD programs. Iran has developed a chemical weapons capability and short-range missiles, both of which pose regional threats. Its efforts to procure nuclear equipment, materials, and technology have been circumscribed by U.S.-led diplomatic efforts. Regional rivalries between Iran and Iraq could easily lead to renewed fighting in which some of these weapons might be employed.

*South Asia.* As the negotiations over the Comprehensive Test Ban Treaty amply demonstrated, the stakes for nuclear arms control are also critical in South Asia. India and Pakistan view each other warily, insist on retaining their nuclear options, and continue to pursue an increasingly more public missile race. For different reasons, each has a weak government and strong WMD constituencies, a volatile mix. If they could reach a domestic and then a bilateral consensus to abandon their nuclear and missile programs, this regional volatility would be reduced. If they choose to isolate themselves and accelerate their weapons programs, they will jeopardize the region's fragile balance.

#### DRUG TRAFFICKING AND INTERNATIONAL CRIME

*Illegal Drug Trafficking.* Major drug-producing and smuggling organizations make a continuous effort to circumvent U.S. and host-nation counternarcotics strategies aimed at stopping the flow of drugs into this country. New trafficking groups and delivery routes spring up as old ones are blocked, saturating the United States with illegal drugs. These groups take advantage of the vulnerability of poorly paid police, local officials, and farmers, and complicate our efforts to promote democratization abroad. The inability or unwillingness of some countries to impose severe punitive sanctions or criminal penalties against drug bosses undermines popular confidence in government.

The flow of cocaine out of source countries in the Andes (Bolivia, Peru, Colombia) and into the United States through a number of transit points poses a continuing threat to the social fabric of all these countries. Though much of the public focus has been on cocaine produced in Latin America, heroin from Southeast Asia's Golden Triangle of Burma, Laos, and Thailand—and more recently from Colombia—is also a growing threat. Progress in the war on drugs is not attainable without the cooperation of producing nations. Obtaining that cooperation is a task for diplomacy backed by effective programs for countries that are committed to fighting narcotraffickers.

*International Crime.* International organized crime disrupts the transition to democracy and market economies, corrupts fragile democracies, threatens the operations of international business, and affects the distribution and effectiveness of U.S. assistance. Criminal groups in some of the former Soviet republics and Central European states take advantage of privatization to corrupt government officials, and then use illegally acquired wealth and intimidation to gain control of banks and commercial enterprises. As Russian organized crime groups have gained strength, they have reached out to form alliances with well-established criminals in Europe, South America, and Asia.

## COUNTRIES WITH GLOBAL IMPACT: RUSSIA AND CHINA

Russia and China are each undergoing dramatic social transitions that complicate our efforts to assess trends and anticipate their future roles. We have had successes in building constructive relations with both countries, but there are many potential problems. We need to monitor events in these nations and continuously evaluate our relationship with them.

*Russia.* Elections in Russia in 1996, both presidential and regional, strengthened the prospects for democratization. In opting for continuation of political and economic reform, Russia turned its back on communism, almost certainly forever. However, President Yeltsin's recurring illness has delayed important decisions on economic and military reform, NATO enlargement, and START II ratification. The danger is that half-formed democratic structures will begin to atrophy as those who benefitted most from earlier reforms dig in to prevent further changes that could erode their privileged status.

Many observers inside Russia and abroad have identified the key tasks Yeltsin faces. He must give new impetus to economic and political reform, broaden participation in the process of governing beyond current elites, and set in motion badly needed military reform. If, as appears increasingly likely, Yeltsin does not reassert all his presidential prerogatives—whether because he is physically weak or because the system has learned to live without a strong President—drift and delay could engender unpredictability and instability.

Russians increasingly speak of "stagnation," a term from the Brezhnev period when Russian leaders also failed to move forward on key issues. This time the task is even more formidable: to work with a restive Duma on land, tax, and legal reforms; to begin a major overhaul of the military when resources are inadequate and readiness lacking; to force payment of massive wage arrears and collection of huge tax shortfalls; and to manage the growing conflicts between federal and regional constitutions and laws. All of these issues pose risks, but politicization of a disaffected and demoralized military is potentially the most dangerous problem.

Russia has ended the terrible war in Chechnya, but only after enormous cost to the nation—and only by postponing final decisions on Chechnya's status. There is now a chance to begin negotiations on reconstruction and the shape of future economic links, as well as on Chechnya's future political relationship to Russia. How this is done will strongly influence the likelihood of future ethnic and regional discontent and the tactics of other potential separatist movements.

While the last year has seen sharper, more nationalist rhetoric—in part because of the presidential elections—there have been no great surprises or shocks in Russian foreign policy. The Yeltsin government—including Foreign Minister Primakov—continues to see Russian influence and interests better served by engagement and cooperation than by isolation or confrontation. Russia continues to meet its obligations under START I and CFE. On the nonproliferation and arms sales front, we and Moscow still have differences—for example, sales of nuclear reactors to Iran and SA-10 anti-aircraft missiles to Cyprus—as the Russians search for new arms markets.

Russia now has far less ability to project power beyond its borders—even into the Commonwealth of Independent States (CIS)—and to challenge Western interests than did the USSR. This will be so into the next century. The domestic levers of control that once harnessed the country's economic wealth to serve political, ideological, and military goals continue to erode; investment in military R&D and modernization is many times reduced; local and regional leaders have gained new power and keep more of the tax money they collect; and the Newly Independent States (NIS) and Central European nations the USSR once dominated are determined to remain independent.

The economic reality is such that arms remain the most lucrative export commodity for the Russians and other states of the former USSR. Only this fall Russian officials indicated they hoped to double arms exports over the next five years. Other NIS states—Belarus and Ukraine in particular—continue to seek markets for their surplus military hardware. In addition, Russia's weakness—especially in conventional arms in the European theater—has led to discussion of revising military doctrine to place greater emphasis on nuclear weapons, including first-use to deal with regional conflicts that could expand beyond the ability of Russia's conventional forces to handle. Moreover, while financial restraints can provide powerful incentives for arms control—witness interest to follow-ons to START II—they can also provide excuses for not joining international regimes. The Federation Council's recent expression of concern about the CWC was, to a large extent, a recognition of what it would cost to sign on.

The next few months will be shaped by the way in which NATO expansion is accomplished and how it is perceived in Moscow. Russian officials have already said Russia's continued compliance with CFE and ratification of START II depend on this. Some Russian observers have correctly concluded that NATO expansion will occur and that Russia's interests need not suffer. Others have threatened retaliatory measures if their interests are not sufficiently taken into account. Unsuccessful handling of NATO expansion will add credibility to more conservative, nationalistic voices in Russia.

*China.* Development of a cooperative relationship that began with the normalization of relations between the United States and China in 1972 is central to the peace and prosperity of the Asia-Pacific region. We still have many unresolved issues and continue to hold sharply different views on important matters, but China can be a partner, and need never become an enemy. Despite plans to reduce its military forces by another half-million men and women, China continues to have the largest standing army in the world and is steadily modernizing its ground, air, and naval weapons and tactics. We must be attentive to China's growing military capabilities, as demonstrated last year during combined-forces exercises in and around the Taiwan Strait, which remains a potentially volatile spot. The PRC is deeply concerned about any actions which appear to move Taiwan away from eventual reunification. We will be monitoring actions by either the PRC or the authorities on Taiwan that, intentionally or otherwise, could provoke a crisis.

China is modernizing its military through acquisition of more sophisticated weapons and the expansion of an indigenous production capability. China's imports of arms and technology from Russia have grown substantially, adding to uncertainties in the region. Assistant Secretary Lord pointed out in January that we do not think it has reached alarming proportions. But as intelligence analysts we must constantly assess capabilities and be alert to China's intentions—always remembering that those intentions will be shaped by the full spectrum of its interactions with us and its neighbors.

China's neighbors are wary of China's re-emergence as a major regional power and nervous about its growing military capabilities, but they worry also about the state of U.S.-China relations. No nation in the region wants to be forced to choose between the powerful, friendly, but distant superpower, and the emerging, neighboring giant. No nation wants to return to the uncertainties, instabilities, and ruinous military budgets that would be triggered by hostility between Washington and Beijing.

As Secretary Albright pointed out in her confirmation testimony, "There should be no doubt about the importance of this relationship and the need to pursue a strategy aimed at Chinese integration, no isolation." That means engaging China on a wide range of issues as China continues to emerge as a great power.

Much is in flux internally. China's leaders will face momentous decisions in coming months and years as to how they manage the economy, deal with population pressures, increasing food needs, and protection of the environment, and respond to the growing and persistent demands from the people for greater political openness. We and the Chinese have much to gain if China engages its neighbors and us in the pursuit of peace and prosperity; we all stand to lose if China chooses a path of domestic repression, outward aggression, and isolation.

We anticipate that the many transformations underway in China for the past two decades will continue into the next century. The cumulative effect of economic, political, societal, technological, and military change will produce a China that is more powerful and, if we are successful, more tightly integrated into global systems. If the past is precedential, changes initiated from the top by China's political leaders will prove less important than will the impact of participation in the global economy, exposure to information and ideas from around the world, and the proliferation of shared interests which is intrinsic to modernization everywhere.

This year we will be paying particularly close attention to the way in which Beijing manages the reversion of Hong Kong. Over the longer term, there are a host of territorial disputes with Japan, South Korea, and most of China's Southeast Asian neighbors which it is in everyone's interest to resolve in the spirit of cooperation.

#### PROBLEM STATES: IRAN, IRAQ, SYRIA, LIBYA, NORTH KOREA, CUBA

The Middle Eastern "rogue" states threaten us by maintaining programs for weapons of mass destruction, sponsoring terrorism, often targeted specifically at Americans, and by their hostility toward and active opposition to our political and social systems and those of our friends and allies.



*Iraq.* Iraq will remain a threat to regional stability and a country of egregious human rights abuses as long as the regime of Saddam Hussein remains in power. Saddam's 1994 movement of troops toward Kuwait and his 1996 move into Irbil demonstrate his aggressive ambitions and offensive capabilities. Despite the efforts of Chairman Rolf Ekeus and UNSCOM, Iraq has not yet complied with UNSCR 687 with respect to WMD and almost certainly retains residual missile and CBW capabilities. In recent years, Iraq has supported terrorism in the form of Mujaheddin e-Khalq (MEK) operations against Iran and, at times, terrorism directed against foreigners and others in northern Iraq.

Baghdad's hostility toward the United States stems from Washington's leadership in marshalling the international community against Iraq's 1990 invasion of Kuwait and our key role in sustaining the coalition that thwarts Iraq's regional ambitions. In northern Iraq, Saddam wishes to exclude the international community's involvement, and at the U.N. he has sought to undermine every effort to ensure U.N. enforcement of, and Iraqi compliance with, various aspects of UNSCR 687.

*Iran.* Iran's clerical regime regards the United States as its principal global adversary. It opposes all aspects of the U.S. presence in the region and seeks to undermine governments enjoying good relations with Washington. Although the Iranian leadership can show considerable pragmatism and caution on specific issues, it remains active in a number of areas that pose a threat to U.S. interests and is responsible for serious human rights abuses. Foremost among these is its opposition to the Arab-Israeli peace process and its direct support of terrorism. Its opposition to the peace process is more determined than that of any other regional actor; its support for violent opposition to the process—through, for example, its support for Hizballah in southern Lebanon and the Palestine Islamic Jihad (PIJ) more generally—has facilitated terrorists attacks in Israel that have taken American lives. Iran has considerable WMD capabilities, particularly in the areas of missiles and CW, and is actively seeking to enhance those capabilities, which already pose a substantial threat to neighboring states.

*Libya.* Despite repeated disclaimers and deceptions, the Qadhafi regime continues to support terrorist groups—including support for the PIJ and the Abu Nidal Organization (ANO). It continues to develop WMD, particularly CW and missiles. Libya opposes the Middle East peace process, although not with the zeal and effectiveness of Iran. Libya also seeks to exploit differences between Washington and allied capitals on how to bring to trial those implicated in the destruction of Pan Am 103.

*Syria.* Syria has been engaged in the Arab-Israeli peace process since the 1991 Madrid conference and has not been directly involved in planning or executing international terrorist attacks since 1986. Nevertheless, Syria continues to support international terrorism by allowing terrorist groups to maintain a presence in Damascus and operate from Syria-controlled areas of Lebanon. Some of these groups include fundamentalist and secular Palestinian organizations, such as Hamas, the Palestine Islamic Jihad (PIJ) and the Popular Front for the Liberation of Palestine-General Command (PFLP-GC), as well as non-Palestine groups, such as the Kurdistan Workers' Party (PKK). Syria acquired from the former Soviet Union standard SCUD-B missiles, with a range of 300 kilometers and a smaller number of 500-kilometer SCUD-Cs from North Korea; it has had a chemical warfare program since the mid-1980s. While there is no indication Syria is planning to initiate a conflict with Israel, there is always a danger that Syrian-Israeli tensions could result in the outbreak of hostilities through miscalculation by either side, particularly over the fighting in southern Lebanon.

*North Korea.* There remains a continuing threat to U.S. and South Korean forces from the North Korean military. But domestic economic pressures are narrowing the Pyongyang regime's room for maneuver. We remain uncertain about many aspects of the domestic situation in the North, but it is clear that the economy is in even more serious trouble than last year, including a chronic food shortage. Kim Jong Il appears to be both actively and effectively in charge, even though he has not formally succeeded to his father's official positions, but new and growing internal pressures could change the decisionmaking calculus that has long prevented conflict. The submarine grounding incident heightened tensions between Pyongyang and Seoul and put aspects of the Agreed Framework on hold, but—largely because of the intensive efforts of State Department and NSC officials in close coordination with South Korea—North Korea agreed on December 29 to issue a statement of regret. This move by Pyongyang cleared the way for renewed progress. North Korea's postponement of the scheduled briefing on proposed four-party talks appears to be primarily an attempt to highlight its food needs. We believe North Korea's unprecedented statement of regret concerning the submarine incident reflects a commitment by the regime to remain engaged in the negotiating process.

*Cuba.* Cuba's economic free fall has bottomed out and it is showing signs of slow recovery, but economic conditions remain grim and human rights problems persist. Without Soviet aid and lacking resources of its own, Cuba no longer represents a significant threat for subversion of the region, nor is it seen as a model to follow. Its threat to U.S. interest stems from the substantial probability that when its aging leader departs—by whatever means—a period of instability may follow, leading to another mass migration and violence.

#### HOT SPOTS AND UNCERTAINTIES: BOSNIA; THE AEGEAN; SOUTH ASIA; CENTRAL AFRICA

*Bosnia/Balkans.* NATO has demonstrated its ability to deal with post-Cold War problems by its successful leadership of the international military intervention in support of the Dayton Peace Agreement. The main threat to peace comes not directly from the three formerly warring armies, but rather from the too slow pace of implementing the civilian portions of the peace agreement, in particular the repatriation of displaced people and refugees, the apprehension of war criminals, economic rehabilitation, and settlement by arbitration of Brcko's fate. Bringing intelligence to bear on these issues has been difficult, but the need is critical if U.S. troops are going to be able by mid-1998 to leave behind a stable and enduring peace in Bosnia.

The situation in Serbia also requires watching, in particular the development of a democratic opposition to the last remaining Communist regime in Europe and the potential for conflict between Serbs and Albanians in Kosovo. Milosevic's options are narrowing as the Church, parts of the military establishment, and the general public grow weary of the continuing turmoil. Other concerns are the situation in the former Yugoslav Republic of Macedonia, where U.S. troops are deployed, as well as the completion of democratic transitions in Romania and Bulgaria, and the current ethnic conflict in Albania.

*The Aegean.* Tensions between Greece and Turkey have in the past almost led to open conflict and the same is true today, whether over the installation of air defense missiles on Cyprus by the Greek Cypriots, competing claims involving tiny islets, or accidental clashes and hair-trigger military plans. Failure to find a real, long-term solution on Cyprus and in the Aegean could push Turkey toward the East, undermine both NATO and EU expansion (because of Turkish and Greek vetoes), and cause serious problems in the Middle East peace process and in U.S. relations with Russia, which is becoming a major arms supplier to Cyprus.

*South Asia.* South Asia is an area of varied and growing U.S. interests. Tension between India and Pakistan, centered on their dispute over Kashmir, contributes to concerns over regional instability. The proximity of two populous, mutually suspicious states, each seemingly convinced that nuclear weapons are an essential attribute of major power status, makes this one of the world's more troubling regions. The original motive for India's acquisition of a nuclear weapons capacity—a perceived threat from China—remains salient to Delhi. Pakistan continues its own nuclear program because of its security fears of a larger India.

India continues to charge that Pakistan supports Kashmiri Muslim secessionists, while Islamabad contends it provides only moral support. The Kashmir dispute remains a possible flashpoint for regional war with the potential to escalate into a nuclear exchange.

Intense fighting continues in Afghanistan, a country riven by ethnic, tribal, ideological, and regional differences. International mediation efforts have not yet resulted in a political settlement; the United States continues to support the ongoing U.N.-led effort. Afghanistan remains a focus for meddling by neighbor states, a narcotics trafficking center, a source for international terrorist training and equipment, and hence a major source of regional instability.

*Central Africa.* As civil and regional conflict has intensified in the continent's center, it has threatened the existence of Africa's second-largest state, Zaire, and the stability of the entire Great Lakes region. For the first time, there is a line of interconnected hostilities running from the Sudanese-Eritrean frontier, Ethiopia, and Somalia through southern Sudan, northern and western Uganda, Rwanda, Burundi, and Zaire, and touching the Angolan border. Arms are flowing into these regions from outside, mercenary troops are appearing, and political divisions are forming which seem poised not only to divide us from some of our Western allies but also to exacerbate continuing humanitarian tragedies affecting millions of Africans, particularly those in eastern Zaire. In some cases, such as in Zaire and the Central African Republic, the state is scarcely able to respond to any reasonable claim to services or physical protection, much less be an advocate and guarantor of human rights and the rule of law.

From another, broader, perspective, we are looking at a range of complex problems with high-stakes outcomes for all of Africa, problems that challenge American leadership, diplomacy, and the ability of the intelligence community to provide adequate warning and timely analysis to support creative diplomatic initiatives. There probably is no way out of the central African imbroglio without sustained outside involvement, leadership, and ideas, though effective mediation will require steering a careful course among opposing forces. An African-organized and led contact group has formed to relate to key parties in the central African conflict. This initiative offers an opportunity to develop peacekeeping partnerships and other forms of regional and bilateral economic cooperation as well as to underpin U.S. initiatives like the African Crisis Response Force.

Working for peace and durable democratic systems in these complex political, social, and cultural systems and stressed physical environments not only is worth the effort in humanitarian terms and as a reflection of our principles, but also is necessary to fill the political vacuums which nourish the organized crime and narcotics networks burgeoning in many parts of Africa. It is clearly in our interest to remain vigorously engaged; comparatively modest resources are required to remain ahead of the intelligence curve on African political and economic developments.

#### ENVIRONMENTAL SECURITY

National security threats come in varied forms. Some are obvious. Others, such as the effects of climate change and environmental degradation, are more subtle. If unaddressed, slowly but surely, citizens and foreign policy interests will be affected. Environmental stress and competition over dwindling natural resources increase poverty and can fuel ethnic tensions and civil unrest in poor countries. They can also lead to ecomigration—large scale movements of people to escape deforestation, soil erosion, water shortages, pollution, or other environmental problems. The Department of State's environmental diplomacy initiative recognizes the seriousness of this threat and is laying out a strategy for better coordinating international responses. Similarly, global climatic changes are another long-term global threat that can only be addressed in close diplomatic and scientific collaboration with other countries.

#### HUMANITARIAN CRISES AND REFUGEE FLOWS

We have seen that most recent humanitarian crises are not only caused by isolated natural disasters, but also by civil wars, internecine ethnic violence, extreme population pressure, and misguided government policies that can suddenly leave large populations either forcibly displaced within their own country or in a neighboring land. Potential migration flows from countries like Cuba and Haiti, as well as increasingly sophisticated and persistent alien-smuggling operations, tax the response capabilities of U.S. Government agencies at all levels and create the potential for costly humanitarian disasters. Mass migrations are a product, not a cause, of regional instability; indeed, they can serve as one indicator of political instability. We have seen that when political crises are ignored, the frustrations of long-staying exiled groups become a source of cross-border violence.

#### HUMAN RIGHTS ABUSES AND WAR CRIMES

Countries with widespread human rights abuses are generally those that are the most mismanaged, insecure, or undemocratic. These are states that are likely to be a source of instability in their region and a catalyst for humanitarian crises. Genocide in Bosnia and Rwanda has focused international attention on the need for vigorous prosecution of war criminals to serve the cause of justice as well as stability and security. A firm stance on human rights protection and war crimes prosecutions reinforces the pursuit of our national ideals and vital interests globally.

#### THREATS AGAINST OUR ECONOMIC INTERESTS

*Economic Espionage.* The overseas operations of U.S. corporations are increasingly vital to this country's prosperity. This decade has seen extraordinary growth in exports and investment overseas. Exports now constitute over one-ninth of U.S. GDP, and U.S. foreign direct investment—having doubled since 1989—now stands well over \$700 billion.

Increased overseas exposure involves new risks, with implications for U.S. corporate profits and jobs, as well as for U.S. technological leadership in many fields. U.S. proprietary secrets are vulnerable to targeting by domestic corporate spies and overseas intelligence agents, either performing classic private industrial espionage or linked to foreign government attempts to boost national technical knowledge. The

recently passed *Economic Espionage Act of 1996* gives the Administration new tools to fight economic and industrial espionage when there is evidence of any foreign government's sponsorship or coordinated intelligence gathering activity.

**Unfair Foreign Competition.** Unfair foreign competition is another threat to our interests overseas. The profits involved in large infrastructure, military, and aircraft contracts lead to cutthroat and unfair competition. American corporations do not shrink from tough, fair competition, but we object to a government's supporting its firms with nontransparent political linkages or permitting bribery and corruption. Our industrial country competitors are only slowly coming to realize the benefits of joint action to combat these practices, for example, in the U.N., the Organization for Economic Cooperation and Development (OECD), and the World Trade Organization (WTO).

**Economic Sanctions.** To further our foreign-policy goals, the United States has turned to sanctions as an alternative to pure diplomatic persuasion and the use of armed force. Sanctions are most likely to be effective when high-priority national interests are at stake, when strategic objectives are defined, and when they are multilateral. We have growing evidence of skepticism and opposition from our partners and allies, especially when we are perceived as asserting the extraterritorial reach of U.S. laws. Moreover, the concern of other nations that U.S.-imposed unilateral sanctions could make American companies unreliable suppliers on critical projects (for example, in the energy sector) could cause otherwise competitive U.S. firms to be shut out of world markets—another reason to favor multilateral sanctions, which share the risks among all competing firms.

#### CONCLUDING OBSERVATIONS

Threats to our national security may be divided into three broad categories: threats to our territory and our survival as a nation, threats to our interests and objectives in the global arena, and threats to American citizens and American companies. The dangers of nuclear war and large-scale conventional attacks on U.S. soil and American forces have diminished greatly, but our global presence and global interests make us vulnerable to an array of smaller scale but still pernicious threats.

Rogue states pursue weapons of mass destruction; others seek opportunities to thwart American efforts to protect human rights, promote democracy and market economies and preserve the environment. Millions of American citizens living, working, or simply travelling abroad are potentially at risk of deliberate or random violence initiated by terrorists, international criminals, rival ethnic groups, political insurgents, and other subnational actors.

At the macro level, the world has surely become much safer for Americans; at the level where individual citizens and corporations face the world the threats have become more varied, more pernicious, and more difficult to address. The stakes for the nation as a whole may be smaller, but the potential danger to all of us as Americans remains unacceptably high. We must do everything necessary to protect our people, our open society, and our interests everywhere in the world.

**STATEMENT OF GEORGE J. TENET, ACTING DIRECTOR OF CENTRAL INTELLIGENCE; ACCOMPANIED BY TOBY GATI, ASSISTANT SECRETARY OF STATE FOR INTELLIGENCE AND RESEARCH (INR), AND LIEUTENANT GENERAL PATRICK M. HUGHES, USA, DIRECTOR, DEFENSE INTELLIGENCE AGENCY**

Acting Director TENET. Thank you, Mr. Chairman.

Senator Roberts, I might be in a little trouble, but I'll trim back.

Mr. Chairman, there are many challenges we face, but I want to focus on five critical challenges, as we see them, to U.S. national security interests.

First, is the continuing transformation of Russia and the evolution of China.

Second, are those States—North Korea, Iran, Iraq, whose hostile policies can undermine regional stability.

Third, are the very important transnational issues: terrorism, proliferation, international drug trafficking and international organized crime.

Fourth, are those regional hot spots such as the Middle East, the South Asian subcontinent, Bosnia and the Aegean, which carry a high potential for conflict.

Fifth, are States and regions buffeted by human misery and large scale suffering, States involved in or unable to cope with ethnic and civil conflict, forced migration, refugees and the potential for large scale deaths from disease and starvation.

Let's start with Russia, Mr. Chairman.

With little preparation and no historical experience and a tradition of central control dating back hundreds of years, Moscow has made some remarkable progress in building entirely new political and economic institutions. Politically, for the first time in Russian history, national and local elections have become a regular part of the political landscape. Equally important, Russia has made significant progress in building a genuine market driven economy. It has freed prices, achieved some measure of financial stability, privatized most small- and medium-sized industry, and ended the dominant role of the country's defense industries. These are major gains.

Let me point out some things that concern us. There is renewed concern about President Yeltsin's health, and Duma calls for limiting Presidential powers highlight the fact that Russia's political institutions are young, fragile, and untested. Some have prospered but others look for a new, strong hand that would provide them with the predictability and social net of the Soviet system.

Similarly, there are calls for law and order to combat organized crime and government corruption. These problems stem in large part from the absence of legislation that sets down clear rules and guidelines for economic behavior in Russia.

New laws in areas such as private property and taxation would reduce the size of the burgeoning unreported economy, generate much needed revenue and diminish the opportunity for organized crime.

The Russian military, Mr. Chairman, is suffering from economic hardship and flagging morale. The process of downsizing, reorganizing and adjusting to new missions would be long and hard, given reduced defense resources. Despite these difficult times for the military, Russia retains, however, a major nuclear arsenal, nearly 6,000 deployed strategic warheads and a range of development programs for conventional and strategic forces.

In terms of military planning, the Russian government is emphasizing research and development over production at this time in parceling out a tight defense budget.

Russian military planners are also examining very closely various ongoing arms control regimes and treaties, particularly CFE, START II, CWC, and ABM, to assure that they adequately protect what they perceive to be key Russian security needs during this period of change.

In the international arena, Mr. Chairman, Moscow has sought to ensure its great power status by bolstering its ties to Germany, France, China, and Japan, and demanding an equal voice in the resolution of international issues, particularly with regard to the shape of future European security architecture and NATO's role in it.

Closer to home, Moscow has placed a high priority on retaining its influence in the newly Independent States and minimizing the influence of outside powers.

President Yeltsin and other leaders have pursued integration with some of these States through multilateral mechanisms, the Commonwealth of Independent States, and bilaterally. For example, Russia and Belarus have both talked about reuniting, although many practical obstacles remain.

Moscow also seeks to play an influential role in the Caucasus in central Asia, where rich energy resources have drawn considerable attention.

Let me turn to China, Mr. Chairman. Led by president and party chief Jiang Zemin, the senior leadership in Beijing supports China's emergence on the world stage as a major economic, political, and military power. Over the past 10 years, China has become one of the world's fastest growing markets, currently second only to the United States in annual direct foreign investment into its economy.

By early in the next century, China will have a much improved force projection capability. China's military modernization efforts, however, will be hampered by the military's need to compete for limited resources against other national priorities. China has tapped into its vast foreign reserves to purchase weapons and weapons technology from Russia, including modern fighter aircraft, air defense systems and submarines. In fact, China's once hostile relationship with Russia is now touted by both sides as a new type of "strategic partnership" for the next century with strong emphasis on cooperation and a high level of contacts—but not a strategic alliance.

Beijing's leaders view the July 1, 1997, reversion of Hong Kong to Chinese rule as an important symbol of China's re-emergence as a world player. What remains unclear is the degree to which they will tolerate political activism and dissent in Hong Kong after the reversion, given their intolerance of political dissent within China.

China's new assertiveness has led at times to frictions with Washington. Among these are troubling proliferation activities by China, particularly with Pakistan and Iran, and continuing concerns about human rights.

Mr. Chairman, let me now turn to North Korea. The continued deterioration of the North Korean economy is weakening the stability of the regime. North Korea's grain harvest last fall was less than half of its projected need for this year and industrial operations in December fell to less than half the pace of 1992. Shortages of food and fuel in the military are becoming common and causing morale and discipline problems.

Potential dangers to the regime could include widespread food shortages among frontline military units, the security services becoming reluctant to crack down on dissent, or leaks including that their fortunes were no longer linked with Kim Jong II.

We have no evidence, Mr. Chairman, let me repeat, we have no evidence that any of these conditions are present at this time. But we remain concerned over how these uncertainties may play out over the course of time.

The North's economic difficulties make it even more dependent on external assistance. Without additional imports or aid of at least

one million tons, the North will probably face worse food shortfalls by the spring.

Despite these difficulties, Mr. Chairman, the North's 1.1 million strong military retains the ability to inflict enormous destruction on allied forces in South Korea. Its long range artillery and surface-to-surface missiles near the DMZ can hit forward defenses and U.S. military installations and Seoul.

On a more positive note, regarding the October 1994 Agreed Framework, Mr. Chairman, the IAEA has maintained a continual presence at Yongbyon since May 1994 defueling of the reactor. North Korea has not refueled its reactor or operated its reprocessing plant at Yongbyon and has halted construction of additional, larger reactors.

Mr. Chairman, let me turn to Iran. Iran today is beset by economic stagnation, rising numbers of disaffected youth and questions about the clerics day-to-day role in governance. Despite growing discontent among many Iranians, however, the clerics have proven adept at burying their differences in the interest of retaining power. They stand poised to capture the presidency in June.

Iran's leaders are seeking ways to undermine our interests without challenging our conventional strength directly by improving their military capabilities relative to their neighbors, using terrorism and developing weapons of mass destruction.

Moreover, the Iranians are attempting to improve their foreign ties by reaching out to the Turks and Kazakhs and by solidifying their oil supply relationship with Germany and Japan.

Iran is improving its ability to potentially threaten its neighbors and interdict the flow of oil through the Strait of Hormuz. Iran has acquired Kilo class submarines from Russia and is upgrading its anti-ship missile capabilities.

It's building capabilities to produce and deliver weapons of mass destruction and in less than 10 years, probably, Mr. Chairman, will have longer range missiles that will enable it to target most of Saudi Arabia and Israel.

Iran also sees terrorism as a useful tool. It continues to carry out its own terrorists acts, sponsors training in the region and provides millions of dollars to a variety of militant, Islamic groups such as Hizballah and Palestinian groups opposed to the peace process.

Let me turn to Iraq, Mr. Chairman. Iraq under Saddam Hussein continues to present a serious threat to U.S. forces, interests and allies. In 1996, Iraqi forces again fired at coalition forces as Saddam tested his limits as he has every year since DESERT STORM. His military remains the largest in the Gulf region, an abiding threat to Iraq's southern neighbors and to the Kurdish and Shi'a Iraqis.

Given Baghdad's continued evasive stance toward U.N. inspection, sanctions are unlikely in our judgment to be lifted anytime soon. Saddam has managed to survive the pressures that sanctions have created mostly due to the strength of his security services, which have been effective in penetrating and destroying organized political opposition inside Iraq.

Nevertheless, Iraq's economy is in shambles. An intense resentment that the regime has engendered in Iraq still poses a constant

threat to Saddam and his family, as suggested by the assassination attempt against his son Uday in December.

Saddam's propaganda machine has touted U.N. Resolution 986 as the beginning of the end of sanctions. If properly enforced, however, 986 will not improve significantly the regime's crumbling infrastructure. Pessimism, even within Saddam's establishment, is likely to resurface as the Iraqis realize the sanctions remain intact, the economy remains crippled, and institutions like the Iraqi military continue to decline.

We cannot rule out, however, Mr. Chairman, that Saddam's frustrations will prompt him to threaten another military confrontation with the West.

Let me talk a bit about the transnational issues I mentioned, Mr. Chairman. I'll get through these quickly. We all know about the problems of terrorism. International groups are expanding their terrorist networks, in some cases literally encircling the globe. They use these networks to recruit, ship arms and material and move operatives. We have also seen increasingly complicated channels for soliciting and moving funds, including the use of seemingly legitimate charitable or non-governmental organizations as conduits.

With regard to weapons of mass destruction, Mr. Chairman, not too many years ago the primary threat facing the United States was from a single country with its thousands of nuclear weapons on alert. Today, more than two dozen countries are developing or acquiring weapons of mass destruction. Our concern is increasing as the ability of those countries to develop indigenous capabilities, including production technologies, continues to grow.

Several U.S. programs, such as the Nunn-Lugar program on Cooperative Threat Reduction, are designed to improve the security of nuclear weapons and materials in the countries of the former Soviet Union. Nonetheless, the risk of diversion of weapons and material remains one of serious concern to us.

Nuclear weapons are not our only worry, Mr. Chairman. About 20 countries, among them Libya, Iran, and Syria, have or are actively developing biological and chemical weapons. We are also concerned about the possible terrorist interest in such weapons, especially given the relative ease with which some of these weapons can be produced in simple laboratories. As the Aum Shinrikyo terrorist incident in Tokyo proved, no country is invulnerable to the possibility of civilian casualties from terrorist use.

Mr. Chairman, we all know how dangerous drug trafficking has become. Counter-narcotics operations have dealt significant blows to some of the world's most notorious drug trafficking organizations, such as the Cali Cartel. Yet other Colombia traffickers, as well as traffickers in Peru, Bolivia, and Mexico seek to increase their role.

Money laundering and financial crime, alien smuggling and criminal involvement in the gray arms trade are also expanding. This is a problem I think we can talk about a little bit more, Mr. Chairman.

Mr. Chairman, there's a new threat I've put in this transnational threat area and that is security to information systems of the United States. The tremendous growth in communications tech-



nology is shrinking distances and weakening the barriers to the flow of information. This technology also presents us with an important transnational challenge: protecting our information systems.

Recognizing this problem, we are assessing countries that have such potential, including those which appear to have instituted formal information warfare programs.

To regional hot spots, Mr. Chairman, I'll touch at greater length on Bosnia and we'll get through this. There have been a number of positive developments since the Dayton Accords, and I think we have to talk about positive and negative in the Bosnian context. The exchanges of territory envisioned under Dayton occurred without bloodshed.

The former warring parties have significantly demobilized their forces and put their weapons in containment sites, making it more difficult for them to resume fighting. The Iranian-Bosnian military relationship has been terminated, and we judge that Bosnia is in compliance with the foreign forces provision of Dayton.

Central institutions, although still in an early stage of development, were established following national elections. Economic reconstruction assistance has begun to flow in, although not at a level to make the peace process self sustaining.

Looking out over the next 18 months, opportunities have improved for creating the conditions that would permit the withdrawal of SFOR without a resumption of conflict. In particular, the split between Milosevic and the Bosnian Serb leadership, at least for the time being, has removed the option of the Republic of Srpska's unification with Serbia. As a result, Bosnian Serb leaders will have an incentive to cooperate to a limited extent with Bosnian central authorities. If this cooperation can be sustained, the next 18 months provides an opportunity to build momentum on economic reconstruction and economic ties between Srpska, Croatia, and the Federation.

But there are challenges here, Mr. Chairman, serious challenges. Relatively little progress has been made in implementing provisions of Dayton relating to the freedom of movement and resettlement of about two and a half million refugees and displaced persons. More challenges loom ahead, including the reaction to the Brcko arbitration decision expected later this month.

At the same time, we must be concerned about Kosovo, where the situation remains tense. Some fear that Milosevic might even provoke a crisis in Kosovo to distract attention from domestic problems.

Mr. Chairman, there are four regional crises in my testimony. The one I will highlight is the one in South Asia.

In South Asia, relations between India and Pakistan remain poor. Although neither side wants war, the two rivals could stumble into it, mostly as a result of misperceptions of each others intentions and military posture. Deterrence, which has worked for years, could break down in a crisis, and the time available for national leaders and external powers to diffuse tensions will be limited. Leaders in both India and Pakistan face daunting domestic and political challenges at the same time that they have to contend with critical national security issues, from nuclear testing to Kash-

mir, that require real political strength. Finally, Mr. Chairman, I talked a bit in my testimony about humanitarian crises. Places where these are non-traditional challenges, but places where we're called upon to intervene because of our military capability to avoid real suffering on the parts of human beings. This is an area where there will be more business for the Intelligence Community, not less business, and I highlight it for you in my testimony.

Finally, Mr. Chairman, I'll close with three points about our future work. We're trying to array our resources against this expanding list of challenges. We will be working to close critical gaps on the highest priority intelligence problems. Success will mean greater security for U.S. forces and better tools for U.S. efforts to head off regional instability and manage relations with major powers.

Second, because there will be no relief from the sort of crises that appear suddenly and do not fit the traditional mold, we will also be providing global coverage, including a capacity to surge during crises.

Third, we will be working closely with you, Mr. Chairman, and the Vice Chairman in planning investments to ensure a sound intelligence capability well into the 21st century.

Thank you, Mr. Chairman.

Chairman SHELBY. Thank you, George.

The Senate is being asked to advise and consent to ratification of the chemical weapons convention, the CWC. Is that treaty verifiable? Would you rather get into this in a closed hearing?

Acting Director TENET. Well Mr. Chairman, there are a few things I can say—

Chairman SHELBY. OK.

Acting Director TENET [continuing]. In open session. I'll say this. The verification judgment is a larger political judgment that you will make, Mr. Chairman. We tell you how well we monitor these events and then you will make some other judgments for yourself. Here are the facts. This is not a treaty that will be perfectly verifiable, but here are the facts. There are tools in this treaty that as intelligence professionals we believe we need to monitor the proliferation of chemical weapons around the world.

Chairman SHELBY. And what are those?

Acting Director TENET. There are data exchanges, there are on-site inspections. Those provide us with a critical ability to make judgments about places that we're going to cover any way, Mr. Chairman, but which pose daunting challenges to us. Now, over the course of time, as confidence in this regime increases, we think our monitoring judgments may well improve. But the fact is from the perspective of intelligence professionals, having the tools at our disposal is better than not having them at our disposal. We can never guarantee that a power that signs up to this agreement won't cheat. These chemical and biological developments are small, they are easily hidden. They are not like big nuclear developments that have big signatures that everybody understands.

Chairman SHELBY. In other words, it will be fairly easy to cheat some, wouldn't it?

Acting Director TENET. It will be easy to cheat, Mr. Chairman. But in the absence of the tools that the convention gives to us, it

will be much harder for us to apprise you, apprise the military and policymakers of where we think we are in the world with regards to these developments.

Chairman SHELBY. Does the president's budget—if you've considered it—contain adequate funding to maintain and improve the Intelligence Community's abilities to adequately verify this?

Acting Director TENET. I think our budget—

Chairman SHELBY. Because you're going to need a lot of help.

Acting Director TENET. I think our budget, Mr. Chairman, has us on the road to get healthier and better.

Chairman SHELBY. OK.

Acting Director TENET. We have ourselves recognized that historically we, the Intelligence Community, may have devoted more time and attention to nuclear issues than chemical and biological issues. And I believe we are now in the process of reevaluating very carefully what that budget should look like over the next 4 or 5 years.

General HUGHES. Mr. Chairman.

Chairman SHELBY. General Hughes, do you want to comment?

General HUGHES. I completely agree with the Acting Director's comments about verification. I can add to his comments perhaps in closed session. With regard to the Intelligence Community, my view is that we do need to reprioritize ourselves to some degree toward more esoteric forms of weapons of mass destruction like chemical and biological weapons. However, this is a long term proposition. I don't want to leave you with the impression that we're going to be able to fix all of our problems rapidly. It's going to take some time to gain the capabilities we need. This is a very difficult and somewhat technically challenging area.

Chairman SHELBY. Secretary Gati.

Ms. GATI. The State Department will be looking to the Intelligence Community, to INR, DIA, CIA to gain information on the verification provisions and they will tell it like it is, as they always have. That will guide us in dealing with countries, demarching them, finding out what they have, and will, I think provide a basis for more effective monitoring than we would have without the treaty.

Chairman SHELBY. I want to shift into Khobar Towers.

Have there been any developments that you can share in this open hearing, ascertaining who was responsible for the Khobar Towers bombing? And do you agree, Mr. Tenet, with the FBI Director Freeh and Attorney General Reno that the Saudis have not cooperated fully in this investigation? Have they changed?

Acting Director TENET. Mr. Chairman, I would defer any discussion of Khobar Towers to a closed session.

Chairman SHELBY. OK.

Acting Director TENET. I would respectfully decline having anything to say about it.

Chairman SHELBY. We'll get in to it then.

Senator Kerrey.

Vice Chairman KERREY. Thank you very much Mr. Chairman.

First of all, I appreciate very much both, Mr. Tenet, your delivered testimony as well as the other written testimony. Let me make a couple of points.

First is, I think it's terribly important both in open and closed session—and I suspect we're going to get into it during the confirmation process of Mr. Lake—that we increasingly call upon you to be independent. In other words, to come to us both in the open and in the closed session with an understanding up the food chain to the political crew at the White House that you have the, not only the ability, but you have the requirement to come before the people's Congress and say this is what we think the threats are.

You may—it may make you uncomfortable. You may wish it was something else. You may wish I didn't say this to you, but this is how I size the threats—particularly, these are the things that can do bad things to us, and General Hughes, I appreciate your having von Moltke the Elder's quote in there, which I think is worth reading. He said, "Gentleman, I notice that there are always three courses of action open to the enemy, and that he usually takes the fourth." I mean that does summarize the dilemma that you face in trying to protect the interests and the people of the United States.

Second, I'd say that I think that we've got to come up with a strategy, and we've talked about it privately, of dealing with this encryption issue. My personal recommendation is flipping to the other side of the coin and, instead of worrying about—focusing only on our need to break code in order to—in order to keep the Nation secure, but also our need to make code. I mean, I think if we—if we focus on the second area, our need to build that secure global communication network and get a global agreement, then I think it's more likely that the encryption issues will be settled in a satisfactory fashion—that is a fashion that's both satisfactory to our law enforcement and security interests and to the interests of promoting our economy.

Next, I think it's very important to be very aggressive in saying who's in charge of some of these operations. I continue to be not critical of the FBI being in charge of the Khobar Towers investigation, but I certainly raise a question that if I've got a military operation, does it make sense to put a law enforcement agency in charge of investigation? Now, we've talked about it again both privately and publicly, but if I've got a military operation in place, it seems to me that it's at least appropriate for me to ask the question should I have military intelligence agencies in charge of the investigation itself?

A fourth thing I'd say is that I do believe—and General Hughes, your testimony, which I find to be, again, characteristically good—it is increasingly apparent to me that our response to threats is going to have a significant civilian component, a la Bosnia. I mean, our militaries are doing a superb job in theater. Indeed, you are—we have visitations as you prepare to develop the intelligence capability, which in and of itself is a force in the region. I see right now still a kind of a withered civilian side. We don't have a strong individual in charge of that civilian side with the power to execute and the ability to coordinate with the military officer on the ground.

And I believe that, particularly as you go through your assessment of the threats—I mean you're identifying, first of all, a very important, I think, prerequisite—and I noticed last night in the State of the Union address, there was a big round of applause for almost everything relating to domestic, and when it got into foreign

policy areas, far less enthusiasm. You say—you assume in your testimony that the United States remains a global power politically, economically, militarily, and that our country continues its active engagement in world affairs. I think it's very important for us to make the case as to why that's necessary. In and of itself, I think that's a very important presumption for us to continue to make to citizens who are asking to give of their tax dollars in order to pay for all this stuff.

Once that's done, however, as you go through the threats as you're sizing them in the new paradigm of threat assessments, not only do we get into asymmetrical threats—that is to say, threats that some government doesn't control, but increasingly those threats are coming as a result of demographic changes, humanitarian trends, resource scarcity, the WMD and missile proliferation very often has a civilian undertow to it as well. So I think it's important for us to ask ourselves the question, if that's the case, then how do we change our own delivery of intelligence and our own assessment of these threats? How do we change—on our side, how do we change the way that we order the organization so that when you've got an operation out there, somebody's in charge and is able to direct resources so as to be able to get the job done?

None of this that I've said has at the end of it a question of any kind. I've taken my first 5 minutes here merely to make the statement that I think you need to be independent. I think this encryption issue needs to be dealt with differently. I think you need to force a discussion about—or if you don't mind, we'll do it—of who's in charge. I think we've got to increasingly deal with the implications of operations that will have significant civilian components.

Chairman SHELBY. Senator Kyl.

Senator KYL. Mr. Chairman, first of all, let me thank Mr. Tenet for a good, brief but thorough survey of the situation. It's very helpful.

Since the Chairman opened with a question on the Chemical Weapons Convention and the President talked about that last night, let me ask you a couple of questions. Last fall, the Administration declassified a portion of the National Intelligence Estimate which had been published in August 1993, which stated, and I'm quoting, "The capability of the Intelligence Community to monitor compliance with the Chemical Weapons Convention is severely limited and likely to remain so for the rest of the decade. The key provision of the monitoring regime, challenge inspections at undeclared sites, can be thwarted by a nation determined to preserve small, secret programs, using the delays and managed access rules allowed by the Convention." Is this still the judgment of the Intelligence Community?

Acting Director TENET. Well, Mr. Chairman, I think the 19—we haven't updated the 1993 estimate, but we will for when we have hearings. I'll say that our ability to monitor probably still is not very good. But let me come back to the point I made at the beginning. If you're asking me as an intelligence professional what my judgment is with regard to whether I want these tools in place as they evolve and as we get better, I would say to you I want these tools in place.

Why? I know that countries sign up to treaties and cheat on treaties. The fact is, is that an intelligence professional bringing everything that we can to bear on subjects, information and access lead us to places we never would get to and give you, the policymakers, some precision with regard to the threats we face.

We will have to cover the most objectionable countries anyway. Having the tools to get information and access I think is of a great benefit to us—

Senator KYL. OK. Now—

Acting Director TENET [continuing]. As it has been in the case of Iraq and UNSCOM inspections.

Senator KYL. The two tools that you mentioned were the onsite inspections and data exchanges. Regarding onsite inspections, of course, the treaty specifically prohibits the exchange of that information—that is to say, from the onsite inspectors to the intelligence agencies or any other agency of the country of the onsite inspectors. So if an American inspector, for example, were on a three-member team going to Iraq, it would be illegal under the treaty for that American inspector to pass on the information to the United States that that inspector gains. So how could the onsite inspection tool be of use, if we comply with the treaty?

Acting Director TENET. Sir, I'd like to talk about inspection regimes and the issues you raised in close session and thoroughly go after this point.

Senator KYL. All right. The other item you mentioned, the other tool is the data exchange. Now this is the voluntary information that people fill out on the form. Clearly, I gather you're not relying on Iraq or Iran or Libya to provide us useful information in that regard.

Acting Director TENET. You can never rely on them, but you need a starting. You need a baseline that you judge. You make judgments against the baseline you already have. The fact is, is over the course of time, you will refine your judgments. We never rely on what people provide us, but you need another tool. Data always leads us places that we never thought we would get to. And as a tool to an intelligence professional, it's an important piece to buildupon. It is not a panacea, Senator Kyl.

Senator KYL. Data—yes, data generally. I'm talking about the voluntary information provided by a country, let's say, like Iran.

Acting Director TENET. Well, you can never rely on it.

Senator KYL. OK.

Acting Director TENET. But it is a starting point that then allows you to focus your collection and analysis and then may allow you to focus where inspections go or don't go.

Senator KYL. Sure. But if you rely upon inaccurate data, then you may be led to the wrong conclusion.

Acting Director TENET. I would never assume that what some countries who may sign up provide me is going to be absolutely accurate. I mean, there's gambling in this casino.

[General laughter.]

Senator KYL. On May 25, 1994, the Wall Street Journal published an article which carried several quotes from a veteran Soviet chemical weapons scientist who was jailed in 1992 for revealing Moscow's continuation of covert chemical weapon production. He

revealed that Russia had developed binary chemical weapons made from ingredients not listed on the CWC schedules of controlled chemicals. In discussing this, he said the treaty, as it stands, will help, not hinder, Russia's production of deadly chemical weapons. He said that Russian generals see the treaty as a way to dispose of their obsolete and hazardous stockpiles with American taxpayers' help, while preserving their new classes of toxins.

A declassified portion of a May 1995 National Intelligence Estimate states that production of new binary agents would be difficult to detect and confirm as a CWC-prohibited activity. Is this still the judgment of the Intelligence Community?

Acting Director TENET. Could you repeat that again, Mr.—Senator Kyl? Just that last piece?

Senator KYL. Is this still the judgment of the Intelligence Community?

Acting Director TENET. I'm sorry. Read the quote again for me. I'm sorry.

Senator KYL. The declassified NIE "Introduction of new binary agents would be difficult——"

Acting Director TENET. Yes.

Senator KYL [continuing]. "To detect and confirm as a CWC prohibited activity."

Acting Director TENET. I'm sure that is the case.

Senator KYL. Thank you. Thanks, Mr. Chairman.

Chairman SHELBY. Thank you.

Senator Robb.

Senator ROBB. Thank you, Mr. Chairman.

All of us are interested in CWC. We have different perspectives on this committee, in the Congress, but it's certainly an important matter. Mr. Tenet, can you give us any specific advantages that might accrue to the United States by our declining to ratify the CWC by April 29?

Acting Director TENET. Well, Senator, as I said to you, we believe that the tools that it would provide us as intelligence analysts are important to have.

Senator ROBB. I'm not challenging that. I'm on your side on this. But what I'm asking at this point is, are there advantages——

Acting Director TENET. We believe that——

Senator ROBB. Putting aside the fact that some of the advantages to ratification may not be as great as some might assume based on some of the questions that have been raised, but are there any countervailing advantages that would accrue to the United States by not ratifying, notwithstanding the fact that the convention will go into force and we will be left out?

Acting Director TENET. I don't believe so, Senator, unless you had bilateral agreements with every one of these countries where you had the kinds of regimes in place that the CWC would provide. I don't believe so.

Senator ROBB. So it's fair that you don't believe we give away anything by ratification?

Acting Director TENET. I think as intelligence professionals we can only gain.

Senator ROBB. OK. Let me ask you one other question that relates to the gathering of information, and that's specifically with

respect to diplomacy. There's always debate over how much support to provide for our diplomatic efforts in this particular area. Sometimes those traditional sources can provide information that your intelligence sources might otherwise have to gain.

Would you like to comment at all on the degree of funding for our diplomatic efforts as they relate to your intelligence collection efforts?

Acting Director TENET. Well, I think—Ms. Gati may want to answer—but I think one of the things that has to trouble everybody is the decimation and the degradation of the State Department's infrastructure around the world has a profound effect on us as a country to deliver a sound national security policy.

Now, if you're going to ask General Hughes or George Tenet or Louis Freeh or the director of DEA what the implications are, they're quite severe, because our embassies are the homes we live and work in overseas. So the continued vibrancy of the State Department as an institution, as a platform—we call it a platform in our business—to allow us to do our work is absolutely important. We can't do this business without a vibrant State Department. We have all kinds of fancy ways we can think about getting around it, all of which cost a lot of money and have some implications that we can talk about in closed session. But the fact is that as a platform, as a base for American national security interests to be pursued, it is a very, very important piece of the intelligence business.

Senator ROBB. I'm attempting to groove a pitch. I ought to let Secretary Gati have an opportunity to swing at it.

Ms. GATI. Thank you very much.

Let me first of all say that there is a synergism between the diplomatic efforts, the military efforts we make, and the intelligence efforts. All of us who have worked together know the contribution that diplomacy, first of all, makes to our foreign policy, as well as diplomats with their knowledge of countries and their assessments. You will look at General Hughes' testimony and note that the first three threats that he talks about are humanitarian needs, resource scarcity, and demographic trends. In other words, the kinds of things that the military has to be concerned about, because it is called upon to respond, but are really the concerns of diplomacy as the first line of defense of our national interests.

In my own testimony, we discovered when we were writing this, a startling figure—that there are eight million American non-U.S. Government personnel outside of the United States residing and living outside of the United States, at any one time.

Chairman SHELBY. What's that figure again?

Ms. GATI. Eight million. There are five million Americans traveling and three million residing outside the United States. These people look to the State Department as their first line of defense, whether it's a lost passport, or information about the country they're in. So the State Department plays a crucial role for the American public and also for the Intelligence Community.

Mr. Chairman, can I take one moment, if I could?

Chairman SHELBY. Go ahead.

Ms. GATI. I would be remiss if I didn't go back to your kind words at the beginning of this session and also those of the Vice Chairman. I want to thank you very much for what you said about



me personally. What I experienced was an ordeal and what was written about me was malicious. I do note with sadness that it could happen to anyone. But I also note with great pleasure that thanks to the Inspector General and to your bipartisan agreement that the conclusions were valid, my case is closed. Those who made those false charges against me and my husband should certainly have the decency to retract their story and apologize. Some of you know my husband, Charles, who is in this room, and he was subjected to false accusations also. So, speaking for him, too, let me thank all of you for restoring our good names.

Chairman SHELBY. Senator Robb, that was done on some of your time.

Senator ROBB. I was just going to say, I lost a little of my time at the end. But most of the questions I had are more—no, I think that's entirely appropriate, and would more appropriately be pursued in closed session in any event, so I'll withhold until that time.

Chairman SHELBY. Secretary Gati, I just want to respond to your comments. Senator Kerrey and I said what we did, because we have total confidence in you as an individual, as a professional, and we thought and know those charges were totally unfounded and were uncalled for.

Senator Kerrey, do you want to say anything?

Vice Chairman KERREY. No, that's fine, thanks.

Chairman SHELBY. Senator Roberts.

Senator ROBERTS. Yes, Mr. Chairman.

I have an observation. I'm probably jumping the gun in making an observation on all the witnesses' testimony. And I want to thank them—I would agree with Senator Kerrey in his most pertinent reference to von Moltke the Elder—was there a von Moltke the—what the Junior?

[General laughter.]

Chairman SHELBY. Yes.

Senator ROBERTS. Yes.

Chairman SHELBY. Junior in a lot of ways.

Senator ROBERTS. He was probably a lieutenant.

In General Hughes' statement, he has also, I think, quoted in regards to Machiavelli, who is my administrative assistant.

[General laughter.]

Senator ROBERTS. "There is nothing more difficult to take in hand, more perilous to conduct and more uncertain in its success, than to take the lead in the introduction of a new order of things." I think you have all tried very hard and successfully to address the new order of things. And I think that's a good quote, along with Senator Kerrey's reference.

I had the privilege of serving on a commission, on America's National Interest in the last session of Congress, along with my colleagues Senator Graham, Senator Nunn and Senator McCain. I was the only House member—in my previous life. This is a report put together by the co-chairs—Rita Hauser, General Goodpasture and our former NATO Ambassador Bob Ellsworth.

They were concerned that after four decades—and I'm quoting here—"after four decades of extraordinary exertion, the fatigue of many and distraction of some with special interests, leave American foreign policy passive and without direction in the fast chang-

ing and uncertain world." Pretty tough comments, but I would agree with that. And they have a statement here, "But today, Americans have no vivid shared sense of this nation's interests in the world, no clear ranking of those interests," and you have listed those interests, but it's our job or the Administration's job to do the priority listing. "Many find it difficult to distinguish between America's national interests and whatever interests simply interest themselves personally. Our commission found chastening the experience on the Council on Foreign Relations nation-wide year long study."

One principle conclusion, and that was, "not consensus but dissensus. Even among the foreign policy elites there is widespread confusion and little agreement about the U.S. interests today."

Now, this commission, with the assistance of the Harvard University Center for Science and International Affairs, the Nixon Center for Peace and Freedom, and the RAND Corporation, did list the concerns that you have listed and then ranked them in their priority. I would say, Mr. Chairman, that I am in complete agreement with your statement that this public hearing is extremely valuable to alert the American public that we need a strong intelligence capability and investment so that we can, in fact, in the new order of things make some priority judgments. I don't think that's being done. Do you think—and I'll ask all three very quickly—that this is a correct summary. And I'm—when I say this, I'm referring to that paragraph I read, that "Americans have no vivid shared sense of this Nation's interests in the world, no clear ranking of those interests." I am very concerned about this. And without the intelligence capability that you are providing and will provide, we will not be able to do that.

Mr. Tenet, would you respond please, sir?

Acting Director TENET. Senator, I think that we have an advantage in that we do have a set of priorities that have been established by Presidential Decision Directive that basically looks at the world and says that there are 10 or 15 things that matter the most to American security and challenges us to focus our attention on them. That is a very powerful document for us and it does say everything is not as important as everything else. In a time of diminishing resources and less people, we have to relentlessly focus on vital challenges. I think we are slowly but successfully getting down that road.

So, it's—we're down that road. I can't speak to the specifics of what we say about the American people there but I just want to assure you that we do have a clear sense of what we have to do.

Senator ROBERTS. I just don't think that it's very high—a very high blip on peoples' radar screens, post the cold war. And I think it should be, because it is an unsafe world.

General, do you have any comments in this regards?

General HUGHES. I also believe that we have a good context in which to prioritize our intelligence gathering and our interests around the world from an information standpoint. I also am concerned about whether or not our focus is understood or shared by the broad population of the United States. I think we all need to work together to make sure that the real interest and concerns that we do have get the proper publicity and the proper informa-

tion gets out to the public. As you said in your opening statement, sir, that's a good reason to hold open sessions of this type.

Senator ROBERTS. Well, you say that we have to be actively engaged, in your summary. I guess that's what we're summarizing here.

General HUGHES. That's right.

Senator ROBERTS. And Secretary Gati, if you can find the answer to having those who shine the light of truth into selected darkness with selected flashlights to turn it in another way, or to turn the flashlight off, let us know, too. There are many instances where unfortunately, we have had similar instances. I suppose that's the value of the fourth estate, that sometimes it gets completely out of hand. I associate myself with the remarks of the Chairman and the distinguished Ranking Member.

I have nothing further, Mr. Chairman.

Chairman SHELBY. I'll ask all of you this basic question: missile threats to the United States. Some of it you might want to get into in the other hearing, but just generally. What are the current strategic missile threats to the United States and theater threats to deployed U.S. forces? What are the projected threats, Mr. Tenet, for the next decade? Does the CIA and the rest of the Intelligence Community share the same view regarding this?

Acting Director TENET. Well, this is—I have a long answer, so I'm going to give it. We should talk about this more in closed session. But let's talk about the strategic threat first. Both Russia and China, of course, possess sizable ICBM forces that are the objects of our concern.

We think that—let me walk you through some of this, Mr. Chairman. We think the chances of an accidental or unauthorized launch are remote. But we would become more concerned about that situation if political turmoil increased.

Turning to the other countries and focusing on those that are potentially hostile, we believe that North Korea is the only one that could develop an ICBM capability over the next 10 to 15 years. North Korea as you know, has in development the TAEPO DONG II, a missile whose projected range of 4,000 to 6,000 kilometers could bring it within striking distance of the far western and Hawaiian Islands and part of Alaska.

Other countries, Mr. Chairman, such as Iran and Iraq, do not at this time appear capable of overcoming obstacles to ICBM development without extensive foreign assistance which, at this time, we doubt will be forthcoming, but something we look at very, very carefully.

We've also looked carefully at the development of cruise missiles on the part of many countries and how these might be used and threaten the United States. So I think we look at all of these things, and those are the kinds of threats in the strategic realm that concern us.

I'd ask General Hughes whether he has a—

Chairman SHELBY. General Hughes.

General HUGHES. Well, I'd like to divide this category of issue into two areas. One is the threat to the United States, particularly direct threats to the continental United States. But we must also

include all the territories and outlying areas that we are concerned with. And then——

Chairman SHELBY. You're going to include Hawaii and Alaska?

General HUGHES. Of course, I do. I include both Hawaii and Alaska when I refer to the continental United States. Some people, when they use that term, refer only to the 48 contiguous States.

Chairman SHELBY. Sure.

General HUGHES. But I do not.

Beyond that, sir, I'd say that the second category of threat is from missiles interacting in regional or theater circumstances as we discussed them. We face threats in both areas. And both are important to vital national interests. I'd use as a good example the Persian Gulf or the Arabian Gulf, where missile exchanges on either side of that body of water could have great strategic impact on stability of the region and on our vital interests. So I—it's a tremendous problem for us. It is probably, in my view, the greatest threat extant to our interests around the world.

I'd like to say one last thing. I'm concerned that we carefully monitor this because it is in this area I think we can be confronted by technical surprise. We might not be able——

Chairman SHELBY. But also, it could be a growing threat, could it not?

General HUGHES. Could be. It is a growing threat.

Chairman SHELBY. Growing threat.

General HUGHES. Yes.

Chairman SHELBY. Make no mistake about it.

General HUGHES. In the case of theater ballistic missiles, we are experiencing proliferation. Missile numbers and capabilities are growing and will grow over the foreseeable future.

Chairman SHELBY. Sure.

General HUGHES. In the case of intercontinental strategic ballistic missiles, long-range ballistic missiles, the growth is minimal. As Mr. Tenet pointed out, we're concerned about one country primarily, North Korea. If our consideration of North Korea's evolution over the next few years is correct, it's unlikely that North Korea will reach missile capability that we project they could reach technically.

Chairman SHELBY. Secretary Gati.

Ms. GATI. Yes. You have asked the Intelligence Community for hard decisions and real judgments. In some of the reports we've written, we have done that. Our overall assessment on this issue has been that we did not expect any Third World country to have the capability to be able to strike the United States with ballistic missiles in the timeframe of our reports.

I agree with George Tenet that the possibility of accidental or unauthorized launch by China or Russia is quite remote. North Korea is developing a system which, at its upward range, would be capable of striking Alaska and Hawaii. But it is not clear if this system would ever be developed and successfully deployed. We are monitoring this. We have made a judgment. We have not stated an absolute truth. I think the important point here is there's nothing absolute about it, but we did give you our best considered judgment and some of the concerns that we had in the documents that we give to you on a classified basis.

Chairman SHELBY. Senator DeWine. I overlooked him a minute ago. He can have whatever time he needs.

Senator DEWINE. Thank you, Mr. Chairman. You don't want to give me that big—

Chairman SHELBY. That's a big opening, isn't it?

Senator DEWINE. Big opening.

I'd like to take my time to ask about Mexico. And 5 minutes is not very long to talk about Mexico, but do the best you can. What's your assessment of Mexico's economy at this point, political situation, and the use of Mexico as a source of drugs, trans-shipment point for drugs and the cooperation between the United States and Mexico? You can tell that's about a 2-hour question, George, but—

Acting Director TENET. Let me—

Senator DEWINE. A 2-hour answer anyway. But do the best you can.

Acting Director TENET. Let me come back to the—let me start with the—the back-end piece on drugs. I talked about some successes in my longer testimony. I talked about the fact that the destruction of the Cali Cartel and some other successes we've had. Those are good things.

But what you've seen is this—these drug trafficking organizations are very agile. The migration of distribution networks leaving South America and moving into Mexico is something that's of great concern to us, as is the methamphetamine problem for Mexico into California. So this is some thing that worries us, and the prospect of corruption tied into how drug organizations move into a country worries us.

The good news here, Senator, is that the Zedillo administration has made a firm commitment to fight drugs. It has invested its drug effort in its military. We are working, our DEA, our State Department and other people are working very closely with the Mexicans. So I think that there is good prospects for long-term success, but it's something that we must watch very, very carefully. We can talk a little bit more about that behind closed doors.

But the message there is yes, you have to be concerned about how they operate. You must be concerned that they've picked up on the fact that this long contiguous border provides us with a great possibility to enter this country, but you must be heartened by the fact that the Mexican government is doing the right thing in assisting us.

As to the larger economic questions, maybe we can talk about that. I mean, the fact that they've paid their debt back on time and ahead of time is a good thing.

And let me stop there, Senator.

Chairman SHELBY. Senator DeWine.

Senator DEWINE. Any other witnesses want to comment?

Ms. GATI. I could comment. I think Mexico has made great strides. It's economic recovery of 4 percent growth stands in stark contrast to the problems it had. There has been an increase in capital flows. I do believe that the Zedillo administration understands the underlying causes of the crisis that happened a few years ago and is determined to avoid them by an honest look at its own economy. We are making some progress in dealing with them on the

drug problem. President Zedillo said that is his major security concern. The important thing is that both of our countries recognize the problems we face, the weaknesses, and are making a determined effort to deal with them.

Senator DEWINE. I'd like to move, if I could, to Guatemala. Peace accords have been signed. Any estimate about the prospects of success there in stability and lack of fighting?

Acting Director TENET. I think it's—I'll let Miss Gati be the expert here, but I think it's absolutely remarkable that we do have peace. It's a tremendous achievement. The healing process has just started, and like other examples in Central America, they're now about the business of reconciling and healing their past and we're quite hopeful that this will all work very well.

Ms. GATI. We have a situation where we are involved in phased-in disarmament, demobilization and reintegration of a population that has been at war for a long time. It is a major task for a country to downsize its military and turn its structures upside down. The law on national reconciliation is a good start. We have to monitor it to make sure that it is used appropriately.

Our assessment would be that the prospects that Guatemala will remain peaceful are quite good. The head of the new U.N. operation says that he expects it to be up and running this month as scheduled. The price tag for this operation will be high, and there will be costs to be borne, but the cost of war was also enormously high.

Senator DEWINE. Thank you.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Hatch.

Senator HATCH. If I could just ask a couple of questions. Let me just ask this to Mr. Tenet and Ms. Gati.

Why has the cocaine flow into the United States not decreased despite our multifaceted efforts and our resource expenditures, and the arrests of at least a half dozen Colombian kingpins?

Acting Director TENET. Senator, obviously cocaine continues to be an extremely profitable endeavor for these drug organizations. The focus of our governmentwide effort—we can talk behind closed doors a little bit more clearly—

Senator HATCH. Sure.

Acting Director TENET [continuing]. Is to break the backs of these organizations with the help and support of host countries. So the American effort has been not only an interdiction but breaking the infrastructure of these organizations and denying them the ability to show up in this country with something that kills our kids and creates a huge domestic problem.

We also have a domestic problem we have to worry about. I can't speak about that. Our efforts are relentless and we still see, as I note in my full testimony, increases in the number of—tonnage of cocaine that's shipped around the world and it's a very, very difficult problem.

It's not—I don't have a clinical answer for you to say why have you not done better in getting these numbers down? All I can say is just you have to look at what we do, we have to look at the will of host governments in this regard. Sometimes that will is uneven. They have to take responsibility for this as much as we do. And

then we have a whole demand side of this that is quite worrisome as well. So—

Ms. GATI. The incentives, monetary and otherwise, to sell drugs are enormous. The alternate routes are infinite. We have clamped down on many paths of drug smuggling but there are always new ones.

The political and economic problems that are involved with drug smuggling are something that we also have to consider—what it does to a country, internally and in terms of its democratic structure and its political process. The tools we need are very diverse. The intelligence input is only one of them, and I think we have used the Intelligence Community very effectively to deal with the problem of drugs, but the incentives and the number of alternatives are so great that we have just made a dent in it.

Senator HATCH. How many, and which nations in particular can we identify as being threatened or undermined by criminal activity in the drug area? Maybe you can expand it to all organized crime activities, and do we have sufficient understanding of the threat the advent of criminal societies and so called gangster States pose against this country?

Acting Director TENET. Well, Senator, in my statement I tried to walk through a little bit of this. I mean, we have—in terms of organized crime, and of course what you have to worry about is the nexus between crime, drugs, proliferation and terrorism. Don't look at these things individually. Look at them as a continuum.

Senator HATCH. Right.

Acting Director TENET. Because there's money being made and infrastructure is being created. But we have Russian, Nigerian, Italian, ethnic Chinese networks. If you go to Central—the Newly Independent States of Eastern Europe and you talk to them about what their No. 1 problem is, it is how organized crime families from Russia and other parts of the world are undermining their ability to govern themselves. This is a burgeoning problem that law enforcement and intelligence are working on hand in glove and until many of these countries develop the law enforcement infrastructure and the statutory framework to attack this problem, they remain very, very vulnerable, particularly newly Independent States and our new countries in what we used to call Eastern Europe.

But this is a worldwide problem, Senator, and they're lashing up together and making it very, very difficult for our law enforcement community.

Ms. GATI. I think if we get it right, economically, politically, legally, some of the opportunities for these organized criminal activities will decrease, that is a task for diplomacy.

Senator HATCH. I think my time is just about up. Do I have time for one more?

Chairman SHELBY. Go ahead, Senator.

Senator HATCH. Of the nations under threat from criminal activity or from criminal organizations, have any of them reversed or had a downward trend in criminal activity during the last 12 months?

Acting Director TENET. Senator, I'd like to take that for the record and get back to you with a thoughtful answer. I just don't know the answer.

Senator HATCH. I'd appreciate that.

Chairman SHELBY. Senator Kerrey.

Vice Chairman KERREY. Thank you very much Mr. Chairman.

General Hughes, just one more question on North Korea. We talked about the potential for them to develop a ballistic capability that could threaten Hawaii or Alaska or the lower 48. What's your assessment of the likelihood that North Korea survives 10 years from now?

General HUGHES. Our assessment right now is not necessarily time dependent. We believe that there are serious problems within North Korea that are continuing to deteriorate. And there is at least some chance that North Korea today will be much different in the relatively near future because of the pressures that are forcing them to change.

We have seen a trend in North Korea of accommodation. Grudging and circumstantial accommodation, but nevertheless, some agreement by the North Koreans to open their social order a bit more to the West. The monitoring of their nuclear facilities is one example of that, it's not the only one. Their acceptance of outside aid and other indicators of a more open social order there are hopeful.

On the other hand, they continue to maintain a very strong military capability despite the deprivation their people are suffering. With particular focus on their missiles and long range attack capability, they are capable of prioritizing their scarce resources away from other parts of their society into that key area. So we have to watch it very carefully. We could be threatened—we are threatened right now by a North Korea which is fragile and I think volatile in trying to determine what direction it will go in and whether or not it will be a violent evolution.

So I can't say that North Korea will completely disappear and a unified Korean peninsula will appear in a given period of time, but I can say, sir, that change is on the horizon and it's likely to be a difficult change.

Vice Chairman KERREY. Let me ask, in addition to that, I mean, do you feel Mr. Tenet, General Hughes, Ms. Gati, do you feel as if you could come to this committee and say in the open, for example, that here's a trade policy that the European Union has or that we have that could actually indirectly increase the threat to this nation? Do you feel liberated to come—and do you feel independence—sufficiently independent that you come to us and identify something like that that might be a problem, that might actually increase the threat, that we need to be addressing?

Acting Director TENET. Well, I've been liberated for a while, Senator, so the answer is yes. I think the three of us feel that way.

Vice Chairman KERREY. Well, I hope so because I think—I pick it as an example. Do you feel liberated, for example—I mean, it seems to me, as I listen and read both of your testimonies that the 6,000 ballistic missiles that Russia has, those are not—they're not targeting us any longer—still pose, looking at sort of the uncertainty scenario, it is the threat that could eliminate the United



States of America. I mean if you're looking for the one—the answer to the question, is there any threat out there that could obliterate all life in the United States of America, that's the one that's still there. I mean they're not targeting us and their current policy is not threatening to us and their democracy is surviving, and it would seem—it begs the question, why don't we then come up with a changed policy that aggressively tries to reduce that threat and provide the resources to do it and try to develop as well an anti-missile capability so that we can respond to whatever residual is still there in place?

I mean, are we—you say, General Hughes, in your testimony, that DIA analysts continue to examine and study alternatives and excursions to each specific condition, event and circumstance. Are those the kinds of things that you're examining, and if so, how do we get so that we're in the room when you're examining?

General HUGHES. Well, they are indeed, and we will answer questions or provide you information right along with our work. The reference made in my testimony was directly connected to the quadrennial defense review and the excursions and branches and sequels of thought are an attempt to try to examine almost all possible conditions so that we can properly size and focus our military force in the future.

Vice Chairman KERREY. What sort of thinking do you have, though, on the notion that I just proposed, which is a changed policy to simultaneously reduce more significantly than START II does, as well as to prepare ourselves for the possibility of some kind of inadvertent missile attack or unexpected missile attack on us?

General HUGHES. As you know, Senator Kerrey, I'm not a policy person and I would hesitate to make a comment about policy. I'll just merely say that my goal is to try to deliver as much of the factual information and perceived truth as I can to you, the policy-maker, so that we can form the right policies for the future. That's our role and I do, by the way, not feel constrained in the least by anyone to say what I want to say.

However, as you know, not everyone has agreed with what I have said in the past, but that's my job and I'm very happy to accept it.

Vice Chairman KERREY. Mr. Chairman, I just say to the committee that's one of the reasons I'm sort of increasingly leaning in the direction of making the DCI even more independent than it currently is under law, because it may be that—that our policy needs to be changed as a result of radical change in circumstance, and it seems to me that the Congress needs to be apprised of perhaps some alternatives that may not be under consideration because of budgetary reasons or political reasons or any other thing. I'm not taking a shot at the current administration at all.

I just think if we're dealing with a radically changed circumstance, as we are, and I heard Senator Roberts earlier pose a question, I would have answered it emphatically yes, I think the American people do not today have a clear sense of the threats. It just seems to me that this need for independence is increasingly an important issue.

Chairman SHELBY. Senator Kerrey, I totally agree with you and I'd like to work with you on some legislation that both of us have talked about in that regards.

Ms. GATI. Senator.

Chairman SHELBY. I believe Senator Kyl—Secretary Gati..

Ms. GATI. If I could respond?

Chairman SHELBY. Secretary Gati.

Ms. GATI. I see our job as monitoring changes and providing early warning. There are two issues you just raised, Senator Kerrey, where I think this is very important. For example, nuclear weapons and Russia. Our job is not just to monitor forces and numbers, but also to look at planning, look at exercises, look at declaratory policy and how that's changing. Because we know that the way that a country views its nuclear weapons is just as important as the numbers it has. And also, we need to pay attention to the discussions going on in society which might lead to a change in policy.

Second issue, North Korea. The Intelligence Community several years ago started to look at economic indicators in North Korea and not just the number of troops on the DMZ because of our firm belief that the economic factors would influence the way the North assessed its interaction with us and the international community. So I think we have tried to respond to those new challenges.

Chairman SHELBY. Senator Kyl, I believe you had another comment or question.

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

Let me ask George Tenet a question first. And then, a general question I'd like to ask for any of you to respond to. This is the last question regarding terrorism and chemical weapons, if I could.

In May of last year, the DCI's Inter-Agency Committee on Terrorism published a report entitled, "Aum Shinrikyo: Insights to the Chemical and Biological Terrorist Threat." A declassified portion of the report concluded, "In the case of Aum Shinrikyo, the CWC, the Chemical Weapons Convention, would not have hindered the cult from procuring the needed chemical compounds used in its production of sarin."

But the report also stated that CWC's provisions probably would make it more difficult and costly for terrorists to acquire CW by increasing the risks of detection, but a determined group could circumvent the provisions. In addition, in February of last year, the DIA report states, "Irrespective of whether the CWC enters into force, terrorists will likely look upon CW, chemical weapons, as a means to gain greater publicity and instill widespread fear."

Does the Intelligence Community still believe these statements are accurate?

Acting Director TENET. Well, Senator, let's parse them out a little bit. Now, we talk about the fact that terrorists groups look at the potential for chemicals. But the use of chemicals is a non-trivial event for a terrorist group and a State sponsor. So we can theorize about that—and it's easy to get. But there are consequences from the use of chemicals that people have to think about.

Now, with regard to what you said about the Japanese incident, I think both those judgments remain valid. Again, I wouldn't be—I couldn't sit here and tell you that passage of the CWC is going to prevent chemical terrorism in the future, but I can sit here and

tell you that if you increase the cost and the risk and the burden that someone has to bear to go get it, we're minimizing risk to an extent that it either is or isn't acceptable and I'd say minimizing risk with regard to the use of chemicals is something we should try to do. It's never going to stop a dedicated group, just because of the nature of what these developments look like.

Senator KYL. In the case of Aum Shinrikyo, in fact, those chemicals were acquired within the country of Japan. There was no attempt to obtain them from elsewhere, isn't that correct?

Acting Director TENET. I believe that's true, yes, sir.

Senator KYL. OK. One of the things that you mentioned in your opening statement was information warfare.

Acting Director TENET. Yes.

Senator KYL. I wondered if either you or General Hughes would like to expand on that a little bit with respect to the potential that that provides, with respect to our private and commercial information infrastructure, our communications and energy grids and so on. And in addition to that, to our defense and intelligence area, specifically?

Acting Director TENET. My preference would be we do it behind closed doors, Senator.

General HUGHES. Mine also, sir.

Senator KYL. All right. Both of you prefer to do that.

OK.

Just one final question, then. We haven't talked about the spy cases and I don't mean to do that in a negative way, so I'll give you an opportunity to do it in a very positive way. It is my impression, and I'd like to have you confirm this if it is correct, that the degree of cooperation between the CIA and the FBI, a subject of some concern in the past—

Acting Director TENET. Yes, sir.

Senator KYL [continuing]. Has improved dramatically, perhaps as a result of some of these incidences. But in any event, that there is a much greater degree of cooperation. I wondered if you could comment on that and identify any other specific areas in which you think improvement needs to be made or where the committee might be of assistance?

Acting Director TENET. I think in the counterintelligence arena, Senator, the improvements have been quite dramatic since the Ames case, and they are the result of the attention this committee paid to the case, legislation that you enacted, actions the President took. But the bottom line is that Louis Freeh and John Deutch and—have worked systematically over the past 22 months to establish a relationship of trust and jointness that simply didn't exist before.

This also extends to other areas. Counterterrorism is one where there is a very important hand over between the foreign and the domestic that I think it's working quite well. But this relationship is extremely good and we are now focusing on our roles with respect to each other overseas where there is a growing FBI LEGAT presence, of necessity. So the relationship is quite good and healthy. Now we, ourselves, Senator, will come back to you, going back and reevaluating the most recent cases to think whether the cooperation can even be made better. Are there things that could

have been done better? On the face of it, it doesn't appear so but we owe it to you and to ourselves to evaluate that very carefully.

Senator KYL. Thank you very much.

Chairman SHELBY. If there are no further questions here, we will recess.

Senator HATCH. Could I ask just one or two?

Chairman SHELBY. OK. Senator Hatch, go ahead.

Senator HATCH. Mr. Tenet, do we have any information that the Iranians may have been involved in the Al Khobar bombing?

Acting Director TENET. Senator, I indicated before that we would talk about Khobar behind closed doors.

Senator HATCH. OK. I'm going to ask you a couple more questions on that. Is the role of the Islamic Change Movement—do you have any information that they may have been involved in the bombing?

Acting Director TENET. Sir, I will talk about this behind closed doors.

Senator HATCH. You'll do that then. How about Usama Bin Ladin?

Acting Director TENET. I'll talk about it behind closed doors.

Senator HATCH. OK. That'll be good enough.

Chairman SHELBY. Senator Hatch, what our intention is, in just a few minutes to recess this hearing and go immediately to 219 for a closed session.

Senator HATCH. That will be fine.

Chairman SHELBY. Senator DeWine.

Senator DEWINE. I'd like to turn to the issue of trade with Central America and Latin America. You know, as we look at the extension of NAFTA and other trade issues, do any of you have any comments about what inroads the European Community or Japan might be making in that region of the world as far as trade is concerned?

Acting Director TENET. Senator, I don't know. I'll take that for the record for you, unless Ms. Gati has an answer.

Ms. GATI. Our trade with Latin America increased dramatically in the last couple of years. Last year, we do not notice as great an increase and we attribute part of it to a concern perhaps that we're not as vigorously pursuing free trade zones, and therefore, particularly the countries of MERCOSUR are looking to other parts of the world—the EU, Japan, other places to increase their trade with those areas. So the perception of movement on free trade zones does have a very large impact on our own trade situation.

Senator DEWINE. Do you see more activity from our competitors from Japan, from the European community?

Ms. GATI. We see more activity, yes, we do.

Senator DEWINE. Thank you.

Thank you, Mr. Chairman.

Chairman SHELBY. Any other questions?

If not, we will recess, and we will immediately reconvene in SH-219 for a closed session.

[Thereupon, at 1:28 p.m., the committee stood in recess.]

PREPARED STATEMENT OF HON. ORRIN HATCH, U.S. SENATOR FROM THE  
STATE OF UTAH

Mr. Chairman and distinguished witnesses before the Committee, I am pleased to join the Committee once again as a member, following a six-year hiatus, and I am pleased to welcome today the Acting Director of Central Intelligence, Mr. George Tenet, as well as Ms. Toby Gati, Assistant Secretary of State for Intelligence and Research, and General Pat Hughes, Director of the Defense Intelligence Agency. Today is a repeat appearance from last year, when you spoke then of the current and projected national security threats facing our country, and I thank you for your testimonies.

As I said, I have been away from the Committee for a number of years. Since 1990, in fact. At that time, this country had just emerged the winner of the Cold War, an engagement that defined this country's foreign policy for the better part of two generations. Our victory in the Cold War, however, was not the end of history, nor was it the end of conflicts abroad or threats to our national security.

Many of today's conflicts abroad stem from the systemic change the world underwent as it moved from one dominated by bipolar competition to one where there was one superpower with no history or intent of expansion, but a great stake in stability. But that stake has been threatened by the rise of violent ethnic conflicts as former states have collapsed or imploded. Today we have a little over 8,000 U.S. troops in Bosnia providing, we are told, stability to a region with little recent history of such, and, in my opinion, too little hope for it in the future. By the fact of our troops overseas, and a logic, that I accept, however weakly asserted, that the stability of Europe is in the U.S. national interest, our national security now includes the safety of those troops in the Bosnian theater.

In the years I've been away from the Intelligence Community, I have been ranking member and now Chairman of the Judiciary Committee, and I have had plenty of opportunity to focus on the effects of two growing threats to our national security—drugs and terrorism. While these threats were with us before the Cold War ended, I submit that we are under greater threat than ever before from these scourges, and I agree with those—including members of this Committee and the witnesses testifying today—who have raised their voices to identify these “non-traditional” threats to our national security.

I call these threats “non-traditional” for a couple of reasons. First, because they are, along with that of international organized crime, foreign-based threats against which our traditional tools of statecraft are limited. The State Department talks to heads of state and ministries of foreign affairs, not to drug cartel leaders, terrorists or criminal operators. Our defense establishment is principally designed to engage military threats, not furtive transnational organizations exporting drugs or terrorism. A second reason I refer to these as the “non-traditional” threats of the post-Cold War era is because these foreign policy threats affect us in our homes, on our streets. When terrorists strike the World Trade Center and when cocaine can be bought around the corner from the local schoolyard, we have to recognize the seriousness of these foreign threats and the dire need to build effective strategies to defend against them.

I believe the Intelligence Community, under wise leadership, along with this Committee must play a critical role in defining this nation's response to these threats. In these hearings last year, then-DCI Deutsch identified the need for us to get on top of these “transnational” issues, as he called them. General Hughes recognized the future portent of states dissolving under social and criminal strain.

While I think it would be foolish to underestimate the dynamics of traditional competition that still emanate from the capitol of Moscow, Beijing, Damascus and Pyongyang, to name a few, I do think it is overdue that we devise better strategies to counter the threats of drugs and terrorism. We need to measure the effectiveness of our threat assessments of these challenges, and develop strategies that use intelligence effectively in policies that counter the threats of well-financed terrorists and well-organized gangsters who operate beyond the constraints of weak governments to threaten U.S. citizens.

Mr. Chairman, I am pleased to welcome our distinguished witnesses.

PREPARED STATEMENT OF HON. FRANK LAUTENBERG, U.S. SENATOR FROM THE STATE  
OF NEW JERSEY

I'm delighted to be here to hear an assessment from the Intelligence Community about current and projected threats to the United States and our interests abroad.

The Intelligence Community is the first line of America's defense because it provides the warnings about threats to our country and our interests.

Whether it comes to gathering intelligence information about ethnic conflicts, the proliferation of weapons of mass destruction, or the growing threat of terrorism worldwide, we look to you for the facts. We look to you to provide the intelligence information that ultimately informs our policy decisions.

Though the cold war is over, America still faces many threats. Assessing and informing us and the American people about those threats is an awesome responsibility, and I look forward to hearing your assessment today.

## RANGE OF POTENTIAL CONTINGENCIES

CONFLICT SHORT OF WAR

Most  
Likely

Least  
Likely

Military  
Assistance

Counter-Drug

Counter  
Insurgency

Local  
Conventional  
War

Regional  
Conventional  
War

Global  
Conventional  
War

Limited  
Nuclear  
War

Global  
Nuclear  
War

**Terrorism**

Infrastructure Warfare

Information Warfare

Chemical / Biological  
Warfare

Peace Operations  
National Assistance  
Peacetime Engagement  
Operations Other Than War  
Other Operations

**Asymmetric  
Warfare**

LOW INTENSITY CONFLICT

CONVENTIONAL WAR

NUCLEAR WAR



RESPONSES OF THE DEFENSE INTELLIGENCE AGENCY TO QUESTIONS SUBMITTED FOR THE RECORD REGARDING "GLOBAL THREATS AND CHALLENGES TO THE UNITED STATES AND ITS INTERESTS ABROAD"

RUSSIAN MILITARY CAPABILITIES

*Question 1a.* (U) Many experts believe that Russia is likely to focus on internal issues and only on those national security concerns on its periphery—unless it considers its vital interests at stake. What vital interests would Moscow perceive beyond its periphery that would warrant its commitment of military force?

Answer. (U) Beyond a direct threat to the Russian homeland, some writings have indicated that Russia would consider a threat to ethnic Russians as warranting commitment of military force. Large numbers of ethnic Russians remain, for example, in the Baltic states as well as in Kazakhstan.

NORTH KOREA AS A CONTINUING THREAT (U)

*Question 9.* (U) In an unclassified response to a query from the Committee, the DIA informed the Committee on May 6, 1996 that "the likelihood that North Korea will continue to exist in its current state 15 years from now is low to moderate. Unless solutions to the North's economic problems are found, the regime will not be able to survive. It will have to adapt, slide into irrelevance, or collapse/implode. This has led many analysts to believe a process of political self-destruction has begun with the potential for system collapse within 3 years."

*Question 9a.* Do you still agree with this assessment?

Answer. (U) Yes. North Korea's internal situation has continued to deteriorate, bringing into even greater question its long-term viability. Recent developments, particularly the impending food crisis, reinforce our judgment that the North cannot survive without significant external assistance and internal change. It is a virtual certainty that the North Korean regime will not exist in its current guise in not too many years ahead. Some degree of change already has come to the North—as witnessed in its reluctant interaction with the outside world. The form that the future change will take—and the nature of any accompanying instability or conflict—is hard to confidently assess.

*Question 9b.* How widely is this view shared in the Intelligence Community?

Answer. (U) The Intelligence Community is in agreement over the current state of North Korean stability and its near-term outlook.

SADDAM'S GOAL OF DOMINATING KUWAIT

*Question 13.* (U) Will Iraq continue its belligerent attitude toward Kuwait? What is the likelihood that Saddam's forces will attack Kuwait within the next year? Under what circumstances would Saddam most likely attack Kuwait? Has Saddam recently moved any military assets to enhance his ability to threaten Kuwait?

Answer. (U) As long as Saddam Hussein remains in power, Kuwait will be threatened by Iraq. While constrained by the strong U.S./coalition military commitment to Kuwait, backed by several U.N. resolutions, Iraq has still not given up on its strategic goal of reclaiming its so-called 19th Province, Kuwait, despite having publicly rescinded its Revolutionary Command Council declaration annexing the country. We believe Saddam probably will not attack Kuwait, but he is unpredictable and capable of making mistakes. An attack is unlikely in the next year, particularly since Iraq is prohibited by U.N. Resolution 949 from increasing its offensive forces in southern Iraq. Saddam would most likely attack Kuwait if he felt he could get away with it—that is, if he believed that the world, particularly the United States, would not come to Kuwait's aid as it did in 1990/91. Despite the claims of opposition press and some clandestine reporting, Saddam has not moved additional military assets to threaten Kuwait. Iraqi forces already deployed in southern Iraq are conducting routine counter-insurgency operations or remain in garrison. Iraq will occasionally move small infantry or commando units into southern Iraq on a temporary basis to augment units engaged in counter-insurgency operations.

ROLE OF THE MILITARY IN LATIN AMERICA

*Question 31.* (U) Please characterize the role militaries today are playing in Latin America. Are they a force for democracy and economic reform? Are they downsizing?

Answer. (U) The militaries throughout Latin America continue to play a very important and influential role in their respective countries, but it is a much more supportive and subordinate role to democratically elected civilian authority and not the intrusive, dominant, dictatorial role that was familiar during the 1960s, 70s, and



into the 80s. The armed forces remain one of the most cohesive, organized, structured, and disciplined institutions in many countries and are looked to by the governing authorities to help provide continuity and assistance to society as the democratization process proceeds and evolves.

(U) The military has been instrumental in many cases in promoting and providing the conditions necessary for the democratic progress that has occurred in the region. The transitions that have taken place have not always been easy for the military and some rough spots in civil-military relations remain; however, the trend has been definitely toward increased subordination to civil authority and greater acceptance of the proper role for the armed forces in a democratic society. The militaries have also by and large been supportive of the shift in economic policy and direction in Latin America away from statist, protectionist systems toward more open, free market-oriented economies.

(U) Since the late 1980s, most regional militaries have undergone severe budgetary cuts. For many, this has led to significant cuts in force strength. This has been particularly true for the countries in Central America where some forces have been eliminated—as in Panama following JUST CAUSE when the military was disbanded and replaced by a police force—or reduced by as much as 80 percent—as in the case of Nicaragua—from their high levels during the convulsive 1980s. South American forces have been affected as well. As a result of reduced funding, most spend their scarce resources on administrative and personnel costs such as pay, housing, food, and retirement benefits. There has been little, if anything, left for operations, training, maintenance, or acquisition in many cases. The armed forces throughout the region have responded by looking at ways to restructure to make better use of reduced manpower and to upgrade and modernize existing equipment to prolong its useful life and to avoid the expense of acquisitions while attempting to maintain the capability to meet their missions.

#### TRENDS ON ILLEGAL NARCOTICS

**Question 32.** (U) Have we detected any change in the supply of and demand for drugs? Are our efforts having any affect on the drug trafficking organizations?

**Answer.** (U) The Intelligence Community does not address the question of domestic demand in the United States that information is maintained by U.S. domestic Law Enforcement Agencies. In terms of any change in the supply of drugs, there are periodic shifts/fluctuations in the availability of both heroin and cocaine, based on such elements as these: counterdrug operational successes, adverse weather in cultivation areas, blight or other crop diseases, etc. However, none of these elements has had a long term impact on the availability of those drugs in the United States. The supply has been more than adequate to meet the demand.

(U) As previously noted, counterdrug efforts have had some limited, temporary successes in limiting the availability of drugs in the United States. The successes that have been achieved to date primarily have been those that have made it more costly or inconvenient for drug traffickers to conduct business.

- Several key cocaine and heroin traffickers have been arrested or imprisoned over the last few years, which has disrupted operations and led to infighting among those seeking to assume power.

- Operational successes have disrupted traditional routes used by traffickers to move drugs in South America, which has forced them to use alternative means of moving their product within the region.

- Recent Colombian seizures of large major laboratories in remote areas has represented the greatest success against laboratories over the last several years.

- A limited number of successes against the traffickers' financial assets (cash flow, properties, etc.) has raised the cost of doing business both in the United States and in their own countries.

- Operational successes in the disruption of the supply of pre-cursor/essential chemicals have inconvenienced the traffickers' production efforts.

- Seizures of drug shipments (primarily cocaine) have increased traffickers' cost by necessitating increased production to meet the demand.

(U) Although these operations have not yet had a significant impact on the supply of heroin and cocaine in the United States, if they can be sustained for a sufficiently long period of time in the source and transit zones to significantly raise the traffickers cost of doing business, it is much more likely that counterdrug operations will negatively impact the supply of drugs in the United States.

MISSILE THREATS TO U.S.: THE PROLIFERATION OF MISSILE-DELIVERED WEAPONS IS AN ISSUE DIRECTLY CONFRONTING THE STRATEGIC INTEREST OF THE U.S. AND ITS TRADITIONAL ALLIES

*Question 37c.* (U) What is your response to the GAO report which criticizes aspects of the missile threat NIE?

Answer. (U) Most of the GAO criticisms dealt with presentation rather than the conclusions; it even acknowledged that the judgements were not inconsistent with earlier community views on missile developments. DIA will continue to monitor foreign missile developments and will update its threat assessments as developments would warrant. Based on its ongoing analysis of missile related activities over the past year, DIA continues to stand by the judgements and conclusions contained in NE 95-19.

THREAT TO SCIENCE AND TECHNOLOGY (S&T) DATA

*Question 43.* (U) How significant is the threat to U.S. corporate science and technology (S&T) data from foreign governments and foreign corporations? How effectively do U.S. corporations guard against this threat? What other types of threats do you see emerging against U.S. economic competitiveness?

Answer. (U) The "threat" to U.S. corporate science and technology is extremely great, but it must be realized that the world has significantly changed over the past several decades, and the rate of change is increasing at rates which are not generally appreciated. Coupled with the open exchange of knowledge and knowhow, the integration of corporations on a global scale has changed the complexion of "U.S. Corporations" to a very large extent. No longer are there "U.S. Corporations" who are identifiable as solely or largely dependent on the United States for their earnings, sales, or work force. As the economies of the world continue to expand, particularly in the Far East, the dilution of the American Corporation will continue. Therefore, the control of technology from "our shore" to "off shore" will diminish in a commensurate manner.

(U) Currently, some of our greatest competitors in the world, to include otherwise friendly or cooperative countries, continue to mount serious efforts to obtain key or critical technological knowledge or knowhow in support of their own industries and state security.

(U) The effectiveness of U.S. Corporations in guarding technology is a function of the life of that technology, the rates of return on the investment, and what the corporation strategy is in its mid to long term goals. Overall, companies appear to be quite good at protecting those technologies which have either high earnings potential, or other economic advantage to the company. However, in the world of acquisitions, buy outs, and strategic alliances, companies are willing to trade technology as any other commodity.

(U) The U.S. has had as a corporate strategy for some time the movement off shore of "smoke stack" technologies, i.e. basic industry and manufacturing. The future it has been reasoned is in the upcoming fields of data handling, service industries, and other financial undertakings. Even as we move such basic industries, major changes are in the planning for the "high tech" future industries. The demise of the Soviet Union resulted in many very skilled computer specialists being unemployed and available to the advanced countries of the world, competing for many of the jobs in the United States. Similarly, India has also gained major footholds in the computer programming fields. Together with wholesale transfer of basic manufacturing technology to the third world, the loss of income generating positions in the United States is significant.

(U) This could have a major influence on National Security since many of the "unclassified" contracts executed by or for the Department of Defense may well be being performed by off shore contractors or personnel, some which may even be in the republics of the Former Soviet Union.

(U) Therefore, there is cause for concern and attention to the issue of the loss of high tech jobs to the global economic marketplace, and the impact which that will have on the reliance of the U.S. defensive posture on other than United States personnel for the construction, maintenance, and repair of the systems needed to preserve our independence.

ECONOMIC TERRORISM

*Question 44.* (U) Do you have any evidence that foreign governments, corporations, or individuals are targeting U.S. economic interests using technology (such as virus, computer hacking, etc.)? Do you see this as a near-term threat, or more long term?

Answer. (U) U.S. economic interests have been targeted using technological means, but none of the persons doing this can be confirmed to be linked to terrorist organizations. For example, a Russian hacker, Vladimir Levin, is awaiting extradition from the UK to stand trial on charges that he broke into Citibank's computer network in 1995 and stole 10 million dollars, most of which has subsequently been recovered. Other reported episodes have targeted the U.S. banking and financial industry or involved industrial espionage, and British banks have reported several cases of financial loss attributed to "cyber-crime." There are no firm statistics on these events because many of these cases go unreported, as many of the victims are reluctant to have their embarrassment revealed publicly. We assess such techno-terrorism as both a short-and long-term problem, and substantial efforts are being devoted to countering this threat. DIA has established an Office for Information Warfare Support to work this issue, and the FBI and other law enforcement agencies are also devoting substantial resources to the subject.

#### TERRORIST WILLINGNESS TO INDISCRIMINATELY KILL CIVILIANS

Question 46. (U) Do the bombings at the World Trade Center, Oklahoma City, Khobar Towers, and the Tokyo gas attack represent a greater willingness on the part of terrorist groups to inflict high number of casualties? Three of these attacks were against undefended civilian targets. Should we expect more of this? As we continue to tighten security at military and diplomatic installations, will terrorist groups turn to civilian targets? If groups do not move to weapons of mass destruction, will we see a trend toward more and more powerful conventional bombs? Was the size of the explosion at Khobar Towers a surprise? Should we anticipate even larger bombs?

Answer. (U) The attacks mentioned do not necessarily represent a greater willingness than previously seen among terrorist to inflict high numbers of casualties; massive casualties have occurred in numerous terror attacks. As examples, please recall that the 1983 U.S. Marine Barracks attack in Beirut killed 241 Marines, and the 1988 Pan Am 103 bombing killed 270 people. However, we now expect more attacks on civilians or other less-defended or undefended targets, as security around key military and diplomatic installations becomes stricter. The Khobar Towers bomb was larger than we had expected to occur in Saudi Arabia, but was not unprecedented in the history of Middle East terrorism; the 1983 Marine Barracks bomb was on a similar scale. Large-scale bombs such as those used at Khobar Towers, the World Trade Center, and Oklahoma City are not overly sophisticated, and do not require specialized technical expertise to prepare; even larger bombs might be prepared, but would be limited only by the size of the delivery vehicle.

#### BOSNIA STABILIZATION FORCE

Question 47. (U) In order to prevent the outbreak of widespread fighting between the Bosnian factions, it is widely perceived as essential for the NATO Stabilization Force (SFOR) to remain a credible force. In your opinion, what is required to make the Bosnian Stabilization Force a credible military force?

Answer. (U) First, of course, the response the U.S. or the International Community makes to any threat situation or force structure is not an intelligence call. The goal of the international military presence is to make it possible for the three factions to resume their coexistence peacefully. A withdrawal of forces would risk a resumption of hostilities. In my opinion, the potential magnitude of the situation demands a force that has the command and control as well as the resources to carry out the mission. Just as important, such a force must have the will and intent to fully carry out the Dayton Agreement. Right now, NATO is the only organization with such capabilities.

CENTRAL INTELLIGENCE AGENCY,  
Washington, DC, June 12, 1997.

Hon. RICHARD SHELBY, *Chairman,*  
*Select Committee on Intelligence,*  
*U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN: (U) Enclosed are the unclassified responses to the questions for the record from the 5 February 1997 hearing on the current and projected national security threats to the United States. Those responses that could not be answered in unclassified form appear in the classified annex.

(U) An original of this letter is also being sent to the Vice Chairman of the Senate Select Committee on Intelligence. If you have any questions, please feel free to contact me.

Sincerely,

JOHN H. MOSEMAN,  
Director of Congressional Affairs.

## UNCLASSIFIED RESPONSES TO QUESTIONS FOR THE RECORD

### RUSSIAN MILITARY RESEARCH AND DEVELOPMENT

**Question 1.** Some experts have noted that, in order to deal with growing budgetary constraints, the Russian military is emphasizing research and development (R&D) over production. Is this an accurate assessment? In what areas is the Russian military focusing its R&D effort?

**Answer.** Senior Russian officials have stated that they are focusing more on research and development (R&D) than on production. Moreover, they have indicated that they have pursued this approach since 1993.

- First Deputy Minister of Defense Kokoshin, while discussing the State Program for Armaments in February 1997, stated that the Ministry of Defense will emphasize R&D and produce minimal numbers of weapons over the next several years.

- Defense Council Secretary Baturin and Minister of Defense Rodionov, in their military reform proposals, advocate focusing modernization resources on R&D rather than near-term procurement.

- These officials foresee large-scale modernization beginning after 2005, when they believe the economy will be much stronger than it is today and Russia will be better able to afford new weapons.

These statements probably are prompted by the disparity between what military officials believe they need and what the Russian Government can afford to allocate for defense purposes. For the past several years, the Russian political leadership has required the military to share fiscal pain, forcing military officials to make some difficult choices.

Russia has a wide range of military technology and weapon development programs under way across all major mission areas. The State Program for Armaments has three high priority areas for military R&D: strategic forces; precision strike; command and control; communications; and intelligence. This program was approved by the government in September 1996 and by President Yeltsin in December 1996.

Meanwhile, production of major weapon systems—including for export—is at an all-time low level; 1996 defense production was about 13 percent of the 1991 level, according to Russian statistics.

- Defense officials believe that even minimal production of current weapons systems, both for national defense and for foreign sales, will allow Russia's defense industries to maintain their production capabilities in the near term. Russian production capabilities continue to atrophy, however, and this will jeopardize future capabilities to produce advanced weapons.

- The condition of Russia's defense industries has become increasingly precarious since 1992 because government financial support has declined sharply, owing to fiscal constraints and the inability of Russian officials to agree on how to restructure the defense-industrial sector.

On the basis of budget figures released by the Russian Government, it is difficult to determine whether R&D is receiving more emphasis than production. In part, this is because the Russians provide no data on the number of programs associated with either R&D or production. In addition, costs vary dramatically depending on whether a program is in R&D or production. The 1997 defense budget authorizes about 11.5 trillion rubles for R&D, or about 11 percent of the defense budget and about a 3-percentage-point increase over the share that was authorized in last year. The 1997 defense budget authorizes about 21 trillion rubles for procurement, approximately 20 percent of the defense budget and about 3.5 percentage points more than that authorized in 1996.

- The authorized defense budgets are not accurate indicators of what is actually spent. For example, Minister of Defense Rodionov has asserted that R&D received only half of what was authorized in the 1996 Ministry of Defense (MOD) budget, or about 3.3 trillion rubles. There have been no such statements about how procurement fared in 1996.

- Nonetheless, R&D spending is normally greater than what is disbursed in the defense budget. This is because sources not shown in the defense budget contribute a significant portion of what is actually spent.

- The MOD continues to sponsor a substantial portion of R&D on credit. In January 1997, a Ministry spokesman stated that the MOD owed about 4.6 trillion rubles to defense industries for R&D work.

#### RUSSIA'S RELIANCE ON NUCLEAR WEAPONS

*Question 2.* Many experts believe that Russia's weakness in conventional arms will lead it to place greater emphasis on nuclear weapons. In fact, Russia's new military doctrine enhances the role of nuclear weapons in Russian security policy.

*Question 2b.* Please describe Russia's current military doctrine and trace its evolution since the mid-1980s. What role do nuclear weapons play in the current doctrine?

Answer. Soviet/Russian military doctrine has changed substantially since the mid-1980s. Before Gorbachev assumed power, the Soviets emphasized a rapid, massive conventional offensive to defeat NATO. Their nuclear forces—tactical, theater, and strategic—were to deter a NATO nuclear strike and, if deterrence failed, to deliver decisive retaliatory blows. Moscow's declared nuclear weapons policy was "no first use."

- Under Gorbachev, the Soviets in the late 1980s as a response to the need to cut defense spending shifted to the doctrine of "reasonable sufficiency." NATO's decisive defeat no longer was required. The "no-first-use" policy remained, and the Soviet Union also emphasized arms control.

Soviet and Russian military doctrine underwent a profound transformation after the breakup of the Warsaw Pact and Soviet Union. In 1993, Russia adopted a transitional doctrine in response to dramatic geopolitical changes that had occurred and considerably lower defense spending.

- The prospects of a major war, conventional or nuclear, were seen as having declined substantially but were still conceivable, most likely through escalation from a lesser conflict.

- Local and regional wars along Russia's periphery were more likely.

- The military would be structured into "covering" forces, mobile forces, and a strategic reserve.

- As with previous doctrines, the military was to be well-equipped and to have the most modern weapons available, since technological advances were seen as holding the promise of compensating for reduced manpower.

- The doctrine also addressed Russian participation in global peacekeeping operations, operations in the Commonwealth of Independent States, and internal security missions.

The 1993 doctrine omitted a "no-first-use" pledge on nuclear weapons. This shift reflected a new reliance on nuclear forces to deter not only nuclear but also large-scale conventional attacks necessitated by the substantial decline in Russia's conventional capabilities. It also reflected growing awareness that the West, with its advanced conventional capabilities, could threaten Russia's strategic forces without resort to nuclear weapons.

At present, a number of Russian observers advocate placing greater reliance on nuclear weapons to compensate for the deficiencies of conventional forces. Some have called for developing first-use and limited-use nuclear options to prevent a regional conflict from expanding into a broader war.

- In February 1997, Ivan Rybkin, the head of Russia's Security Council, commented on the latest security doctrine, which explicitly authorizes Russia's first-use of nuclear weapons to deliver a decisive response in the face of an overwhelming conventional attack.

- President Yeltsin formally approved the new military doctrine in May 1997, according to press reports.

*Question 2c.* Please describe the nature and extent of Russia's ballistic missile defense (BMD) effort. How has the dissolution of the Soviet Union affected the Russian program?

Answer. Russia's ballistic missile defense (BMD) effort consists of both strategic and tactical (theater) systems. Its strategic antiballistic missile (ABM) complexes are located around Moscow and consist of both endo- and exoatmospheric interceptors as well as a large multifunction radar collocated at the ABM complex near Pushkino. These sites are fully operational and are in compliance with the 1972 ABM Treaty, which permits one ABM deployment location and a maximum of 100 total interceptors.

Russia's strategic ABM system is provided early warning data by a network of radars located along the periphery of the former Soviet Union. As conceived, the network would have provided highly redundant coverage of the main U.S. ICBM and SLBM attack corridors. The breakup of the Soviet Union, however, has left this network incomplete and reliant on radars using dated technology. Meanwhile, work on the newer radars, most of which are located in non-Russian states, has slowed or halted altogether. An example of this is the radar site near Skrunda, Latvia.

Russia's theater missile defense (TMD) consists of two surface-to-air missile systems—the SA-12 and SA-10—both of which are being heavily marketed in direct competition with the U.S. Patriot system. The SA-12, Russia's foremost antitactical-ballistic missile (ATBM) system, was deployed in the mid-1980s to counter U.S. Pershing deployments in Europe. The SA-12 is a highly mobile tactical system deployed with Russian ground forces. It consists of several surveillance and long-range acquisition radars in addition to a battery-level engagement radar and a suite of six launchers. The SA-12 system employs two missile types. One is for more traditional air defense targets. The other is reserved for tactical ballistic missile targets having speeds of up to 3,000 meters per second.

The SA-10 system is Russia's premier air defense system, and it has some inherent ATBM capability. The system consists of a long-range surveillance radar and a dedicated low-altitude surveillance radar (primarily to look for low-altitude aircraft and cruise missile targets). The fire-unit level has a phased-array fire-control radar and as many as 12 launchers (eight are typical). Each launcher contains four missiles. Following Desert Storm, the SA-10 was marketed as having capabilities equivalent to those of the U.S. Patriot, such as the ability to engage Scud-class tactical ballistic missiles.

Severe funding problems have greatly constrained Russia's military R&D effort, and they have affected all forces. Russian planners appear to be prioritizing weapon development programs and keeping key developments alive with low levels of funding. Meanwhile, they are sacrificing the procurement of many lower priority systems, some of which are further along in development.

#### RUSSIA'S SAFEGUARDING OF NUCLEAR MATERIALS

*Question 3.* What is the Intelligence Community's assessment of the adequacy of Russia's safeguard of nuclear weapons and fissile material?

Answer. Russia has a large stockpile of nuclear materials and warheads. The Intelligence Community remains very concerned about their security because of continuing social and economic difficulties, corruption in the military, and potential activities of organized crime groups. Nevertheless, Moscow is committed to improving nuclear security and is taking actions to minimize the vulnerability of weapons and materials to theft.

- Moscow has undertaken programs—some with U.S. assistance—to enhance physical security, inventory control, and material accountability at facilities storing fissile material.

- These include consolidating its stockpile of nuclear warheads into a smaller number of centralized facilities and proceeding with warhead dismantlement. In addition, Moscow has programs underway—some with U.S. assistance—to improve physical security, personnel reliability, and warhead accountability.

*Question 3a.* What about missile systems, components, and technologies?

Answer. Russia became a member of the Missile Technology Control Regime in October 1995. Russian export controls specifically regulate the transfer of missile components and structural materials as well as missile-related technologies. Moscow has made progress in educating exporters on control regulations, and it has expanded its customs service to more than 50,000 officers. However, Russia's ability to enforce export controls remains problematic because of resource shortages, weak customs enforcement, and corruption.

We do not believe that Russian ICBMs are as vulnerable to theft or sales as missile components. A conspiracy of many government officials would be necessary to purloin an entire ICBM.

#### ECONOMIC REFORM IN RUSSIA

*Question 4.* What are the prospects that Russia's economic reforms could be rolled back? Do you consider Russia's transition to a market-driven economy to be irreversible? What fraction of the Russian economy is still controlled by the government? By the Russian mafia?

Answer. The answer to this question depends largely on how the term "reversible" is defined. If it is taken to mean that Russia could return to a Soviet-style command economy, the answer is "no." Except for a few fringe groups, even the Communist

and nationalist opponents of Yel'tsin's reforms do not advocate a return to the "bad old days." Communist leader Zyuganov, for example, has talked about leaving small retail stores and consumer services in private hands. Newly elected regional leaders also are not ready to return all power to Moscow.

If the term "reversible" is defined much more loosely—that reforms implemented so far can be rolled back—the answer is that reverses are possible but not likely unless the Yel'tsin administration loses power or changes course. The government's failure to pay its own debts or to enforce the regular payment of wages by enterprises has led to a rise in social tension and to the election of local officials affiliated with the Communist/nationalist patriotic opposition, as demonstrated by the election of 1991 putschist Starodubtsev as governor of Tula province. The government now faces the triple challenge of restoring a sense of social equity, pushing forth with needed structural reforms against an invigorated opposition, and keeping inflation under control. The recent changes in the government, particularly the inclusion of regional leaders Nemtsov and Sysuyev, are a positive sign. But the challenge remains immense and the fate of the reform program consequently precarious. (Perhaps the greatest danger is that a resurgence of inflation, which was held to 22 percent last year, would damage prospects for economic recovery. The Russian Government faces a long battle to reduce its budget deficit, and proposals to trim spending on costly social programs face tough populist opposition in the legislature.)

The government sector, including enterprises wholly owned by the state as well as the federal, regional, and local governments themselves, produced 35 to 40 percent of Russian GDP in 1996, down from 80 percent in 1991, according to rough CIA estimates. State-owned enterprises account for particularly large shares of output in transportation and the defense industries, as well as public services such as health care and education. In addition, a number of nominally privatized enterprises as well as banks continue to rely on government largesse. The fraction of the economy that is purely private is thus smaller than statistics would indicate but still significantly larger than a few years ago.

Numerical estimates of the extent of economic activity influenced by criminal groups are of varying quality, in part because Russian statistics on this subject are often vague or outdated. For example, Russian police frequently estimate that organized crime groups control 40,000 businesses, but this figure dates to 1992. In addition, Russian officials do not differentiate between firms actually controlled by criminals and firms paying protection fees to crime groups. Nevertheless, reports from a variety of sources indicate fairly extensive criminal involvement in a number of highly profitable sectors of the economy, including banking and finance, retail trade, advertising, liquor production and distribution, automobile distribution, construction, energy, metallurgy, and foreign trade.

#### ORGANIZED CRIME AND LAST YEAR'S RUSSIAN ELECTION

*Question 5.* In response to a question from the Committee last year, the CIA stated, "(b)ecause so much is at stake in the Russian presidential election, we believe that crime groups—like many other segments of Russian society—will attempt to influence the outcome of the election." Did we see any evidence that Russian crime groups exerted influence on the election? Were they successful? Has the absence of strong leadership from President Yel'tsin given the crime organizations more of an opportunity to fill the power vacuum? What is your prognosis for Russian efforts to combat this problem?

*Answer.* While there is no information to indicate that criminal groups, per se, contributed directly to presidential election campaigns, a variety of press reports indicate that some criminally linked individuals and Russian businesses diverted illicit monies to various candidates' campaign slush funds.

#### CHINESE PROLIFERATION

*Question 8.* China has made commitments to comply with various arms control regimes, but numerous press reports have raised questions about the level of China's commitment.

*Question 8a.* Could you elaborate on the nature and extent of China's assistance to Iran and Pakistan? Do you believe that this assistance raises compliance concerns with China's commitment to the Nonproliferation Treaty (NPT) and the Missile Technology Control Regime (MTCR)? How likely is it that China will adhere to the Chemical Weapons Convention (CWC)?

*Answer.* Over the past five years, China has continued to engage in cooperative technology relationships that contribute to weapons of mass destruction programs in Pakistan and Iran. China signed the Chemical Weapons Convention (CWC) in January 1993. Beijing's commitment to the CWC, as well as the Nuclear Non-Pro-

liferation Treaty (NPT) and the Missile Technology Control Regime (MTCR), has led to a moderate decline in its sensitive technology exports to some other countries. In many cases, however, China is now selling dual-use technology not explicitly controlled under these multilateral control regimes. Strategic and financial interests are critical to Beijing's calculations.

The Department of State is in a better position to assess China's commitment to the CWC.

#### CHINA'S STRATEGIC MODERNIZATION

*Question 9.* What is the status of China's strategic modernization program? How many ICBMs and SLBMs does China possess today and how many warheads does it possess? How many warheads are targeted at the U.S. today? In 10 years? When will China achieve a MIRVed ICBM capability? What type of assistance is Russia providing China's strategic modernization program?

*Answer.* China presently is modernizing both the size and quality of its strategic missile force. The qualitative modernization effort may be benefiting from Russian technology and expertise. Currently, a small number of China's strategic missiles have sufficient range to target large urban areas in the United States.

#### THE FUTURE OF HONG KONG

*Question 10.* China will take over Hong Kong later this year. What is the likelihood that China will respect the political and economic freedoms that citizens of Hong Kong currently enjoy? What role will the People's Liberation Army play in enforcing China's will in Hong Kong?

*Answer.* Senior Chinese officials have repeatedly assured Hong Kong that it will enjoy a "high degree of autonomy" after it reverts to Chinese sovereignty on 1 July 1997. Although we believe that Beijing intends to honor this commitment, Beijing has also warned it will not permit the Chinese government to be subverted from Hong Kong. The practical effects of this admonition will be more apparent after July 1.

Units of the People's Liberation Army are garrisoned throughout China, and Hong Kong will be no exception to this practice. Beijing has announced that a garrison of some 10,000 troops will be stationed in Hong Kong and adjoining mainland areas. Primary responsibility for local law enforcement, however, will fall to the constabulary inherited on 1 July by the Hong Kong Special Administrative Region. On the mainland, responsibility for local law enforcement is shared by local public security officials and the People's Armed Police. The latter is largely composed of deactivated PLA units under the joint control of Beijing and local authorities. In the case of Hong Kong, similar arrangements are likely to prevail. Local PLA garrisons may be called in as a last resort in instances of substantial disorder.

#### CHINESE FOREIGN POLICY

*Question 11a.* As the leadership succession in China continues to play out, what effect will the changes have on China's foreign policy?

*Answer.* Throughout the transition to a new political generation, the Chinese leadership has made "stability" and "continuity" thematic points of emphasis in domestic policies and practices. China's leadership clearly views foreign policy as a subset of its national focus on economic priorities. Consequently, although allowing for fluctuations and shifting areas of emphasis, we generally expect the same sense of stability and continuity to extend to the conduct of China's foreign relations.

*Question 11b.* What is the status of China's relations with North Korea?

*Answer.* Relations between China and North Korea are "correct" but without the warmth that characterized relations between Beijing and Pyongyang under Kim Il-sung. Each side is somewhat wary of the other in view of recent history, which includes the growth of strong diplomatic and economic relations between China and South Korea. It also includes tentative interactions between the North and Taiwan, such as controversial arrangements between Pyongyang and Taipei to dispose of Taiwan's nuclear waste in North Korea.

*Question 11c.* How would you describe China's relations with Russia, including military cooperation?

*Answer.* Both Beijing and Moscow are interested in improved relations and have used high-level visits to build on the so-called "strategic partnership" established during President Yeltsin's visit to Beijing a year ago. While officials from the two countries have disavowed interest in any kind of formal alliance, both are increasingly interested in tactical cooperation to check perceived U.S. unilateralism in the international arena.



Arms cooperation and defense technology exchanges have formed a major component in the Sino-Russian relationship since 1989, when the United States curbed its own such exchanges with China. Russia today is China's main source of advanced foreign military technologies and systems.

#### CHINESE ORGANIZED CRIME

*Question 13.* Criminal activity in the Chinese economy is being described in greater detail.

*Question 13a.* How would you characterize the level and growth of criminal activity in the domestic Chinese economy?

Answer. China's reform and modernization process has facilitated an influx of foreign criminal organizations and created opportunities for criminal enterprises. Chinese law enforcement officials have complained, in particular, in recent years about the growth in the number of foreign criminal gangs, their involvement in drug smuggling, and their increasing access to weapons. Hong Kong- and Taiwan-based triads are among the principal groups involved. Guangdong and Fujian provinces and Shanghai—areas where foreign investment and economic development have been the greatest—are among the areas most affected by the growth in crime.

The Chinese claim that they have no domestic groups comparable to one of the Mafia "families" in the United States, a "Yakuza" group in Japan, or the Cali cartel in Colombia. The Chinese acknowledge that domestic criminal gangs pose a more serious threat than in the past, and Chinese prosecutors and courts are dealing more with organized criminal groups. Nonetheless, most of these so-called domestic criminal organizations seem to be relatively small and localized.

Official corruption is also endemic in today's China and is another of the unintended outcomes of China's reform and modernization process. In 1995, prosecutors uncovered almost 64,000 crimes involving bribery and official corruption, up from 36,500 in 1994. Included in this number were more than 2,000 officials holding positions at the county level and above—a record since the PRC was established in 1949. These officials included party committee secretaries, mayors, county magistrates, provincial department heads, bureau chiefs, bank governors, and—in China's biggest corruption scandal to date—the mayor of Beijing, who at the time was a member of the ruling, Politburo. Such cases involving bribery and embezzlement cost China millions of dollars annually in lost revenues, but Chinese authorities rarely, if ever, associate this type of "economic crime" with organized criminal groups, either foreign or domestic.

Chinese authorities are trying to combat the increases in crime and corruption. President Jiang Zemin initiated an anticorruption campaign in 1994 and called for a crackdown on organized crime groups in early 1995. Law enforcement officials have conducted a protracted "Strike Hard" anticrime campaign since April 1996—the biggest such effort in more than a decade—but the campaign seems unlikely to have a lasting impact in reducing crime.

*Question 13b.* How would you characterize the level of Chinese international organized crime? What functional areas (drugs, migrations, counterfeiting) is it involved in? What geographic areas is it involved in? What developments and changes have you detected over the past several years?

Answer. Chinese international organized crime groups are active in most major world cities. These so-called Triad Societies, which are based in Hong Kong and Taiwan, have a strong presence throughout Asia, the United States, Canada, Australia, and Europe. There are indications that they are attempting to gain a foothold in Eastern Europe, Central and South America, and the Caribbean. The presence of large ethnic Chinese populations in most major cities facilitates the international presence and expansion of these groups. Triads tend to victimize Chinese communities around the world by exploiting their cultural reluctance to cooperate with local law enforcement. Language differences with the host-country majority population further contribute to this effect.

Triad crime groups are fluid associations of ethnic Chinese criminals and quasi-legitimate businessmen. Triads and individual Triad members are involved in an array of criminal enterprises, including drug trafficking, alien smuggling, gambling, extortion, prostitution, murder, money laundering, loansharking, infiltration of legitimate businesses, and arms smuggling to criminal and insurgent groups in the region. Unlike more centrally controlled criminal organizations, such as the Italian and Cali Mafias, and the Japanese Boryokudan, Triads are organized more like partnerships than hierarchies.

We have observed the following developments and trends over the past several years:

- An increase in organized criminal activity in China, particularly in southern China, appears to be a side effect of economic reform.
- The prevalence of organized criminal activity in Taiwan and the violence associated with it have prompted Taiwan authorities to crack down on the activities of Triad groups. There are signs that this effort may be prompting Triad members to flee to the PRC, Macau, and elsewhere.

We are monitoring the effect on criminal organizations of Hong Kong's reversion to PRC control on 1 July 1997. Triads are cultivating ties with Chinese officials, both at the national and local levels, and are making investments in southern China. Beijing's willingness to pursue Triads in a post-1997 Hong Kong is unclear.

#### THE CHALLENGE OF CHINA'S POPULATION

*Question 14.* To what extent do you believe the agricultural sector in China will be able to support its population and economic growth over the next decade? Over the next two decades? To what extent will China's infrastructure (including telecommunications, transportation, and power generation) be able to support its populations and economic growth over the next decade? Over the next two decades? What other countries might face difficulties in supporting growing populations and/or economies?

Answer. In our judgment, China will be able to maintain its present per capita grain production for the next 10 to 20 years. China's grain import capacity, which surpassed 20 million tons in 1995, probably will be able to compensate for any year-to-year variation in domestic grains. China's population is expected to grow by about 1 percent per year, reaching 1.4 billion in the year 2010. China's agricultural production, which is largely based on grains, has been growing at a rate of about 2 percent per year for the past decade. We expect that a similar increase in grain production will continue for the next 10 to 20 years. Grain yields have not reached their maximum potential, and farmers are introducing recently developed high-yielding rice varieties.

There are a number of countries, particularly in SubSaharan Africa, that over the next two decades will have difficulty supporting rapidly growing populations. This will be particularly true in countries facing continuing internal conflict and instability.

#### CHINA AND TAIWAN

*Question 15.* The People's Republic of China (PRC) and Taiwan went through a period of high tension last year prior to the Taiwanese presidential elections in March. How would you characterize the current state of the relationship between Beijing and Taipei? What is the probability of return to heightened belligerence? What is the potential for conflict? Has the threat of a confrontation between the PRC and China replaced North Korea as the number one security issue in Asia?

Answer. Tensions between China and Taiwan have declined over the past year, but the concerns that caused the March 1996 crisis remain. The fundamental positions of Beijing and Taiwan remain at odds; both maintain that there is "one China" but ascribe different meanings to those words. Moreover, Taiwan insists that the "one China" issue—and hence questions of Taiwan's sovereignty—must be set aside before they can have serious political discussions.

Commercial ties are strong. Chinese statistics indicate that there is some \$25 billion (U.S.) in Taiwan investment on the mainland. Moreover, the mainland has surpassed the United States as a destination for Taiwan's exports.

In the near term, we view the situation in North Korea as dangerous and unstable and as posing the greatest threat to Asia's peace and security. We regard relations between China and Taiwan as potentially volatile, however, and will continue closely to monitor China's relations with Taipei.

#### CHINA

*Question 16a.* How far along is the succession of power in China? Can we expect the Chinese leadership to stay the course on most policies until Deng passes from the scene? When the succession is complete, do we expect any dramatic changes in our relationship with Beijing or in any other Chinese policies?

Answer. Practically speaking, by the time that Deng Xiaoping died in February, the leadership in China had already passed to a new generation headed by President Jiang Zemin, who has been party chief since 1989. Thus Deng's departure is unlikely to prompt a destabilizing power struggle, civil unrest, or any change in fundamental Chinese domestic or foreign policies, including Chinese policies toward the United States.

**Question 16b.** Under what circumstances would U.S.-requested ship visits to Hong Kong be denied?

**Answer.** We can realistically foresee no exigencies under which port calls would be denied through July 1, 1997. For port calls after that date, we would advise you to consult with the Department of Defense, which is discussing this issue with Chinese officials.

**Question 16d.** On December 21, China appointed an unelected legislature to replace the Legco. It has begun to repeal portions of the bill of rights and has begun to reinstate colonial law. What do these moves signal by way of Chinese intentions vis-à-vis Hong Kong?

**Answer.** China's actions in these areas primarily reflect China's opposition to British steps that Beijing has publicly claimed were inappropriate in the first place.

China has publicly stated that it created the Provisional Legislature because it did not agree with the ground rules enacted under the leadership of Governor Patten for the 1995 Legco elections. Beijing believes that those ground rules were a violation of the Hong Kong Basic Law and vowed to set them aside and not permit the Legco elected in 1995 to sit beyond July 1, 1997. Of the current members of Legco, just over half were selected to serve in the Provisional Legislature. China has pledged to hold elections for a permanent legislative council at an early date. The ground rules for that process have yet to be devised.

China's action on the bill of rights was to repeal sections of the Hong Kong code asserting that provisions of the Bill of Rights were superior to the Basic Law, which serves as a constitution for Hong Kong. China has consistently maintained that the Basic Law is the primary charter for Hong Kong and has vowed to repeal legislation that contravened that principle.

Similarly, as regards Hong Kong legislation bearing on freedom of assembly and freedom of association, Beijing charges that recent liberalization of those statutes violates a provision of the 1984 PRC-UK Joint Declaration to the effect that laws currently in force will be maintained. The PRC has indicated that those changes will be repealed.

More generally, the steps that Beijing has taken are consistent with the hypothesis that Beijing intends to some degree to restrict political activity and civil liberties in Hong Kong.

**Question 16e.** What is your assessment of possible unrest or Chinese repression over the next six months or immediately following the British departure.

**Answer.** Neither the Chinese nor Hong Kong residents wish for anything other than a smooth, peaceful reversion to Chinese sovereignty on 1 July. Naturally, not all Hong Kong residents are equally satisfied with the arrangements between the UK and China or with steps taken by the Chinese in the past year to prepare for the retrocession.

#### THE RISK OF NUCLEAR WAR BETWEEN INDIA AND PAKISTAN

**Question 18.** What is the current status of Pakistan's and India's programs to develop nuclear weapons and missiles with which to deliver them?

**Answer.** India and Pakistan have nuclear programs in various stages of development. Each possesses nuclear capability and the ability to deliver nuclear weapons. (Response continues in Classified Annex.)

**Question 18c.** Can Indian missiles or bombers reach major civilian or military targets in Pakistan?

**Answer.** Yes.

**Question 18e.** How great is the risk of war between India and Pakistan in the coming year or so? Would either country go to war over Kashmir? There have been allegations that each country was supporting terrorist acts against the other. Is there a real risk that an act of terrorism could lead to war?

**Answer.** The risk of an Indo-Pakistani war in the next year is not high; South Asia witnessed much higher tensions that did not result in war twice during the past decade (in 1987 and 1989-90). Although longstanding enmity still exists, Pakistan is frustrated at India's refusal to discuss Kashmir in bilateral fora and India alleges Pakistani support for Kashmiri militants—no moves by either side suggest Islamabad or New Delhi now sees war as a solution to their differences over Kashmir.

Kashmir has sparked two of the three wars between the two countries and, if tensions rise again, Kashmir probably would be the proximate cause. It remains by far the single most contentious issue dividing India and Pakistan. The intensity of the insurgency in Kashmir has subsided over the past several years, however, and the likelihood that violence there will spark a conflict has correspondingly declined.

• A high-profile act of terrorism could quickly result again in escalating tensions, but both countries have long experience in dealing with heightened tensions and would not quickly consider war as a promising option for resolving their differences.

*Question 18f.* In the event of a war between India and Pakistan, how great is the risk that one or both sides would use nuclear weapons? Under what circumstances would that be most likely?

Answer. Although we are concerned about the possibility of war between India and Pakistan and tensions periodically escalate, we assess that the threat is relatively low at this time. Were a war to occur, the potential consequences for escalation and miscalculation would grow. The most worrisome circumstance would arise if one side or the other concluded that it were on the verge of total defeat. Then it might conclude that it had no alternative but to resort to the most devastating weapons in its arsenal. Neither side has a clearly developed public doctrine on this issue.

#### STABILITY OF INDONESIA

*Question 19a.* What are your views regarding the long-term stability of Indonesia? Do you foresee succession problems once President Suharto leaves office? What are the prospects for a peaceful settlement related to East Timor?

Answer. Over the past several months, Indonesia has experienced growing tension and spontaneous outbreaks of domestic violence as political activists, labor, students, and various nongovernmental organizations unilaterally press for change. Ethnic and religious divisions have also prompted clashes around the archipelago. Nevertheless, President Soeharto's critics still lack the strength and cohesion to form a nationwide opposition movement that could directly challenge the regime anytime soon. The President appears sufficiently healthy to remain in office until his term ends in 1998, and he has given no indication that he will not seek a seventh 5-year term. Senior military officials continue to emphasize publicly their role as guarantor of social and political stability, and they recently declared their willingness to take "stern measures" to deal with any serious or sustained unrest. Most economic indicators point to sustained growth based on Jakarta's sound fiscal management policies, diversification strategy, and attractiveness to foreign investors.

The 75-year-old President's failure to date to identify a successor has caused concern among some leaders and prompted unprecedented discussion of the issue among the populace. Should the President unexpectedly die or become incapacitated prior to the next presidential election in 1998, the current Vice President would finish out Soeharto's term under Indonesian law. Nevertheless, constitutional succession mechanisms are untested, and Indonesia has no experience with a smooth transfer of power. The President's selection of his next vice president will be widely regarded as critical to the avoidance of succession difficulties. The appointment of an "heir apparent" acceptable to the country's ranking political and military leaders would help to ensure that the eventual transition is smooth.

As regards East Timor, international negotiations under U.N. auspices have occurred over the past several years but to date have resulted in limited progress. All sides have used the forums to present their case, but there has been little resolution of contentious issues. The government steadfastly regards East Timor as one of its provinces and has rejected all calls to grant the territory limited autonomy or hold a referendum on self-determination. Over the past few years, however, Jakarta has appeared more sensitive to international criticism of its human rights record.

*Question 19b.* What is the state of Indonesian-PRC state-to-state relations today? Military-to-military? Is there any formal or informal cooperation between Indonesian and Chinese intelligence agencies?

Answer. In 1990, Indonesia restored formal diplomatic relations with China, which Jakarta had "frozen" in 1967 after charging Beijing with supporting an attempted Communist coup two years earlier. Senior officials from the two governments now meet periodically, reflecting the normalization of relations and growing economic and trade ties.

The two countries have occasionally conducted senior military-to-military exchanges since 1990. In February 1997, Chinese Defense Minister Chi Haotian led a delegation to Jakarta and met with Vice President Try Sutrisno. Indonesian military officers, however, are wary of China's long-term ambitions and territorial claims in the South China Sea. In recent years, Jakarta has deployed more of its limited air and naval assets to the area around Natuna Island, whose adjacent gas fields are scheduled for development beginning this year; a large-scale exercise around Natuna Island last September was intended in part to signal Indonesia's resolve to defend the area.

*Question 19c.* How important is Indonesia to regional security and stability?

Answer. Indonesia is a major player in regional diplomatic and security affairs. Jakarta exerts a leading role in the Association of Southeast Asian Nations (ASEAN) and favors expansion to bolster the organization's diplomatic influence—Jakarta strongly pushed for Vietnam's entrance in, 1995 and is an outspoken proponent for the proposed inclusion of Burma, Laos, and Cambodia later this year. Indonesian troops regularly participate in multilateral exercises with other regional states and the United States; two years ago, Indonesia and Australia signed a precedent-setting security cooperation agreement. Jakarta views the ASEAN Regional Forum (ARF) as a vehicle constructively to engage the United States and China on key regional security issues; it also supports the APEC initiative to bolster its access to foreign markets and investment capital and to liberalize trade among members.

#### NORTH KOREA AS A CONTINUING THREAT

*Question 20.* In an unclassified response to a query from the Committee, the Defense Intelligence Agency (DIA) informed the Committee on May 6, 1996, that "(t)he likelihood that North Korea will continue to exist in its current state 15 years from now is low to moderate. Unless solutions to the North's economic problems are found, the regime will be able to survive. It will have to adapt, slide into irrelevance, or collapse/implode. This has led many analysts to believe a process of political self-destruction has begun with potential for system collapse within three years."

*Question 20a.* Do you agree with this assessment.

Answer. We would not rule out the possibility that there could be a dramatic change in the North Korean system within the next three years.

*Question 20c.* What is the likelihood that an economic "implosion" will trigger a military "explosion" that would result in an attack on South Korea? What is the likelihood that North Korea will invade South Korea in the next two years? Under what scenario is a war likely? How has the military threat from North Korea changed since 1993?

Answer. While we have no evidence that the P'yongyang regime is in imminent danger of collapse, shortages of food and fuel are increasingly common in the civil sector. These shortages are also being felt in the armed forces and are causing some morale and discipline problems. While a sudden implosion at this time is unlikely, if such an event did occur, internal problems would preoccupy P'yongyang's forces, minimizing the possibility of a sudden strike against South Korea.

Despite the plight of its economy, P'yongyang will strive under almost all circumstances to maintain a credible military threat to ensure that its national interests are taken seriously. Although war does not appear likely in the near future, a miscalculation during one of the Peninsula's periods of heightened tension could lead to conflict. These periods most often occur as an inherent element of the North's tendency to use military threats to strengthen its claims and increase its bargaining leverage on the United States and other parties.

Although there have been improvements to selected elements of the North Korean military within the past several years, the problems that have sapped the civil sector have also taken a toll on the armed forces. The military has had to endure shortages of food and fuel, increased susceptibility to illness, declining morale, often sporadic training, and a lack of new equipment. This has reduced the overall readiness and capability of the North Korean military, a situation that will become progressively more pronounced over time.

Despite the problems affecting North Korea's forces, they retain the capability to inflict terrible losses on U.N. forces and civilians in South Korea.

*Question 20d.* With the deterioration in North Korea's relations with China and Russia, with the rapid decline in the economy, with the decrease in its military training, what is the current ability of North Korea to attack and cross the DMZ and seize and hold territory in the South?

Answer. There has been a steady erosion in the readiness and capability of North Korean's military forces in recent years. Although P'yongyang has to some extent buffered its armed forces from the widespread problems that have faced the rest of the population, the military too has been adversely affected by the harsh economic conditions. Barring substantial outside assistance or internal change, this erosion will continue.

The progressive weakening of P'yongyang's military decreases the likelihood that it could successfully attack and hold territory in the South. Nevertheless, a major offensive would result in large numbers of casualties to military personnel and civilians in South Korea. North Korea's long-range artillery and surface-to-surface missiles can hit both forward defenses in the South and targets in and around Seoul.

## MONITORING THE NORTH KOREAN FRAMEWORK AGREEMENT

*Question 22.* In 1994, North Korea signed the nuclear framework agreement and promised to forgo further development of nuclear weapons in return for assistance from the U.S. and others.

*Question 22a.* Has North Korea been living up to its commitments under the framework agreement? Do we expect continued compliance? Does the economic situation in North Korea make compliance more or less likely?

Answer. North Korea continues to work with International Atomic Energy Agency (IAEA) and Korean Peninsula Energy Development Organization (KEDO) officials as well as U.S. officials and technical experts to implement key elements of the U.S.-DPRK Agreed Framework.

North Korea is in compliance with those provisions of the Agreed Framework that directly relate to the freezing and ultimate dismantling of its graphite-moderated reactors and related plutonium production facilities. P'yongyang agreed to: not refuel its five megawatt-electric (MWe) reactor; cease construction on two larger reactors; and halt operations at its reprocessing plant and fuel fabrication facility.

- IAEA inspectors have continuously monitored the freeze and the canning of spent nuclear fuel at the Yongbyon Nuclear Center. The inspectors report no safeguards anomalies, preparations to end the freeze, or attempts to divert spent fuel.

- More than 60 percent of the 8,000 spent fuel rods unloaded from the five MWe reactor in 1994 have been canned for long-term storage and eventual removal from the peninsula. Without further interruptions, canning should be completed this fall.

- North Korea has provided the IAEA access to other nuclear-related facilities not subject to the freeze in accordance with the schedule established by the Agreed Framework.

North Korea's deepening economic problems make compliance more likely, particularly if the leadership continues to conclude that foreign relationships are essential to the regime's survival and that the payoff meets expectations.

*Question 22b.* How high is your confidence that the U.S. Intelligence Community can adequately monitor North Korea's compliance with the U.S.-North Korea Framework Agreement? How significant are U.S. intelligence collection shortfalls targeted against North Korea?

Answer. We have a high level of confidence in our ability to monitor North Korean compliance with the Agreed Framework. We rely on a combination of IAEA inspection reports and collection by "national technical means." The IAEA is indispensable for monitoring North Korean compliance.

## NORTH KOREA'S MILITARY CAPABILITIES

*Question 24.* What is the likelihood that North Korea will invade the south in the next year? Under what circumstances would a war be likely? How strong is Kim Chong-il's hold on power? What is the likelihood that he will still be in power one year from now?

Answer. We assess that war is not likely in the near term, but the potential for conflict remains. War could occur through miscalculation, particularly during a period of heightened North-South tension.

## THE NORTH KOREAN ECONOMY

*Question 25.* What is the near-term outlook for the North Korean economy? To what extent do you expect North Korea will be able to maintain its industrial and agricultural infrastructure over the next decade? What is the likelihood the economy will collapse over the next decade? What would be the likely political and social consequences if this collapse occurred? To what extent has South Korea begun to plan for the eventual unification of the country?

Answer. The economy of North Korea is in extremely bad condition. It is unable to maintain a sustainable living standard for the North Korean people, let alone generally invest for the future. We would not characterize the country as in a state of famine, but certainly some people in North Korea die from lack of food and related diseases. The North Korean Government is asking for food aid to help alleviate widespread shortages of food and malnutrition. Some aid organizations expect the food situation to get worse this summer before the fall harvest. In addition to a shortage of food, North Korea depends on foreign aid—mostly from China and the U.S.-supported Korea Peninsula Economic Development Organization—for its petroleum supply. Industry and other sectors of the economy also are in very bad condition.

We see little prospect that North Korean agriculture and industry will be able to return to their peak output levels of about a decade ago in the absence of major

economic reforms. Such reforms would have to decentralize economic decisionmaking as have, for example, the market reforms that China has implemented over the past two decades. In addition, Pyongyang would have to introduce political reforms to reduce the heavy burden of military spending. Food aid will help the North to get through this year's crisis but will do nothing to help the country become self-sufficient in food.

On the other hand, over a 10-year period, there seems to be a reasonably good chance that such reforms will be implemented in North Korea. They would severely shock and maybe destroy the political system but would offer substantial long-run hope for the economy. North Korea has many natural economic assets, especially minerals, metals, hydropower, and excellent geography that would serve its economic interests if properly managed.

The centrally planned economy is operating without a plan, people in many cases are too hungry to work, industry is shut down for lack of electricity and fuel, and the state cannot pay workers their food rations. Nonetheless, with better internal management, continued foreign aid and a good harvest this summer, the economy may be able to pull out of its free-fall. It could then maintain its current level of output or a somewhat higher one for many years.

North Koreans have a formidable capacity quietly to endure hardships without revolt. The country has always been very poor and the people know little about the economic successes of their East Asian neighbors. North Korea also receives substantial economic support from China, which may be willing to underwrite the economy for a long time to come. For these reasons, and the extremely harsh security environment, economic collapse as we think of it may not translate into a collapse of the political and social system anytime soon. At a minimum, we cannot easily speculate on when such a collapse might occur.

South Korea has a Ministry of National Unification, a cabinet-level office, that is responsible for planning for the eventual economic and political unification of the peninsula. Some government authorities in Seoul are concerned about the potential for a sudden collapse of North Korea that would present a major economic burden on South Korea. A more gradual unification would be much less costly and would bring substantial economic benefits to both countries. For this reason Seoul has offered substantial food aid to North Korea this year, as it has in past years, and, together with Japan, is planning to finance the construction of a major nuclear power facility in North Korea.

#### THE PLO AND THE MIDDLE EAST PEACE PROCESS

*Question 26.* Who would be the likely successor to Yasser Arafat if he were removed from power and what impact would this have on the success of the peace process? What is your assessment of the likely success of the peace process? As the Israeli Government relinquishes more territory to the Palestinians, what is the likelihood that violence will ensue?

Answer. Other than Arafat, no one symbolizes the Palestinian struggle for recognition or has demonstrated the diplomatic and political skills necessary to plead the Palestinian cause internationally while balancing the competing Palestinian factions. If Arafat were to die suddenly, his Fatah faction would try to maintain control of both the Palestinian Authority (PA) and the PLO. When Arafat's plane crashed in 1992, the PLO briefly was guided by an informal committee of senior Fatah officials. This would happen again, at least temporarily, with the support of senior PA security officials, if Arafat were assassinated or incapacitated. Under such circumstances, the peace process would slow, despite the fact that most of Arafat's senior aides are committed to the process.

Looking ahead, the peace process probably will advance, but it will face occasional reverses, some of which will involve violence. Most Israelis and Palestinians recognize that the two peoples have to live together and that peaceful coexistence can only come through negotiations in which compromises are freely reached.

The prospect of violence will increase if Arafat is unable to restrain radical Palestinian elements. It also is more likely if Israel fails to follow through on its previous peace commitments, fails to meet minimal Palestinian demands for territory, or fails to be forthcoming on other interim and final status issues.

#### SADDAM'S HOLD ON POWER

*Question 27.* On September 19 of last year, former DCI Deutch testified before this Committee in open session on internal developments in Iraq in the wake of U.S. military action against the country. When asked to assess Saddam Hussein's hold on power, he stated that . . . "I think that it is not possible to argue that he is not stronger today than he was six weeks ago."

*Question 27a.* Do you believe that Saddam's hold on power is stronger today than it was one year ago? Who are the most likely successors to Saddam and what policies would they be likely to pursue?

Answer. Saddam's decision to accept U.N. Resolution 986 and his attack on the Kurdish city of Irbil last August boosted perceptions both domestically and internationally of his regime's durability. The tangible effect of these actions, however, has not been as significant as Saddam might have hoped. Resolution 986 does not directly provide the regime with revenue—rather, it provides humanitarian goods purchased with oil funds (which are deposited into a U.N. escrow account) to the Iraqi people. The continued effects of comprehensive U.N. sanctions overshadow whatever gains Saddam's regime may realize from Resolution 986.

Saddam's hold on power is based almost entirely on the strength of his powerful security services. Events such as the attack on Saddam's son Uday in December and a mortar attack on an Iranian opposition group's downtown Baghdad headquarters in January demonstrate that Saddam's security apparatus is not invulnerable. Their loyalty and effectiveness, however, remain essentially at the same level as one year ago.

We continue to assess that the most likely successors to Saddam would be Arab Sunni military leaders who probably would share some of Saddam's policies and outlook. They too would favor a militarily strong Iraq and be distrustful of Kuwait. However, we believe there would be powerful incentives for a successor regime to moderate Iraq's behavior so that it could rejoin the international community in good standing.

*Question 27b.* Will Saddam's fall lead necessarily to Iraq's disintegration? If not, why?

Answer. A possibility clearly exists that the collapse of Saddam's regime could lead to a period of anarchy in Iraq. We do not assess, however, that Saddam's fall would necessarily lead to Iraq's disintegration. Most Kurds and Shia, despite their longstanding opposition to Saddam's regime, share a sense of Iraqi nationhood and would recognize the economic and security benefits of a united Iraq. The specific outcome would largely depend on the nature of the person or group that came to power in Baghdad.

*Question 27c.* How has Saddam's influence in northern Iraq—and elsewhere in the country—been affected by the invasion last fall of the north? Has Saddam effectively regained control of northern Iraq?

Answer. The regime has restored limited trade with portions of the Kurdish region, which has moderately increased its influence in northern Iraq. The possibility of another Iraqi incursion also has prompted some Iraqi opposition groups to abandon the area. The attack on Irbil may initially have bolstered Saddam's prestige, but other developments have since detracted from it.

Two major Kurdish parties—the Kurdistan Democratic Party and the Patriotic Union of Kurdistan—and their militias are still the predominant forces on the ground in northern Iraq.

*Question 27d.* What is the current status and strength of the various groups opposing Saddam, including the Kurds in the north and the Shias in the south?

Answer. Intra-Kurdish rivalries have largely inhibited opposition activity against the regime in northern Iraq. A few thousand Shia guerrillas in southern Iraq have maintained a low-level insurgency against the regime that continues to tie up Iraqi regular army units based in the region. Hit-and-run attacks against military and Bath Party targets are common, but the insurgency so far has been unable to seize and hold territory.

#### SADDAM'S GOAL OF DOMINATING KUWAIT

*Question 28a.* Will Iraq continue its belligerent attitude toward Kuwait? What is the likelihood that Saddam's forces will attack Kuwait within the next year? Under what circumstances would Saddam most likely attack Kuwait? Has Saddam recently moved any military assets to enhance his ability to threaten Kuwait?

Answer. Iraq has officially recognized Kuwait's sovereignty and abandoned rhetoric referring to Kuwait as Iraq's 19th province. However, Saddam retains his hostility toward Kuwait and maintains designs on its oilfields and ports. The Iraqi press routinely criticizes Kuwait for colluding with the West, supporting sanctions, and hosting a U.S. military presence. Nonetheless, Saddam will probably not attack Kuwait within the next year. The Coalition military presence in the Gulf, the impact of U.N. Resolution 949, and Baghdad's concern about losing access to world oil markets that it gained through its acceptance of Resolution 986 probably will deter Iraqi aggression. (Resolution 949 prohibits Iraq from enhancing its military forces south of the 32nd parallel.)



Iraq would most likely attack Kuwait under two scenarios, neither of which is likely in the near term:

- Iraq could regain significant military and political strength from a fractured Coalition and an end to sanctions. Such developments could tempt Saddam to resume military adventurism.

- Saddam may lash out at Kuwait in a desperate attempt to maintain the integrity of a disintegrating regime in Baghdad. He might try to rally internal support by provoking a conflict with regional adversaries, including Kuwait.

We have detected no change in Iraq's military posture south of the 32nd parallel since Baghdad withdrew forces from Kuwait's border in October 1994.

#### SADDAM HUSSEIN'S FAMILY

*Question 29a.* What more is known about the attack on Saddam's son Uday? What does this apparent assassination attempt say about the Iraqi regime's security? Is Saddam losing support within his own power base?

Answer. Baghdad has blamed Iranian agents for the attack that occurred in December, but a regime insider may have been involved in the operation.

Uday's wounds do not appear to be life threatening. Nevertheless, we anticipate that his recovery will be slow. He will require multiple operations before he regains the ability to walk.

The assassination attempt demonstrates that Saddam's security forces, while pervasive and powerful, are not invulnerable. It also underscores the constant possibility of a sudden and violent change of regime in Iraq.

A steady exodus of high-level defectors since the Gulf war reflects widespread frustration and resentment against Saddam from within his own family and inner circle of advisers. Although heartfelt support for Saddam is increasingly rare in Iraq, Iraqi elites are held in line by their fear of the security services and uncertainty over what might happen to them if Saddam were overthrown.

Persistent feuding within the ruling Tikriti clan and the regime's record of brutal repression leave a long list of potential suspects in the assassination attempt. This attempt does not appear immediately to threaten the regime's security, but it could be an indicator of a potentially destabilizing trend. The incident demonstrates that the regime's existence depends on the ability of its security services to fend off the host of disaffected Iraqis both inside and outside the ruling circle.

In addition to the Iranian-backed Shia Dawa Party, a previously unknown group, the Al-Nahda movement, has claimed responsibility for the attack. Al-Nahda claims it was in retaliation for the execution in 1986 of Gen. Umar al-Hazza, a former member of Saddam's inner circle and the Tikriti X clan. Al-Nahda asserts that it obtained access to Uday's movements through contacts of the late general's nephew Ra'd al-Hazza, who fled with the assailants to Europe. We cannot confirm the group's responsibility, but it is possible al-Nahda was responsible for the attack.

*Question 29b.* The January 29, 1997, Washington Post reported that Saddam's wife is under house arrest. Is this report accurate? If so, why was she placed under house arrest?

Answer. Iraqi opposition groups claim that Saddam's wife has been under house arrest. Iraqi media featured photographs and video footage of Saddam and his wife visiting Uday in the hospital in early February, but her status within the family remains unclear.

*Question 30.* How strong is Saddam Hussein's military today compared to 1993? What about 1990? If U.N. sanctions are lifted, how long would it take for Iraq to develop a nuclear capability?

Answer. *Iraqi Military 1993 to 1997.* Iraqi capabilities have diminished marginally in the past four years due to the effects of the arms embargo and economic sanctions. The ground forces have deactivated five divisions and several other units. Morale has declined due to poor logistic support, inadequate training, purges, and extended frontline duty related to counterinsurgency operations.

*Iraqi Military Relative to 1990.* The military is much smaller and less capable than it was before the Gulf war. Prior to the invasion of Kuwait, Iraq was the most powerful country in the Gulf. It had a large, well-equipped, combat-experienced military. As a result of damage done during the Gulf war and by the effects of the U.N. sanctions regime, the Iraqi military today is approximately half of its 1990 size.

Iraq's military will not be able to commence a comprehensive rearmament program until the arms embargo and economic sanctions are lifted. Nevertheless, Iraq's military is a formidable force compared with those of regional adversaries. Baghdad has attempted to maintain its training regimen, and it has conducted periodic repair campaigns.

• In broad terms, Iraq's military is equivalent in capability to Iran's, but Iraq's is larger than the armed forces of the Gulf Cooperation Council (GCC). Baghdad retains the capability to overwhelm the small Kuwaiti armed forces.

If U.N. inspections and restrictions on Iraq's ballistic missile and WMD programs were lifted, Baghdad could reinstitute these programs quickly. Iraq could recommence its ballistic missile and chemical/biological weapons production programs within several months. The U.N. Special Commission on Iraq believes that Iraq retains as many as 26 SCUD-type missiles and small amounts of chemical and biological munitions and agents. We estimate that, in the absence of significant foreign assistance, Iraq would require at least several years to produce a nuclear weapon.

#### THE DHAHRAN BOMBING

*Question 31.* Last August, then Secretary of Defense Perry suggested that the U.S. would retaliate with force if Iran had a hand in the bombing of the Al Khubar Towers in Dhahran.

*Question 31a.* Have there been any developments that you can share in ascertaining who was responsible for the Khubar Towers bombing? Do we have any information that the Iranians were involved in the Al Khubar Towers bombing?

*Answer.* The FBI is still investigating the bombing. There are no developments or information about who was responsible for the bombing that we can share at this time.

*Question 31c.* What, if any, is the role of the Islamic Change Movement in the bombing at Dhahran.

*Answer.* The bombing is still under investigation. There are no developments or information about the perpetrators that we can provide at this time.

*Question 31d.* Do you agree with FBI Director Freeh and Attorney General Reno that the Saudis have not cooperated fully in this investigation? Was the Intelligence Community or the State Department consulted before the FBI Director and the Attorney General made these comments publicly?

*Answer.* As the senior officials with direct responsibility for the investigation into the Khubar Towers bombing, Director Freeh and Attorney General Reno are in the best position to judge the extent of Saudi cooperation with the investigation.

#### IRANIAN INVOLVEMENT IN INTERNATIONAL ORGANIZED CRIME

*Question 32.* Is the Iranian Government involved in any of these aspects of international organized crime: drugs or counterfeiting? What is the level and type of involvement?

*Answer.* Iran remains a primary conduit for drug shipments from Afghanistan and Pakistan to Turkey—where Southwest Asian opiates are refined into high-purity heroin for Western markets, particularly Europe. Narco-corruption among low-level government security and law enforcement personnel helps to facilitate these shipments.

#### IRAN AND IRAQ

*Question 33.* Please discuss Iran's ultimate objectives in Iraq. Do you anticipate that when Saddam finally falls, Iran will invade Iraq? Currently, how close are Iraq and Iran to armed conflict?

*Answer.* Iran still views Iraq as its preeminent regional foe and balances its interest in fostering a weak Iraq with its opposition to the presence of U.S. and other coalition forces in the region. Despite Iran's interest in having a militarily weak Iraq as a neighbor, the objectives of Tehran do not include the dismemberment of Iraq. The rise of independent enclaves, such as an Iraqi Kurdistan, would heighten separatist sentiment among Kurds in Iran.

• If Saddam's regime collapsed, Tehran might take advantage of disarray in Iraq to attack dissident Iranian Kurds in the north or to strike the main military base of the oppositionist Mojahedin-e Khalq (MEK) in Iraq. The likelihood of a full-scale invasion probably would not be great.

• Iran's calculus might change if Iraq appeared to be collapsing.

Iran and Iraq do not now appear to be close to a direct conflict. Bilateral relations are not good, however, and Iran could again work with its Kurdish contacts in northern Iraq to stage another incursion there. In addition, heightened attacks by the Iraqi-MEK into Iran might spark an Iranian attack against MEK bases.

#### IRANIAN FORCES IN BOSNIA

*Question 34.* How large an Iranian presence currently exists in Bosnia? Is this presence growing or diminishing? What role do the Iranians play in Bosnia, and

what influence does Iran have over Bosnian Government decisionmaking? What do you estimate is the capacity of the current Iranian presence in Bosnia to threaten U.S. forces?

Answer. The number of Iranians in Bosnia has declined significantly since the implementation of the Dayton Accord in early 1996. Tehran continues to maintain an embassy in Sarajevo, and, according to newspaper reports, a small number of Iranian intelligence officers and Revolutionary Guards remain in Bosnia. Some Iranians are employed by humanitarian organizations operating in Bosnia, such as the Red Crescent. Economic, religious, and cultural delegations also regularly travel from Iran to Bosnia.

Revolutionary Guards were first deployed to Bosnia in 1992, and they maintained a substantial presence there during the period 1993-1995. Following the signing of the Dayton Accords in December 1995 and the IFOR raid on the Fojnica training camp in February 1996, the Revolutionary Guards' presence in Bosnia dropped quickly to its current relatively low level.

Iranian officials in Sarajevo continue to cultivate a range of contacts throughout the country. However, Tehran's involvement in Bosnian decisionmaking has diminished significantly since Presidency Chairman Izetbegovic ended military and intelligence cooperation.

Iran has a long history of terrorism abroad, both through direct actions and through surrogates. The February 1996 raid on the training camp in Fojnica yielded evidence that the camp was being used to train Islamic fighters to conduct terrorist attacks on NATO troops in Bosnia. We have no current reporting indicating that Iran plans to carry out imminent terrorist attacks against U.S. interests in Bosnia, but in light of Iran's actions in the past, such plans cannot be ruled out.

#### DEVELOPMENTS IN SERBIA

*Question 35.* Please describe the views of the anti-Milosevic factions. What is the likelihood that Milosevic will be unseated in the next 12 months? Who is most likely to replace him and what policies would be pursued as a result?

Answer. The main anti-Milosevic opposition is a coalition of parties called Zajedno (Together), which received 24 percent of the vote in the federal parliamentary elections in November 1996. Zajedno is composed of: (1) the Serbian Renewal Movement (SPO), which promotes traditional Serb values and calls for a constitutional monarchy, (2) the Democratic Party (DS), which is in favor of a Western-style parliamentary democracy with a market economy, and (3) the Civic Alliance of Serbia (GSS), which is a proponent of human rights and a civic society. The other main opposition party is the Serbian Radical Party (SRS), which received 18 percent of the vote in November. The SRS is strongly nationalistic and was allied with Milosevic in the early 1990s.

The Serbian presidential and parliamentary elections are not due to take place until December 1997, and at this time it is impossible to predict the outcome with confidence. Although Zajedno has gained stature from its successful campaign to get the government to accept opposition victories in the November 1996 municipal elections, it remains a divided and inexperienced minority. Milosevic retains control of the main levers of power, such as the Socialist Party of Serbia (SPS), the media, the police, funding, and patronage. Nonetheless, the dispute over the municipal elections has tarnished his image. The SRS is uncommitted to either side and is positioning itself to be the swing vote.

In view of the fragmented nature of Serbian politics, no party or coalition now has a clear majority. The elections later this year are likely to give rise either to a coalition—perhaps reviving the Milosevic/Radical alliance but with a Zajedno/Radical alliance also possible—or a stalemate with no clear winner. Whoever wins will be faced with a corrupt political system and a bankrupt economy. The winner is not likely to be able to make the contentious policy decisions on how to resolve the country's problems. Among them are issues concerning minority rights, restructuring of state-owned enterprises, the large refugee population, and cuts in expensive social welfare programs.

#### COOPERATION IN THE FEDERATION

*Question 36.* What is the long-term estimate for Croat-Bosnian cooperation in the Federation? Are there estimates of Croatian intentions toward Herzog-Bosnian territory?

Answer. Despite the headline-grabbing examples of Muslim-Croat tension, a variety of indicators suggest the Federation's prospects may improve over the medium to long term. Ongoing international engagement remains critical to nurturing this trend, however, because differing Croat and Bosnian Muslim goals still make insti-

tution-building a slow and arduous process. The Federation Forum still provides the greatest impetus for progress. Both sides have invested a great deal of time and effort—and for many Federation leaders, their personal prestige—in setting up governing institutions at the cantonal and Federation levels. Indeed, the fundamental debate has shifted from whether there should be a Federation to what the Federation should look like. Federation institutions continue to make some progress—albeit with great difficulty—particularly at the working level. Recent examples include agreement on establishing a joint police force in the Sarajevo Canton and agreement on the division of lower-level positions in the Ministry of Defense.

Moreover, press reports indicate that popular support within Croatia for Herzeg-Bosnia and Croat hardliners may be waning. Croats increasingly are focusing on economic issues and less on President Tudjman's dreams of a Greater Croatia. Indeed, Zagreb's active participation in the recent arrest of organized crime figures in Mostar indicate that even Tudjman and Defense Minister Susak want the actions of Bosnian Croats limited, particularly when they have an impact on Croatia's standing in the international community.

#### THE FUTURE OF THE IRANIAN REGIME

*Question 37a.* Last year, the CIA assessed "that the current Iranian regime has a three-in-four chance of remaining in power three years from now" and that there is "no immediate threat to the clerics' grip on power." Has that assessment changed? What is the likelihood that the current Iranian regime will still be in power three years from now? Are sanctions likely to influence Iran's behavior over the next three years? Why or why not?

*Answer.* The assessment from last year has not changed; analysts continue to believe there is a low probability that the current regime will lose power over the next three years. Armed opposition to the regime is weak and discredited, the regime controls the security apparatus, and the populace does not want more revolutionary upheaval. The regime faces long-term challenges, however, such as questions about clerical involvement in the day-to-day running of government, economic stagnation, and social pressures such as population growth and urbanization that probably will lead to growing pressure for change over the long term.

Sanctions have made it more difficult for Iran to pursue some of its policies but have not yet persuaded Tehran to abandon support for terrorism, opposition to the Middle East peace process, efforts to acquire weapons of mass destruction, and human rights abuses. Iran still has avenues it can pursue for foreign assistance and funding for technical projects, including improvements in its oil infrastructure. Its strong repayment record since it renegotiated a portion of its debt earlier in this decade probably will allow it to attract more foreign credit once its debt crunch eases later in the 1990s. Nonetheless, foreign investment has slowed in Iran, which is a critical issue for Tehran as it seeks to upgrade its aging oil facilities and to increase production.

*Question 37b.* Is there any evidence that our allies may be more willing to sanction Iran? What impact would multilateral sanctions have on the Iranian regime?

*Answer.* In the aftermath of the Mykonos verdict, which implicated senior Iranian authorities in the murders of Kurds in Germany, many Europeans probably are beginning to question the value of their "critical dialogue" with Iran. As of now, however, their governments have yet to join with Washington in trying to isolate Tehran politically and economically.

Multilateral support for sanctions and other forms of economic pressure against Iran would increase the economic costs to Tehran of its policies and reduce resources available to it to pursue its goals. Broad international support for economic sanctions against Iran also might provoke internal debate in Tehran over the direction of Iranian policy.

#### LIBYA'S CHEMICAL WEAPONS PROGRAM

*Question 39.* The United States has blown the whistle on Libyan chemical weapons, first at Rabta and then last year at Tarhuna.

*Question 39a.* What is the status of Libya's CW activities at those sites? What is the status of their overall CW program? Is Libya making progress toward obtaining any other weapons of mass destruction or their delivery systems?

*Answer.* The Rabta CW plant has been reopened as a pharmaceutical plant, according to press reports. In addition to the Rabta plant, Libya has been trying to build an underground CW facility at Tarhunah since 1992. However, construction there has currently ceased. Libya almost certainly will maintain its CW program as long as Qadhafi is in power. He has expressed firm opposition to signing the

CWC while other countries in the region possess nuclear, biological, or chemical weapons.

Libya continues its efforts to establish an offensive biological warfare capability, which at present remains in the research and development stage. Libya's only operational ballistic missile system is the SCUD-B, acquired from the former Soviet Union in the mid-1970s. Qadhafi's efforts to establish an independent nuclear research and fuel cycle capability remain in the early stages.

#### THE TALIBAN MILITIA IN AFGHANISTAN

*Question 40.* The Taliban militia has overtaken significant portions of Afghanistan.

*Question 40a.* What is the likelihood that the Taliban will come to dominate Afghanistan over the long term? If the Taliban sustain their dominance over Afghanistan, what are the likely implications for Iran-Afghanistan relations?

*Answer.* The Taliban's military successes in the past year or two do not ensure that it will dominate all of Afghanistan over the longer term. The factions opposing the Taliban could maintain their resistance from small enclaves or bases in neighboring countries, and the Taliban's heavy-handed social policies could provoke domestic resistance.

Iran's relations with a Taliban-dominated Afghanistan probably would remain poor. Factors that will determine the course of relations are the Taliban's treatment of Afghan Shias, mutual respect for the border, and Iran's support of the anti-Taliban alliance.

*Question 40b.* What do we know of the Taliban's commitment and or involvement in the international radical Islamic movement? What do we know of the Taliban's intent to continue to support drug trafficking and/or to harbor terrorists like Usama Bin Ladin?

*Answer.* Taliban does not now appear committed to a radical international agenda, but its links to militant groups and association with Bin Ladin could draw the Taliban into alliances with terrorists. Members of the Taliban claim that Bin Ladin is a guest and will not engage in terrorism while on their territory. Bin Ladin's ability to provide financial support may make the Taliban slow to act against him. Although the Taliban claims to oppose narcotics, the importance of narcotics production to the local economy probably limits the Taliban's willingness to reduce it.

#### NATO EXPANSION

*Question 41.* Some polls show that more Russians are indifferent or undecided about NATO expansion than are opposed to NATO expansion.

*Question 41a.* Should we conclude that the opposition to expansion is only among the foreign policy and government elites of Russia? If so, does this mean that there is little real muscle and political will behind the bellicosity of some of Russia's statements about NATO expansion?

*Answer.* While public opinion polls indicate the average Russian is primarily concerned with his or her daily plight, press reports suggest that opposition to enlargement spans the full spectrum of political elites and institutions. There is some variance in views, however, as to consequences for Russia of NATO expansion and the appropriate responses that should be taken.

Russia's current economic and military weakness limits its potential responses. It probably calculates, however, that it has some leverage with regard to security issues of importance to the West, including arms control, proliferation, arms sales, and relations with pariah states.

*Question 41b.* Are the tough statements we are hearing from Moscow merely a negotiating tactic from a government that recognizes that NATO expansion is inevitable? If so, what does Moscow want in return for its ultimate agreement on NATO expansion?

*Answer.* Moscow appears to recognize that enlargement will proceed regardless of its expressed objections. It seeks to limit the impact of NATO expansion or, failing this, to delay the process, if possible. Moscow says that it wants a formal agreement with NATO that would provide it a distinct role in decisionmaking relative to European security, exclude its neighbors in the Baltic and CIS states from future membership, and prohibit NATO's forward deployment of military infrastructure, troops, conventional arms, and nuclear weapons to the territories of new member states.

*Question 41c.* If Russia and Belarus voluntarily merge, as has been reported in the press, how would it affect the military balance between NATO and Russia? How is Poland likely to respond? What Russian military forces would likely be stationed in Belarus? Would Moscow move nuclear weapons back into Belarus?

Answer. There is momentum for closer integration in certain areas, but a meaningful military union is somewhat less likely. Any announced merger between Russia and Belarus likely to take years to implement because Moscow is reluctant and currently unable to assume the burdens of the failing Belarus economy. A merger would bring advantages and disadvantages for the Russian military.

- On the positive side, Russia would gain strategic depth in relation to NATO and Poland, which would be most important for Russia's air and air defense forces.

- On the negative side, Russia would assume the financial and logistic burden of supporting the additional forces, equipment and infrastructure. To the extent that Moscow moved to build up forces in Belarus, this would divert scarce resources from Russia's own military.

In the event of a merger, Moscow probably will focus on integrating key elements of the existing Belarus military into the Russian armed forces, principally air defense, border security, and military planning. These are areas where the costs are relatively low. Any Russian forces that move into Belarus are likely to be in these areas and be comparatively few in number.

- Any Russian move to deploy nuclear weapons to Belarus would be shaped by Moscow's perception of NATO enlargement, especially the status of NATO nuclear forces.

The added Belarus forces would not fundamentally affect the current NATO-Russian military balance. The Russian military is in the throes of a profound internal crisis that will take years to resolve. The Belarus military is in similar dire straits. The main effect would be to ease mobilization and movement of Russian forces in the event of a NATO-Russian military confrontation.

Warsaw's reaction would depend upon the status of its membership in NATO. If it were not yet a member, it would seek accelerated consideration and visible assurances from major NATO countries, probably including greater military-to-military contacts and perhaps some military aid. If it were a member, Poland would seek acceleration of programs to restructure and upgrade its military capabilities and infrastructure to NATO standards. Warsaw also might cooperate more closely on security issues with Lithuania and Ukraine.

#### JORDAN

*Question 43.* How would you assess public support for King Hussein in Jordan today compared to when he signed the peace agreement with Israel in 1994? Has it increased, declined, or stayed the same? What are the key threats to regime stability? Is the King taking steps to neutralize such threats?

Answer. King Hussein remains popular with the public and retains the loyalty of most Jordanians. We assess that Hussein's popular support, probably has decreased slightly since October 1994, when the Jordan-Israel peace treaty was signed. This is because he is pursuing several unpopular policies. Many Jordanians complain about Jordan's relationship with Israel at a time when the Arab-Israeli peace process is showing few signs of progress. In addition, Amman has accelerated economic liberalization, a policy course that many Jordanians view with skepticism.

Nonetheless, the monarchy is stable. Amman has implemented a comprehensive reform program, and the 5.2-percent growth the economy registered in 1996 surpassed that of any other country in the region. Serious economic deterioration, however, could pose major political challenges to the Hashemite monarchy, especially in view of already chronic high unemployment.

#### SYRIA

*Question 44.* A proposal for South Africa to upgrade Syria's 1,000 T-72 tanks is on hold, but other countries could step in to modernize the tanks instead.

*Question 44a.* What are the implications of an increase in weapons sophistication for the qualitative edge of other countries in the Middle East?

Answer. The qualitative gap between the Syrian military and key neighbors like Israel and Turkey is great. Moreover, Syria would have difficulty taking full advantage of the acquisition of a single sophisticated weapons system.

- The Syrian military lacks the resources to train troops to make effective use of such advanced systems.

- Syria has a weak maintenance and support infrastructure, which limits its ability to keep military equipment—particularly maintenance-intensive sophisticated systems—in good working order.

- The Syrian military is only beginning to consider how to integrate military technology with the tenets of modern maneuver warfare, the importance of which it saw firsthand while a member of the Persian Gulf war Coalition.

*Question 44c.* What is your assessment of the likelihood that President Asad will exercise a "military option" as a means of forcing concessions on the Golan? What are his intentions? What is the status of Syria's military capabilities and how might those forces be employed (e.g., size of forces, readiness, weapons capabilities, training level of commandos, tank forces, etc.)?

Answer. We assess that President Asad remains committed to the peace process and that under present circumstances he will not resort to the "military option."

*Question 44d.* What is the likelihood that Asad will be in power three years from now?

Answer. Asad's position as Syria's ruler will be secure over the next few years as long as he remains in relatively good health. He is in firm control of the security and military forces, and there are no known challengers to his rule. Nonetheless, he is 67 years old and suffers from diabetes and heart disease and recently, according to press reports, developed problems with his prostate. The heart disease and diabetes, in particular, almost certainly will worsen and could eventually limit his activities and effectiveness.

*Question 44e.* What is your assessment of his interest in pursuing the peace process?

Answer. We believe that Asad has made the strategic decision to pursue peace with Israel. The loss of his Soviet patron has contributed to the deteriorating economy and worsening state of his military. Asad is looking to the benefits of peace, such as better relations with the West, to improve Syria's economy and perhaps help modernize its army. However, Asad will not compromise on his demand for a complete Israeli withdrawal from the Golan in return for peace. Syrian diplomats have stated that Syria won this commitment from the previous Israeli Government, and they are unwilling to return to the table without some reassurance of an Israeli withdrawal to the 1967 boundary line. Asad's number-one priority is regime survival and continuation of Alawite rule in Syria. He will therefore be careful not to accept a peace that he believes could threaten those priorities.

*Question 44f.* Does Syria still promote terrorism against Israel and the West?

Answer. Syria has not been directly involved in an act of international terrorism since 1986, when Syrian Air Force Intelligence was implicated in planning and executing an attempted bombing of an El Al airliner in London. Since that time, however, Damascus has continued to provide several Palestinian terrorist groups—which maintain headquarters or offices in Damascus—with limited support, including giving them safehaven and facilitating their travel. The most notable of these groups are the Popular Front for the Liberation of Palestine-General Command (PFLP-GC), the Palestine Islamic Jihad (PIJ), and HAMAS. Some of these groups, particularly the PFLP-GC and PIJ, have publicly threatened acts of terrorism, or claimed responsibility after the fact, from Damascus.

Syrian officials maintain that there is a difference between acts of terrorism and "legitimate resistance" in the name of national liberation in the occupied territories. Such resistance, in their view, is justified, legitimate, and preceded by accepted historical precedents. Syrian support for parties conducting these operations continues.

#### THE SITUATION IN MEXICO

*Question 46a.* Mexico's political and economic difficulties have many ramifications for U.S. policy, both foreign and domestic. How well is Mexico managing the transition from a one-party state to a true democracy? Is that transition irreversible? Or is there still a real chance that the old guard of the PRI will revert to repressive measures in order to maintain power?

Answer. Two years into his term, President Ernesto Zedillo has made some progress on political reform. The three major parties agreed on an electoral reform package last summer that provides for direct election of a mayor for Mexico City and helps level the electoral playing field. Nonetheless, the ruling Institutional Revolutionary Party (PRI) pushed through implementing legislation in November over opposition party objections that watered down previously agreed provisions on campaign funding and media access.

*Question 46b.* What is the health of the Mexican economy and what are its prospects? Are they over the collapse of the peso, do they face years of recovery, or is another crisis a real possibility?

Answer. Mexico's recession ended in the second quarter of 1996, when the economy started to post positive real growth rates.

- As the recovery gained momentum, the annualized rate of GDP growth rose from 6.4 percent in the second quarter to 7.6 percent in the fourth quarter.

- For the year, real GDP rose 5.1 percent, not enough to offset a 6.2-percent plunge in 1995.

The upturn in growth mainly reflects booming exports and a replenishing of inventories.

- As companies have started to hire back workers and expand production, the unemployment rate has fallen to 4.5 percent, down from a high of 7.6 percent in August 1995.

- Consumer demand is still weak because of the sharp drop in real wages since 1994 and the lingering burden of consumer debts.

Private sector forecasters expect Mexico's recovery to broaden, allowing the economy to expand at an average annual pace of close to 5 percent during the remainder of Zedillo's term.

- A sustained high rate of growth depends upon the maintenance of investor confidence, continued commitment to reform, and Zedillo's willingness to resist political pressure for higher spending.

The OECD and private sector analysts have warned that Mexico could undergo further bouts of financial turbulence.

- Uncertainties about the outcome of midterm elections this year and presidential elections in 2000 could trigger volatility on the exchange market.

- A resulting shock to the fragile banking sector could significantly dampen economic growth.

*Question 46c.* What about the problem of drug trafficking through Mexico, especially of cocaine but also of pills? Has Mexico reversed the trend of increased trafficking? Has the influence of drug traffickers in Mexican politics been curbed?

Answer. The problem of drug trafficking in Mexico is of high concern. The Zedillo administration is pursuing a counternarcotics strategy focused on attacking production and trafficking and reducing the corrupting influence of drug traffickers. In 1996, Zedillo pushed an organized crime package through the Mexican Congress that expanded his authority to investigate organized crime and made money laundering a criminal offense. At the same time, Zedillo placed the military directly in charge of each of Mexico's principal civilian antidrug agencies in an effort to crack down on traffickers. Mexico City also initiated an effort aimed at restructuring, professionalizing, and reducing corruption in the Attorney General's office (PGR), which included firing 700 PGR officials last August. The Zedillo Administration also has continued to support drug crop suppression.

Despite these initiatives, Mexico City's efforts to combat the drug trade have not been wholly successful. According to official Mexican data, drug crop eradication results last year were about on par with the record level attained in 1995. Mexican authorities seized a record 1,000 metric tons of marijuana in 1996 and arrested several notorious narcotraffickers, including Juan Garcia Abrego—one of the FBI's 10 most wanted fugitives. On the other hand, Mexico has made only limited progress at undercutting the activities and power of the two principal trafficking organizations that dominate the illicit drug trade along the U.S.-Mexican border. In addition, cocaine seizures amounted to only about 24 metric tons last year. Although marginally better than the levels achieved in 1994 and 1995, they still were well below the 46-metric ton annual average during 1990-93. The arrest earlier this year of Mexican drug czar Gutierrez can be viewed either as indicative of the pervasiveness of narco-corruption in Mexico or as a reflection of Zedillo's commitment to root out the scourge.

*Question 46d.* What is the current role of the Mexican military in the Mexican Government and are there reasons to expect a change in this role? How effective is the Mexican military in fighting militant extremist groups in various states?

Answer. The Mexican armed forces are among the most loyal and apolitical in Latin America. The military's isolation from politics makes it difficult to assess with certainty the political leanings or sentiments of the officer corps or of enlisted personnel.

- The military's historical pride in its role of upholding the Constitution and guaranteeing stability diminishes the chances that the services would break with tradition and seek to interfere in civilian decisionmaking areas.

- Its status as a relatively professional force with a strong hierarchical system of command and control suggests that lower ranks are well-indoctrinated in the tradition of respect for civilian authority.

The Mexican armed forces have had mixed success in countering rebel groups, particularly the Popular Revolutionary Army (EPR), which emerged in Guerrero last June and has established itself as a disruptive force with sporadic attacks against law enforcement targets. The EPR's apparent mobility and multistate presence has made it more difficult for the military—already stretched thin with numerous responsibilities—to contain the EPR than the Zapatistas. The fact that the Zapatistas have fixed camps in Chiapas has enabled the armed forces to locate and surround



the camps. Although dozens of suspected EPR rebels have been arrested, the group's top leadership remains at large.

#### FIDEL CASTRO'S HOLD ON POWER

*Question 47.* How firm is Fidel Castro's hold on power?

*Question 47a.* Are there any signs that his control is weakening? If there are, what are they? What is the likelihood that he will remain in power one year from now?

Answer. Fidel Castro appears healthy for a man of 70, and his political position seems secure. Unless he suffers a health crisis, he is likely to be in power a year from now. He has faced no challenges in recent years from the Cuban elite, and the last significant case of popular unrest occurred in August 1994. Nonetheless, there are differences within the bureaucracy over the pace and scope of economic reform, and the living standards of most Cubans remain depressed.

#### CUBAN NUCLEAR REACTOR

*Question 49.* What is the current construction status of the Soviet-designed nuclear reactor at Juragua, and what is the likelihood of its being completed? What threat, if any, does completion of this reactor pose to the United States? What multi-lateral support, if any, is being directed for the maintenance or completion of the Juragua nuclear reactor project?

Answer. The plant's two Soviet-designed reactors have been mothballed since late 1992, when Moscow insisted that Havana pay for the remaining construction with hard currency. Both parties agreed to resume construction only if a third partner could be found to supply safety and instrumentation equipment and to help to finance the project's completion. Although the major components are on-site for the first reactor, it will require more than \$200 million from a third partner to complete it. The second reactor is only in the first stages of construction.

#### THE THREAT OF FUTURE IMMIGRATION FROM CUBA

*Question 51.* Please assess the threat that future immigration flows from Cuba to the United States pose for our country. What is the likeliest scenario for increased Cuban immigration to the U.S.? And how likely is this scenario?

Answer. Although such pressures persist, a mass illegal outflow is unlikely so long as U.S.-Cuban migration agreements remain in effect. They commit Cuba to deter illicit departures and provide for U.S. repatriation of interdicted migrants. Havana continues to express satisfaction with the accords, which met two of its long-standing objectives—expanded legal entry into the United States and the end of automatic parole for interdicted Cubans.

#### PEACE IN GUATEMALA

*Question 52.* The Government of Guatemala recently signed a series of peace accords with the guerrilla groups that had waged war against it for a generation. What are the obstacles to successful implementation of that peace agreement and what are the odds that Guatemala will stay peaceful?

Answer. The deployment earlier this year of 155 U.N.-sponsored military observers to monitor rebel demobilization is the first step of a process that includes disarming the former insurgents and training them for employment while initiating comprehensive reforms of the government and economy.

Military downsizing and police reforms mandated by the peace accord will create security problems that defy quick solution. The Army's dissolution last fall of rural security entities and its new focus on external defense leaves serious gaps in law enforcement that existing security forces are unlikely adequately to fill. Crime will probably rise until the government can improve the performance of the 12,000-man police force and train and deploy the additional 8,000 police authorized by the accord.

Strengthening a weak, overtaxed judiciary—a key to convincing the former insurgents and supporters that their civil rights will be protected—will be a slow process. Poor investigative procedures, corruption, and witness intimidation have slowed investigations of corruption and criminal cases. The judiciary also has the immediate task of interpreting the recently enacted amnesty law. The public and human rights groups will be angered if the courts, contrary to executive and legislative intent, broadly apply the law to cover several military officers implicated in high-profile human rights cases who are already seeking amnesty.

The government requires substantial domestic support and international assistance to implement the ambitious social and economic reforms envisioned by the accords.

The international community in January pledged \$1.9 billion over the next four years in grants and soft loans to help underwrite the estimated \$2.5 billion cost of implementing the reforms. However, donors publicly stressed the need for Guatemala to broaden the tax base, and one provision of the peace accord mandates that the government increase tax revenues from the current 7 percent of GDP to 12 percent by the year 2000 in order to help fund the peace process. Powerful business interests have blocked tax increases in the past and undoubtedly will oppose substantial hikes in the future.

In addition, some current property owners might resist government land reform efforts to purchase or confiscate land, potentially causing some sporadic violent disputes.

President Arzu may come under increasing domestic criticism for failing to satisfy the high expectations fostered by the accord, but several factors suggest that Guatemala can move ahead with the peace process.

- Both the war-weary former insurgents and the government, including the military high command, repeatedly overcame substantial obstacles and demonstrated their commitment to peace last year. We expect this spirit of compromise to continue.

- International support and the ability of Arzu to manage crises probably will help to keep the process on track.

#### HAITI AND THE PREVAL GOVERNMENT

*Question 53.* The Preval government has come under increasing criticism from domestic critics. What are the chances that this drumbeat of criticism will lead to a political crisis and a change in government? Please assess the current security situation in the country.

*Answer.* President Preval has passed the one-year mark amid denunciations of his economic reforms and calls for the resignation of Prime Minister Smarth. High food prices and close to 70 percent unemployment have disappointed popular expectations, fueling criticism by administration opponents and dissident factions within the ruling Lavalas movement. Citizens also are complaining about inadequate police protection. A crime wave in Port-au Prince has claimed almost 40 lives since late February; five policemen have been killed, and gang warfare, carjackings, robberies, and shootings continue, even in the wealthier suburbs.

Despite popular frustrations, no groundswell of sentiment rejects the fledgling democratic system. The peaceful transfer of the presidency in early 1996, the seating of a surprisingly independent legislature, and an expansion of local governance pursuant to recent Senate and local elections have given Haitians a voice in the system. These developments also have helped to diffuse disgruntlement. Talk of antigovernment plotting has declined since last summer, and the Haitian National Police, a force built from scratch, is gradually improving its performance.

#### THE HAITIAN NATIONAL POLICE'S SPECIAL INVESTIGATIVE UNIT

*Question 54.* What is the current status of the Haitian National Police's Special Investigative Unit (SIU), and what resources are being made available to it? Has it made any progress on any of the outstanding political murder cases, including the Bertin case?

*Answer.* The SIU is an autonomous unit created to probe a number of high-profile political assassinations. It reports directly to the Director-General of the Haitian National Police (HNP). Its commander is Frantz Thermilus. The SIU has made little progress on the high-profile assassination cases.

#### FORMER PRESIDENT ARISTIDE'S ROLE IN HAITI

*Question 55.* What political role is former President Aristide playing now that he is out of office? Does he support President Preval's policies? Please gauge his popular support.

*Answer.* Aristide has formed a new political party, the Lavalas Family, which enjoys considerable popular support. He has tended to stay out of the limelight, but he has spoken out against Preval's economic reform plans and in support of his new party.

## HAITIAN HUMAN RIGHTS ABUSES

**Question 57.** A recent human rights report documents an alarming number of human rights violations, including 15 summary executions, committed by the Haitian National Police since its deployment in July 1995. What actions have senior police or Haitian Government officials taken in response to these violations?

**Answer.** The Haitian Government is engaged in investigating killings and allegations of other human rights abuses. In 1996, a significant number of serious cases of abuse occurred, and these increased in frequency and severity during the year, according to the U.S. State Department. In response, the HNP fired 15 officers and detained 12. Authorities have had little success in referring cases for prosecution because of the weaknesses of the judicial system.

## ALLEGATIONS OF POSSIBLE CIA INVOLVEMENT IN THE DRUG TRADE

**Question 58.** Serious charges have been made in this past year about CIA involvement in the drug trade.

**Question 58a.** The CIA Inspector General completed an investigation into long-standing allegations of money laundering and other illegal or improper activities at or around the airport at Mena, Arkansas. The IG concluded that no evidence was found to indicate that the CIA or anyone acting on its behalf participated in, or otherwise had knowledge of, illegal or improper activities at Mena. Do you concur with the CIA IG's conclusion?

**Answer.** The Office of Inspector General's (OIG) Mena investigation was a comprehensive eight-month effort that was staffed by three investigators, two secretaries and one research assistant. Approximately 40,000 pages of documents were reviewed and more than 40 individuals were interviewed in connection with the inquiry. OIG's investigation was largely based on information in CIA files or provided by current or former CIA employees and was not intended to address the wide range of allegations, rumors, and innuendo unrelated to CIA that exists regarding Mena and related topics. We are confident that the investigation was an objective effort to respond fully to questions posed by the House Committee on Banking and Financial Services. We have no reason to question its conclusions.

**Question 58b.** What is the status of the CIA's inquiry into allegations regarding the CIA's involvement in crack cocaine distribution in the U.S.? Has the CIA IG been able to gain access to all needed documents and to interview subjects?

**Answer.** The Inspector General is conducting an independent, objective, and complete investigation into allegations that the CIA supported the Nicaraguan Contras with the proceeds of U.S. cocaine trafficking. An IG team, which numbers 16 full-time personnel, has been assembled and dedicated to this investigation since September 1996. This team is in the latter stages of an analytical review of more than 18,000 documents and dozens of personnel files. Agency components continue to be tasked to conduct further searches to ensure that OIG obtains all relevant documents. Some Agency components are continuing to respond to the IG's original tasking requirements, and all are conducting further searches to ensure that OIG obtains all relevant documents.

When the document review is completed, a substantial number of individuals who may possess relevant information will be interviewed. The team currently estimates that more than 200 individuals will be contacted. This phase of the investigation has only begun. No interview subject has refused to be interviewed thus far.

**Question 58c.** Given the public perceptions about alleged CIA involvement in drug trafficking, is it even worthwhile for the CIA to continue involvement with the counternarcotics mission?

**Answer.** Intelligence has long played a vital role in countering the flow of illegal drugs into the United States.

- CIA utilizes the full array of intelligence capabilities—ranging from human sources to national technical means—in our counterdrug efforts.

- Intelligence provides key support to two goals of the President's National Drug Control Strategy: Goal 4—to "Shield America's air, land, and sea frontier from the drug threat," and Goal 5—to "Break foreign and domestic drug sources of supply."

- We place a premium on ensuring that our foreign intelligence priorities are aligned closely with domestic law enforcement efforts to maximize the use of total U.S. Government counterdrug resources.

CIA's principal "value added" in confronting the drug threat is the actionable intelligence we produce to accomplish three key objectives:

- To support and help implement U.S. policy. For example, our analysis provided the basis for President Clinton to impose harsh economic sanctions in 1995 against the Cali drug mafia, the most dominant and powerful international trafficking alliance in recent years.

- To bolster the capabilities and resolve of foreign allies to work against traffickers. The intelligence we share has been instrumental in the planning and execution of numerous "takedown" operations against major drug trafficking organizations. Such intelligence has facilitated identification of their structure, networks, and vulnerabilities.

- To support interdiction and law enforcement efforts. Intelligence often has provided law enforcement agencies with leads for investigative purposes.

In recent years, the CIA has taken the lead in fostering unprecedented collaboration within the U.S. counterdrug community. Likewise, we have successfully encouraged our foreign allies to work together to attack traffickers on a regional basis. Our efforts have helped to develop and institutionalize interagency programs that are making important inroads against the drug threat worldwide. Major successes include the dismantlement of the premier maritime drug transport organization in Latin America; the arrests of every leader of the Cali drug mafia; and the disruption of Burma's narco-insurgent Mong Tai Army, one of the largest heroin suppliers to the United States. We are dealing, however, with sophisticated adversaries who are flexible in their operations and have enormous financial resources at their disposal.

#### ANNUAL DRUG CERTIFICATION PROCESS

*Question 59.* By early March, the President will have to certify to the Congress that certain countries have fully cooperated with U.S. efforts to fight narcotics traffickers. What is the Intelligence Community's role in this decisionmaking process?

Answer. The Intelligence Community supports the annual certification process by providing key U.S. decisionmakers with all-source analytic assessments of the counternarcotics performance of the nations identified by the President as major drug-producing and drug-transit countries. These assessments cover several issues related to narcotics trafficking: drug cultivation and eradication; interdiction; drug-related corruption; legal reform, including actions to curb money laundering; and international cooperation. As a direct input to State Department's annual International Narcotics Control Strategy Report (INCSR), the CIA produces annual estimates of coca and opium cultivation and production for the major producing countries worldwide.

#### POLITICAL PROBLEMS IN COLOMBIA

*Question 60.* The drug money scandal involving President Samper in Colombia continues to be an irritant in bilateral relations. This problem was exacerbated when Colombian courts gave Cali kingpins Miguel and Gilberto Rodriguez Orejuela what were perceived as light sentences. Has Colombia become, as some predicted, a "narco-democracy?" How productive is the U.S.-Colombia counternarcotics effort?

Answer. Narcocorruption has taken hold to some degree in virtually all areas of government in Colombia. Drug traffickers have proven willing to bribe and intimidate officials at many levels when they feel their interests are threatened. They apparently have exerted little effort to influence general political and economic policy.

When domestic and international pressure is significant, however, trafficker influence can be overcome. In December, for example, the Colombian Congress passed a strong asset forfeiture bill despite the objections of some individuals and groups with links to traffickers.

#### TERRORIST SITUATION IN PERU

*Question 61.* Does the hostage-taking in Lima, Peru, represent a resurgence of what had been viewed as a declining terrorist threat? This attack was directed at a Japanese diplomatic facility, but Americans are usually a more inviting target. Have we taken steps to assess whether U.S. facilities in Lima and elsewhere in Latin America need enhanced security? Can we achieve adequate security in urban environments?

Answer. The takeover of the Japanese Ambassador's residence by the Tupac Amaru Revolutionary Movement (MRTA) was a dramatic display of the group's organization and intelligence-gathering abilities. Nonetheless, it does not necessarily portend a major resurgence of terrorist activity by the MRTA or its larger and more violent rival, Sendero Luminoso (Shining Path, or SL). The is especially the case following the Peruvian Government's spectacular success in ending the crisis without caving in to MRTA demands.

More generally, both MRTA and SL have been greatly weakened by government arrests and a strong public backlash against terrorist activity. Both will remain capable of staging attacks against poorly protected targets, but they are less likely to strike targets that employ effective security measures. In response to the hostage crisis in Lima, U.S. diplomatic facilities in Latin America have reevaluated their se-

curity measures and found them appropriate to the threat levels in their respective countries.

Over the past several years, Japan has assumed a heightened profile in Peru because of Tokyo's association with the Fujimori government. Japanese interests have replaced U.S. ones as the primary foreign target of MRTA terrorism.

#### SHIFTING TACTICS IN NARCOTICS TRAFFICKING

*Question 62.* Over the past few years, the law enforcement and intelligence communities have focused more resources on trafficking across the Southwest border. We are now seeing increased activity in the Caribbean again and in the eastern Pacific. How do we avoid this problem of applying pressure in one place only to see the traffickers quickly adjust? How do we make our own efforts more adaptive?

*Answer.* Over the past year, increased U.S. countermeasures in Mexico and along the Southwest border have caused traffickers to increase their use of alternate routes for moving drugs to the United States. The majority of illicit drugs from Latin America entering the United States still transits Mexico. We nonetheless have seen a moderate increase in direct shipments to the United States through the Caribbean. (We have seen little relative change in traffickers' longstanding use of the Eastern Pacific as a route to move drugs into Mexico for subsequent shipment to the United States.)

We do not view these changing tactics of the traffickers as a problem to be avoided, but rather as a natural and expected reaction to our own intelligence and law enforcement actions. We continue to believe that disrupting and dismantling key trafficking organizations—including their production, transport, and money-laundering networks—on a regional basis is key to keeping them on the defensive, making them more vulnerable to law enforcement, and increasing the costs and risks of doing business. We continue to try to make our own efforts more adaptive by working collaboratively with U.S. law enforcement, DOD, and host nations to sustain such pressure throughout both source and transit areas.

#### RELATIONSHIP TO THE OFFICE OF NATIONAL DRUG CONTROL POLICY

*Question 63.* The Director of the Office of National Drug Control Policy, General Barry McCaffrey, is the Executive branch coordinator for all counternarcotics efforts. What role does he play in setting Intelligence Community priorities? Does he have any mechanism for controlling Intelligence Community counternarcotics operations or resources? Should his authority be changed?

*Answer.* By statute, the Director of Central Intelligence is responsible for arraying national foreign intelligence resources against threats to our national security, especially in times of crisis. General McCaffrey plays a key role in setting Intelligence Community counternarcotics priorities, particularly through the interagency policy process. Based in part on his input, we have given counternarcotics a very high priority as an intelligence issue. The Intelligence Community is responsive to the goals enunciated by the Director of ONDCP in the President's National Drug Control Strategy. The Community maintains liaison representatives at ONDCP. We plan, coordinate, and execute our counternarcotics activities on the basis of Administration policy articulated through General McCaffrey's office. We believe that these mechanisms are effective and do not favor giving the Director of ONDCP direct authority over Intelligence Community operations or resources.

#### TRENDS IN DEMAND FOR ILLEGAL NARCOTICS

*Question 64.* Have we detected any change in the worldwide supply or demand for illegal drugs? Are our efforts having any effect on the drug trafficking organizations?

*Answer.* While illicit opium production reached record levels last year, coca leaf production declined. In 1996, for the second consecutive year, potential illicit opium production reached a record high, nearly 4,300 metric tons, enough to produce some 385 metric tons of heroin if all the gum were processed. Burma, Laos, and Afghanistan continue to account for more than 90 percent of the potential production, while Latin American opium accounts for some 3 percent of worldwide production. In contrast, potential cocaine production dropped last year, with a dramatic 18-percent decline in Peruvian coca cultivation. Peru still remains the most significant supplier of coca leaf, although Colombia has become an increasingly important leaf producer with a dramatic increase in production since 1993.

Numerous foreign governments report that drug consumption continues to increase in virtually every category—from heroin to cocaine to amphetamine products. Both drug supply and transit countries have experienced this increase. Over the past year, many foreign governments—in Europe and East Asia, for example—have

claimed that their countries are facing an increase in demand for methamphetamine products—typically in pill form. These stimulants are associated with the urban nightclub environment and are popular with young teens and adults. Numerous governments—most recently Indonesia—have responded to the growing supply and demand of methamphetamines by increasing legal penalties for smuggling and selling these products.

U.S. and foreign government counterdrug efforts have resulted in the arrests of several drug kingpins and the seizure of millions of dollars worth of assets. We are now targeting lesser-known traffickers vying to fill the void. In addition, antidrug efforts have increased the traffickers' costs and risks of doing business. For example, disruption of air routes from Peru to Colombia has forced traffickers to move products increasingly by river—a less efficient, more costly option. More important, it has caused a significant and sustained drop in coca prices in Peru. Despite these successes, some kingpins are still running their operations from jail, which highlights the need for fundamental legislative and judicial reform in certain foreign countries.

#### MONITORING COMPLIANCE WITH THE COMPREHENSIVE NUCLEAR TEST BAN TREATY

*Question 65a.* Does the Intelligence Community believe that it is possible to craft a Comprehensive Nuclear Test Ban Treaty (CTBT) that is effectively verifiable? Why or why not?

*Answer.* To monitor the CTBT, we will use National Technical Means (NTM), an international system of technical sensors, and an on-site inspection regime, as well as voluntary confidence-building measures (CBMs). The Intelligence Community does not render judgments on the verifiability of arms control treaties. It is the responsibility of the policy community to address the verifiability of CTBT, and ACDA is preparing a Congressionally mandated report on that subject. The Intelligence Community has plans to publish a National Intelligence Estimate on the CTBT, however, in which the Community's conclusions on monitoring will be presented in terms of confidence levels.

*Question 65b.* What are the U.S. monitoring capabilities in this area? Are they adequate?

*Answer.* The President identified a set of desired capabilities to monitor nuclear tests underground, underwater, in the atmosphere, and in space approximately equal to a few kilotons of TNT-equivalent if evasively tested. The United States is currently implementing an NTM enhancement program that will allow us to meet the monitoring requirements for clandestine explosions underground, underwater, or in the atmosphere. However, these enhancements and the resources necessary for sustaining our monitoring base will be considerable. As the CTBT ratification debate approaches, we will be consulting closely with this committee on our capabilities, their cost, and the tradeoffs involved.

Our confidence in monitoring the CTBT also will depend on the verification tools provided by the Treaty. The locations, technical specifications, and operating procedures associated with the sensors belonging to the international monitoring system (IMS) have yet to be determined. It appears, however, that the IMS will have a capability to detect and identify non-evasively conducted nuclear tests to a level of about one kiloton. The on-site inspection (OSI) provisions and voluntary CBMs are less far reaching than the U.S. originally had sought. In the absence of more robust OSI and CBM regimes, the technical monitoring capabilities of our NTM and the IMS take on even greater importance.

*Question 65c.* Please describe cheating scenarios under which signatory nations to the CTBT could evade detection.

*Answer.* The IC plans to produce a monitoring estimate on CTBT in which cheating scenarios will be addressed. We would not want to prejudge the conclusions of that document. Suffice it to say, however, that there is no single sensor type, rote analysis package, or other panacea that will solve all CTBT monitoring problems. The key to our monitoring success will be a synergistic approach that combines data, information, and intelligence from all sources in performing analyses and developing monitoring judgments.

*Question 65d.* How important is underground testing to achieving a nuclear weapons capability? What lessons are relevant from the North Korean and Iraqi nuclear programs?

*Answer.* Nuclear testing is not required for the acquisition of a basic nuclear weapons capability (i.e., a bulky, first-generation device with high reliability but low efficiency). Tests using high-explosive detonations only (no nuclear yield) would provide reasonable confidence in the performance of a first generation device. Nuclear

testing becomes critical only when a program moves beyond basic designs to incorporate more advanced concepts.

The primary hurdle for any potential proliferant (including North Korea and Iraq) is the acquisition or production of weapons-grade uranium or plutonium. Proliferants that can clear this hurdle probably are capable of developing a workable nuclear device. Nuclear testing is always desirable to improve confidence in a weapon's performance, but it is not critical for a first-generation weapon.

#### THE CHEMICAL WEAPONS CONVENTION

**Question 66.** The Senate is again being asked to advise and consent to ratification of the Chemical Weapons Convention (CWC). Is that treaty verifiable? If not, why is the CWC still being submitted to the Senate? Is it likely to lead to the exposure of some violators, even if not all of them? Will it help U.S. intelligence? Is U.S. ratification of the CWC likely to lead to the curtailment of production, stockpiling, or use of chemical weapons by rogue states that refuse to sign or ratify the convention?

**Answer.** In mid-September 1996, the Intelligence Community declassified two judgments from a 1993 National Intelligence Estimate regarding our CWC monitoring capabilities. The first acknowledged that "The capability of the Intelligence Community to monitor compliance with the Chemical Weapons Convention is severely limited and likely to remain so for the rest of the decade." The second stated that "The key provision of the monitoring regime—challenge inspections at undeclared sites—can be thwarted by a nation determined to preserve a small, secret program using the delays and managed access rules allowed by the convention."

The Intelligence Community still holds the above judgments to be true, although we do have confidence that we will be able to detect large-scale CW programs that states develop over an extended period of time for integration into their armed forces. Chemical warfare convention monitoring difficulties derive largely from the nature of CW programs. Chemical warfare facilities and processes lack distinguishing signatures and may often be collocated with legitimate commercial enterprises. These inherent difficulties in monitoring the effectiveness of CW programs have been compounded by the denial and deception operations employed by some foreign states intent on concealing them. Nothing is likely to change those realities for the next several years.

Countries that do not ratify the CWC could seek through clandestine or other means to acquire from countries that do ratify the treaty the materials and knowledge needed to support an offensive CW program. Nonetheless, the nonsignatories' actions would be more vulnerable to identification than in the absence of the CWC. States party to the treaty would be prohibited from transferring to or from these countries Schedule 1 chemicals as well as Schedule 2 chemicals after three years. In addition, states adhering to the treaty would be obligated not to assist in any way the nonratifiers' CW programs. This obligation would include the transfer of any chemicals, whether listed on the Schedules or not, that a party to the CWC believed might be used for prohibited purposes.

The declarations and other data generated by the CWC will provide unique information the Intelligence Community can use in monitoring and assessing CW programs. Inspections, particularly challenge inspections, could cause proliferators to slip up and give us potential indications of or insights into offensive CW activities. While the CWC will have no effect on the existing chemical weapons inventories of those countries with CW programs that do not sign or ratify the Convention, the CWC's restrictions on transfer of certain chemicals by a state party to a nonstate party may hamper its CW agent production effort until the latter achieves an indigenous production capability.

#### MISSILE THREATS TO THE U.S.

**Question 68.** The proliferation of missile-delivered weapon? is an issue directly confronting the strategic interest of the United States and its traditional allies.

**Question 68a.** What are the current strategic missile threats to the United States and theater missile threats to deployed U.S. forces? What are the projected threats for the next decade? Does the CIA and the rest of the Intelligence Community share this view?

**Answer.** Four countries currently have nuclear-armed ballistic missiles capable of reaching all or major parts of the United States and Canada:

- *Russia* has about 1,500 ICBMs, SLBMs, and strategic bombers with cruise missiles that can reach major parts of the United States and Canada. It also has cruise missiles that can be launched from submarines. Russian strategic missile forces are expected to decline in size over the next 10 years because of a combination of arms

control and resource constraints. Nevertheless, Moscow will remain a formidable nuclear power capable of launching a devastating attack on the United States.

- *China* has a handful of ICBMs that can reach targets in the United States and Canada. Beijing has embarked on an ambitious strategic force modernization program that is likely to increase significantly Beijing's ability to strike targets in the United States, although the threat will remain small relative to that posed by Russia.

- The *United Kingdom* and *France* each have tens of ballistic missiles on submarines capable of operating near North America and striking any part of the United States and Canada.

None of the countries judged potentially hostile to the United States—North Korea, Iran, Iraq, Libya, and Syria—currently has a long-range ICBM capable of reaching targets in the United States. Of these countries, only North Korea has a program to develop a missile that, if successful, could have the range to reach targets in Alaska and the western-most Hawaiian Islands.

A much larger number of countries has short-range ballistic missiles with ranges of up to 1,000 km. Although the vast majority of these missiles are based on 1950s Scud technology and have accuracies measured in hundreds of meters, they would pose a threat to U.S. forces during a regional conflict. Similarly, a large number of countries have anti-ship or land-attack cruise missiles—most with ranges of 300 km or less—that could also pose a threat to deployed U.S. forces. Many of these countries have indigenous efforts under way to improve their theater missile capabilities or are seeking foreign assistance in this area.

(These views are shared by the CIA and the rest of the Intelligence Community.)

**Question 68b.** Some individuals have questioned whether intelligence on the long-range missile threat to the United States had been politicized—particularly regarding the status of North Korea's Taepo Dong II long-range missile. In your opinion, has the Intelligence Community been consistent over the past several years regarding its assessment of the long-range ballistic missile threat to the continental United States? How do the three most recent NIEs on this subject compare?

**Answer.** The judgments in NIE 95-19 are largely consistent with previous Intelligence Community assessments and with those of individual agencies. The only areas of change are:

- First, the timelines for development of the Taepo Dong missiles have slipped. Most agencies believe the Taepo Dong II program will move more slowly than we projected earlier, and there are some concrete reasons for this change. However, these missile programs were not described in previous NIEs.

- Second, for two countries, our estimate of the time required for ICBM development has been extended somewhat.

- The following passage from an unclassified summary of a 1993 CIA report emphasizes how little our assessments have changed.

"Analysis of all available information shows the probability is low that any other country [than China or the former Soviet Union] will acquire this capability [for an ICBM attack on THE CONTINENTAL UNITED STATES] during the next 15 years."

**Question 68c.** What is your response to the GAO report that criticized aspects of the missile threat NIE?

**Answer.** We agree with the GAO conclusion that the judgments contained in NIE-95-19 are not inconsistent with those of the 1993 NIE. This point was made earlier by the Chairman of the National Intelligence Council in his February 1996 unclassified statement for the House National Security Committee.

- We accept that the NIE did not report uncertainties quantitatively, although our confidence in assessments is described qualitatively.

- We agree with the report's conclusion that gaps and uncertainties preclude a good projection of exactly when "rest of the world" countries will deploy ICBMs. However, we remain confident in the NIE's key judgments that any deployment by such countries of long-range ballistic missiles capable of targeting the 48 contiguous states will not be within the next 15 years and that North Korea might develop a missile capable of striking Hawaii and Alaska sometime within the next 15 years.

- GAO asserts that some key judgments must be assumptions, not assessments, because it "did not find a body of evidence \* \* \* that would allow [considering] these statements as judgments, rather than assumptions." We believe that, while some judgments are supported by less description and direct evidence than others, our assumptions are clearly stated in the scope note or the text.

- The GAO notes that alternative futures were not addressed in the NIE. In order to keep the discussion within manageable bounds and limit the length of the Estimate and the time required to produce it, we intentionally did not address the effect



of major political changes, such as the reunification of Korea or a high-tech friendly country's becoming a strategic threat. Nonetheless, the NIE includes a discussion of alternatives to indigenous development of ICBMs. Among them are cruise missiles, space vehicles, foreign assistance with technology and components, sales of missiles, and alternative launch sites for shorter range missiles. None of these alternatives was projected to change the threat within the 15-year time frame. We stand by our judgments and analysis as presented in this Estimate.

#### THE PROLIFERATION OF BALLISTIC MISSILE SYSTEMS

*Question 69.* In general, there are three basic ways that a country can acquire ballistic missiles, especially longer range systems: It can develop an indigenous capability, it can modify systems or acquire technology from another country, or it can buy complete systems.

*Question 69a.* What countries are selling missiles and to whom?

*Answer.* The sale of a complete ballistic missile system has become a rare event because of international pressure to forgo such sales. Sales of missile-related components and production technology are far more common and, from a proliferation standpoint, perhaps far more worrisome. The transfer of production technologies affords the recipient state the opportunity to produce, and eventually to design and sell, its own missiles. In addition, these sales are more difficult to monitor than sales of complete systems, and are more ambiguous with regard to the Missile Technology Control Regime (MTCR). This is the case because buyers and sellers can claim that the transfers are not intended for use in missile systems.

*Question 69b.* What is the likelihood that countries such as India and North Korea will sell their missiles to other countries? How would such sales affect the threat to the United States or to U.S. forces?

*Answer.* From the perspective of some potential sellers, the sale of ballistic missiles could be a source of additional revenue for their cash-strapped economies. Nonetheless, most such countries, with North Korea being a possible exception, probably calculate that the international opprobrium attached to such sales outweighs the material benefits they may realize.

From the perspective of some potential buyers, ballistic missiles are an effective instrument—even the weapon of choice—to threaten U.S. and coalition forces in the face of U.S. air superiority. It is much less expensive to acquire missiles than to develop and maintain a world-class air force competitive with U.S. military aviation. Missiles with a low-profile infrastructure and mobile launchers are much less vulnerable than aircraft to U.S. offensive operations. Missiles are easier to control than other means of deep strike. Missiles can have considerable psychological effect when used against urban targets.

Iran, for example, with its current inventory of missiles can strike targets in neighboring countries, including oil installations and ports in Saudi Arabia. With a longer range missile, such as the North Korean No Dong, Iran would be able to strike targets in Israel and most of Saudi Arabia and Turkey.

#### INTERNATIONAL ORGANIZED CRIME

*Question 72a.* How many and which nations in particular do we now identify as being threatened or undermined by criminal activity?

*Answer.* In assessing the threat to foreign nations posed by organized crime, our analysts focus particularly on the extent to which:

- Criminal activity undermines political stability, especially the building and sustaining of democratic processes and institutions, and market reforms;
- Criminal organizations penetrate government leadership and institutions, manipulate the judicial system, and gain significant influence or control over economic and financial resources;
- Public corruption inhibits foreign government capabilities to cooperate with U.S. efforts against transnational criminal activity, especially narcotics trafficking.

In this context, organized crime in some Western nations may be a significant problem, but it generally does not threaten democratic institutions that are firmly established and whose legitimacy is not questioned. We are most concerned about the power and influence of drug trafficking criminal organizations in Mexico and the major cocaine-producing countries of Colombia, Peru, and Bolivia; rampant criminality and high-level corruption in Nigeria; and the intermeshing of organized crime and high-level corruption in Russia. We are also closely watching the impact of organized crime in the newly independent states that were once part of the USSR. The former Communist countries of Eastern Europe and post-Apartheid South Africa are vulnerable to the influence of criminal organizations as these countries attempt to consolidate democratic institutions and market economies.

*Question 72b.* Do we have sufficient understanding of the threat the advent of criminal societies and "gangster" states pose to this country?

Answer. We know that foreign criminal organizations are extensively involved in trafficking drugs and that they are engaged in other criminal activities in the United States. They benefit from the protection of corrupt high-level officials in their home countries. Some groups, particularly in Russia and the newly independent states, have access to national economic and financial resources on which they draw to pursue international criminal activities.

*Question 72c.* Do we have a sufficient level of analysis of the social and political factors at play in those nations under threat of criminalization?

Answer. We often do not have sufficient detailed information on corrupt officials, on criminally controlled or influenced business enterprises that do business in the United States, and on criminal networks in the United States effectively to target and disrupt their activities. We place a premium on having a close working relationship with federal law enforcement agencies—especially the FBI—to ensure that intelligence collection and analysis are focused on the foreign criminal organizations whose activities in the United States are of particular concern.

*Question 72d.* Of the nations under threat from criminal organizations, have any reversed the downward trend in the past 12 months?

Answer. The short answer is "not that we can tell." In some places—Russia, for example—figures for street crime have declined. However, the threats posed to vulnerable countries by organized criminal groups and their activities have not abated. Available figures for Russia indicate that drug trafficking and financial crimes are on the rise.

Our analysts have looked closely at the conditions and environments in which criminal organizations are thriving in countries that are under threat from organized crime, such as Russia and other states of the former Soviet Union, Nigeria, Mexico, Colombia, and Pakistan. Three factors are particularly responsible for keeping crime levels high:

- Many countries are a major source of illicit drugs and other contraband or major avenues for smuggling illicit contraband. This allows criminal groups to establish firm bases of operations and become very powerful players. Despite the arrest of all the major kingpins of the Cali drug mafia, Colombia remains a criminal haven because it is the center of the international cocaine trade. Criminal groups—like the drug mafias in Mexico—will do whatever it takes to protect their bases of operations.

- Many of these countries are undergoing significant political or economic transitions. This allows criminal organizations to exploit the absence of effective legislation and law enforcement capabilities. Criminal organizations aggressively move into such a vacuum and use the vast financial resources at their disposal to corrupt public officials and invest in the legitimate economy.

- It becomes extremely difficult to displace criminal organizations once their assets become legitimate. What would be key to diminishing the threat they pose is the extent to which governments are committed to the rule of law, underpinned by strong legislation and law enforcement and judicial systems capable of enforcing a crackdown on organized crime.

*Question 72e.* Of the nations under threat from criminal organizations, which ones have governments that are at least partially co-opted by the criminal elements.

Answer. Criminal organizations can and do gain considerable power over politicians and governments through corruption. This problem is apparent to varying degrees in Colombia and Nigeria as well as Russia, Mexico, and many other countries. Traffickers in Colombia, for example, bribe and intimidate officials at many levels. Pervasive corruption in Nigeria's government allows Nigerian criminal syndicates to operate virtually without constraint.

#### EFFECTIVENESS OF ECONOMIC ESPIONAGE LAW

*Question 73.* On October 11, 1996, President Clinton signed into law the Economic Espionage Act, which contained a provision initially adopted by this Committee to help to thwart the theft of American trade secrets by foreign governments, companies, or agents.

*Question 73a.* How helpful do the CIA and FBI believe this law will be in their efforts against industrial espionage?

Answer. The passage of the Economic Espionage Act (EEA) represented an important step toward safeguarding valuable intellectual and proprietary information. The adoption of the law clearly attracted the attention of many of our key economic competitors. Nonetheless, it is perhaps too early to assess whether the law has had

an appreciable effect on the level of economic espionage directed against the United States.

We believe that, as a result of the law, foreign governments may be more cautious when they contemplate engaging in such illegal activities. (The Counterintelligence Center (CIC) defines economic espionage as government-directed or orchestrated clandestine efforts to collect U.S. economic secrets or proprietary information.) We defer to the FBI as to how the Economic Espionage Act has affected corporate-sponsored "industrial espionage" and the prosecution of those involved in economic or industrial espionage.

*Question 73b.* Are procedures in place within the CIA and FBI to start enforcing this law? What other measures would help stop industrial espionage?

Answer. This question should be referred to the Director of the FBI for his views. The FBI is responsible for enforcing U.S. espionage laws.

#### ECONOMIC ANALYSIS

*Question 74.* In response to a question for the record from the February 22, 1996, Committee hearing on current and projected threats to the U.S., former Director of Central Intelligence Deutch stated that Intelligence Community analysis on economic issues is "somewhat uneven in quality." Has the quality of analysis improved over the past year? If so, how?

Answer. The quality of the Intelligence Community's economic analysis is strong and continues to improve. A number of specific CIA economic reports, including ones on economic sanctions, foreign bribery, and the finances of terrorists and narco-traffickers, have been very well received by senior consumers. Management throughout the Intelligence Community is committed to recruiting, training, and retaining top-notch economists.

- We have begun a reorganization of the Directorate of Intelligence that will streamline the directorate, remove layers of management, focus on substantive products, and provide ongoing support for analysts.

- We are engaging analysts more often with consumers and with academic experts so that analysts can better understand the issues and the needs of the policy community.

The DCI's Economic Intelligence Advisory Panel is designing an improved system for reviewing products and seeing to it that analysts interact more closely with outside economic experts.

#### VALUE OF ECONOMIC INTELLIGENCE

*Question 75.* What types of economic intelligence are most useful to policymakers? To what extent do policymakers rely on short-term "tactical" economic intelligence? To what extent do policymakers rely on long-term "strategic" economic intelligence. In your estimation, how useful has U.S. economic intelligence been during the past year?

Answer. Policymakers generally are aware that economic intelligence is vital to U.S. national security. The international economy affects the performance of the U.S. economy, alters relations within and between states, and shifts regional and global power balances. Economics can also provide strong incentives for those who might engage in proliferation, market arms, or traffic in drugs.

Because most economic information is available in open sources, however, intelligence collection should be carefully focused.

- Collection is needed against closed societies—such as North Korea, Iraq, and Cuba—to gather information on their economic performance and policy, trade patterns, infrastructure development, and defense-industrial activities.

- Collection is also needed against covert economic activities—sanctions busting, bribery and corruption, foreign economic espionage, and illicit finance such as money laundering and terrorist financing.

#### DUPLICATION OF ECONOMIC INTELLIGENCE COLLECTION EFFORT

*Question 76.* Often, economic information collected by the Intelligence Community might be identical to economic information reported through other channels. In these cases, how do you distinguish between important corroborating information and needless duplication?

Answer. A huge volume of economic information is widely available through public sources. This is understood by our collectors, and we do not believe that there is a major problem with regard to duplicate collection. We have one of the best open-source information retrieval systems available anywhere that can help to reduce redundancy and, more important, enrich our analysis. A challenge for economic intel-

ligence is to integrate massive quantities of open-source material with carefully selected intelligence information in order to bring added value to policy consumers.

#### THE TERRORIST THREAT

*Question 79a.* Are we getting any better at estimating the terrorist threat? Which terrorist groups pose the greatest threat to U.S. interests and why? To what degree do these groups rely on state sponsorship for weapons, training, intelligence, or other forms of support?

Answer. As we develop more expertise against terrorist groups, inevitably we get better at estimating the terrorist threat against U.S. persons and facilities. However, we often have difficulty predicting the arrival of new threats from unexpected areas, such as the Aum Shinrikyo in Japan. Our estimates on longstanding and well-organized groups are better because of our familiarity with the targets.

The Intelligence Community recognizes a number of terrorist groups—primarily originating in the Middle East—that pose the greatest threat to U.S. interests because of their firm ideological opposition and their capability to carry out attacks.

State sponsorship probably is less important to terrorists today than it was in the 1980s. Some of the major terrorist attacks in recent years—the World Trade Center bombing and the Tokyo subway attacks for example—have had no discovered link with state sponsors of terrorism. Nonetheless, state sponsors such as Iran and Sudan continue actively to support a number of terrorist groups.

*Question 79b.* Should the Khobar Towers attack on Dhahran be viewed as an intelligence failure? Why or why not?

Answer. The Downing Commission found that there were a number of threat assessments distributed to U.S. commanders that indicated that U.S. forces in Saudi Arabia were at heightened risk of terrorist attack. That said, the Intelligence Community did not indicate that there would be a bombing attempt at a specified time and on a specified date. The Intelligence Community only rarely can provide such specificity.

#### DEVELOPMENTS IN INTERNATIONAL TERRORISM

*Question 81.* In addition to state-supported terrorism, we have encountered individuals or loosely organized groups, such as Ramsi Yousef and his accomplices, acting without significant infrastructure support and with their own, sometimes murky, agenda. Do these terrorists constitute a greater threat than established groups and state-sponsored terrorists? What are the special challenges for the U.S. and other nations in dealing with this amorphous threat?

Answer. The transient terrorists are less likely to be on any watch list of members of known terrorist organizations. They do not have established headquarters, supply lines, or communications networks to penetrate or intercept. They may include well-educated, cosmopolitan individuals who feel comfortable traveling internationally. The absence of a single state sponsor reduces the leverage that can be exerted on such groups.

We have observed some emerging trends in the characteristics and activities of these independent international terrorists that present new challenges for dealing with this threat. For example, they are very sophisticated, exhibiting a high level of technical skills and operational proficiency. They also have a global reach, using vast international support structures for logistic support, including false documentation, recruitment, training, financial, and communications support. Tracking these developments requires flexibility in targeting and new analytic tools to establish linkages.

#### TERRORISTS' USE OF ADVANCED INFRASTRUCTURE

*Question 82.* Terrorists are making more use of advanced computing and telecommunications technology, their own communications and intelligence gathering, and establishing a worldwide network of contacts and support. Does this easy access to information, communication, and transportation make the job of intelligence gathering more difficult or does it provide opportunities that you can exploit? Are there steps that we can take to deny terrorists the ease of movement and communication they now enjoy?

Answer. Terrorists' use of new technologies poses new challenges. The typical international terrorist group is adept at operational security, and it uses new technologies skillfully and to its advantage. Its own intelligence gathering serves to improve its counterintelligence capabilities. Global networks of contacts and support have enabled terrorist groups to operate far from their home turfs.

## LESSONS LEARNED FROM ATLANTA OLYMPICS

*Question 83.* How would you assess the role played by the Intelligence Community in supporting the FBI and the overall preparedness during the Atlanta Olympics? How would you describe the interagency cooperation? What lessons were learned, and will the Intelligence Community role change for the Winter Olympics in Utah? Has planning for this event begun?

*Answer.* The Intelligence Community provided major support to the FBI to ensure the security of the Atlanta Olympics. This support included enhanced collection efforts, broad-based analysis of potential threats, and on-scene, real-time provision of relevant intelligence during the games themselves. Interagency cooperation was excellent, with Intelligence Community officers integrated into FBI's intelligence operation in Atlanta. Had there been incidents involving foreign terrorists, they would not have occurred on account of any deficiency in communication between the relevant agencies.

The lessons learned have to do with management details such as exactly how many people to put in each part of the intelligence support operation. Although it is the prerogative of the FBI to state its intelligence requirements for the Winter Olympics in Utah, we would anticipate that the Intelligence Community's role would not fundamentally change. We have not yet begun planning for that event.

## THREAT OF TERRORIST USE OF WEAPONS OF MASS DESTRUCTION

*Question 84.* The Aum Shinrikyo gas attack in a Tokyo subway vividly demonstrated the potential devastation terrorists could cause with a weapon of mass destruction. In this case it was a chemical weapon, but the next time it could be a biological agent, radiological material, or a nuclear device.

*Question 84a.* If a group decided to launch an attack with a weapon of mass destruction, what would likely be their weapon of choice?

*Answer.* Terrorism and proliferation experts historically have focused on a WMD threat that included nuclear, chemical, and biological weapons.

*Question 84b.* The Aum Shinrikyo attack proved that deadly chemical weapons can be manufactured easily in small laboratories. How difficult is it for a group to construct and deliver an effective chemical weapon? A biological or radiological weapon? A nuclear device? What existing groups now have such a capability?

*Answer.* The relative ease with which some chemical, biological, and radiological weapons can be acquired or produced in simple laboratories makes them potentially attractive to terrorists. Particularly appealing to such groups are these weapons' capabilities to produce large numbers of casualties, cause residual disruption, and have a significant psychological impact on a population and its infrastructure. Delivery and dispersal techniques also are effective and relatively easy to develop. The current WMD terrorist threat is considered low but increasing.

## TERRORISTS' WILLINGNESS INDISCRIMINATELY TO KILL CIVILIANS

*Question 85.* Do the bombings at the World Trade Center, Oklahoma City, Khobar Towers, and the Tokyo gas attack represent a greater willingness on the part of terrorist groups to inflict high numbers of casualties? Three of these attacks were against undefended civilian targets. Should we expect more of this? As security at military and diplomatic installations is tightened, will terrorist groups turn to civilian targets? If groups do not acquire weapons of mass destruction, will we see a trend toward more and more powerful conventional bombs? Was the size of the explosion at Khobar Towers a surprise? Should we anticipate even larger bombs?

*Answer.* Both the emphasis on high casualty operations and the frequency of attacks on nonofficial targets have been significant trends in international terrorism in recent years. These trends are reflected in the statistics on international terrorism, which show that the number of terrorist incidents has declined during the 1990s but casualties from terrorists attacks lately have been on the increase.

We expect these trends to continue. The newer breed of international terrorist, who seeks revenge more than carefully defined political objectives, is interested in inflicting mass casualties. Meanwhile, the hardening of embassies and other official targets has already caused terrorist groups to turn to softer nonofficial targets. (For some terrorists, however, the value—symbolic and otherwise—of hitting a military installation or other official target will still outweigh the increased difficulty of attacking such targets.)

For all of these reasons, the use of very large conventional bombs will continue to be a major part of the international terrorist threat. A large bomb, for example, one the size of the bomb that destroyed our facility at Khobar, requires the same degree of sophistication as the construction and placement of smaller vehicle bombs.

## SUDAN: REGIONAL IMPACT OF RADICAL ISLAMIST AGENDA

*Question 86.* What is the threat posed to the U.S. or regional governments by Sudanese-backed terrorists? What effect will commercial projects, such as the oil deal with Occidental Petroleum, have on Sudan's ability to continue support for terrorists? Was the Intelligence Community consulted before Occidental was given the go-ahead on this project?

*Answer.* Since Sudan was placed on the list of state sponsors of terrorism in August 1993, the Sudanese Government has continued to harbor members of several international terrorist and radical Islamist groups, including the Abu Nidal organization, Lebanese Hizballah, the Palestine Islamic Jihad, and HAMAS. These groups are strongly anti-U.S. and might consider attacking U.S. targets. The National Islamic Front also supports opposition and insurgent groups in Eritrea, Ethiopia, and Uganda as well as Islamic extremist groups in Somalia.

## EXECUTIVE BRANCH ORGANIZATION ON THE COUNTERTERRORISM ISSUE

*Question 88.* The State Department has the lead for counterterrorism overseas; the FBI is the lead agency for domestic terrorism; the FAA has primary responsibility for hijackings; and numerous other agencies are involved in aspects of counterterrorism policy and prevention. Counterterrorism intelligence gathering is coordinated by a committee chaired by the CIA, and a Special Situation Group headed by the Vice President handles crisis management. Is this fractured responsibility hurting our ability to deal with the terrorist threat? Is there a need to designate a single agency or person to coordinate all counterterrorism activity? How well do the CIA and the FBI cooperate on counterterrorism efforts? Should the FBI be given primacy over both domestic and foreign counterterrorism intelligence gathering?

*Answer.* Our ability to deal with the terrorist threat is not being hurt by our different responsibilities. The existing mechanisms for accomplishing interagency coordination in counterterrorism are well established and work effectively. The principal senior-level mechanism is the Coordinating Subgroup on Counterterrorism, which is chaired by the NSC, includes all of the relevant agencies, and meets frequently as both a policymaking and operational coordination body. The more informal forms of cooperation also contribute greatly to the coordination task.

Relations between the counterterrorist elements of FBI and CIA have developed greatly over the last few years and have now become a close partnership. The partnership has been driven by a strong commitment at the most senior levels of each agency to making the partnership work and by exchanges of personnel, including at the senior manager level, between the two organizations.

CIA's and FBI's respective roles in counterterrorism are consistent with each agency's overall mission and legal charter, and should not be changed.

## ENVIRONMENTAL THREATS TO THE U.S.

*Question 90.* Are there regions of the world where you believe environmental events will have a significant effect on the geopolitical or humanitarian situation? Please explain. Are there any environmental events you foresee that could directly threaten U.S. citizens or our livelihood?

*Answer.* Environmental problems alone typically do not lead to adverse geopolitical and humanitarian events. However, where environmental events occur in weak or fragmented states, as is the case for much of the developing world and in the former Soviet bloc, their potential for exacerbating other problems is magnified. Competition for resources; severe industrial pollution; degradation of water, land, and forests; and transboundary pollution have the potential to engender political conflict and perhaps violence.

Several examples highlight this dynamic. In the Middle East, environmental trouble spots revolve around the issue of resource availability. There are several conflicting water issues that are complicated by rapid population growth and policy desires to produce more food in a region where high production requires irrigation. Turkey's increasing use of Euphrates River water will significantly reduce stream flows as well as greatly increase the pesticide and salinity content of water flowing to Syria and Iraq. In Southeast Asia, disputes about forest resources have entangled indigenous groups, local citizens, loggers, local officials, national government ministries that deal with domestic and foreign affairs, and international trade and lending institutions. In Ethiopia, Somalia, and Sudan repeated droughts, ethnic conflict, and territorial disputes have dislocated millions of people.

Transboundary environmental events can directly affect the health of U.S. citizens and the economy. Illicit chlorofluorocarbon (CFC) use worldwide could undermine the implementation of the Montreal Protocol and threaten the recovery of the strato-

spheric ozone layer; a thinning ozone layer has been linked to an increased incidence of skin cancers. U.S. chemical companies claim that the CFC black market is undermining their market for ozone-friendly chemicals and the equipment that uses them.

Global climate change caused by emissions of greenhouse gases, particularly carbon dioxide, could require the United States and other countries to devise costly means to adapt to sea-level rise, increasingly violent storms, and other climatic phenomena. In addition to developed countries' rising emissions, rapidly industrializing economies like China's are a major source of concern. According to some estimates, continued rapid economic growth and increase in coal consumption will make China the principal source of carbon dioxide emissions by 2020.

Radioactive scrap metal originating in former Soviet bloc countries is showing up in several Western countries, and U.S. steel producers complain that the contamination problem is growing worse. These producers report that costs of decontaminating plants after smelting radioactive scrap can be substantial. Such costs typically exceed \$10 million per incident and can be as high as \$24 million, according to industry sources.

#### THE NICHOLSON ESPIONAGE CASE AND THE ADEQUACY OF COUNTERINTELLIGENCE LAWS

*Question 92.* What are the implications of the Harold Nicholson espionage case? Much has been made of the close and effective cooperation between the FBI and the CIA regarding this case. But ultimately, wasn't this high-ranking DO officer captured primarily because of his extraordinarily inept tradecraft in his alleged espionage activities?

*Answer.* The Nicholson case demonstrates that the FBI and CIA are working together effectively and that post-Ames counterespionage improvements have enhanced our ability to detect and neutralize espionage activity. It is this FBI-CIA cooperation and strong research, analytic, and investigative skills that led to the arrest of Nicholson. He was a proficient operations officer and his tradecraft in conducting espionage was not particularly inept. Patient, persistent analysis and investigation allowed CIA and FBI officers to be in a position to observe Nicholson engaging in espionage activity during moments when he believed himself to be secure.

*Question 92a.* What is the status of implementation of counterintelligence reforms stemming from the Ames espionage case and the French flap?

*Answer.* Significant progress has been made in implementing changes.

*Question 92b.* In your opinion, how adequate are current laws and Executive Orders regarding espionage and the leaking of classified material by government officials—particularly intelligence official?

*Answer.* Espionage and unauthorized disclosures are two different things. One—espionage—is one of the most heinous crimes we know; the other—unauthorized disclosures or “leaks”—may be equally damaging but is not always a criminal offense.

Our counterespionage efforts must continue to focus on security consciousness, operational awareness, and the realization that many U.S. officials continue to live and work in hostile CI environments worldwide. By contrast, we do not see a present need to expand the web of laws and regulations intended to preclude, deter, and punish espionage. We need to maintain our vigilance and enhance our effectiveness in detecting and responding to the intelligence activities of hostile services.

Unauthorized disclosures are also of great concern. We have, in recent years, noted a troubling increase in the number of unauthorized disclosures. We do not believe that employees of intelligence agencies are more likely to “leak” classified information than are others with access to it. We do believe that aggressive investigation, followed by prompt action by the Department of Justice, is the key to an effective anti-leaks program. Ultimately, however, we will measure the success of our anti-leaks program by the extent to which increasingly certain detection and effective sanctions combine to act as a deterrent, stemming the growth in the number of leaks.

We are, of course, committed to continuing to investigate leaks aggressively, limited only by the constraints of available resources and competing priorities. At present we doubt that additional legal constraints or remedies would substantially improve our ability to investigate or deter leaks. We do, however, seek enhanced interagency commitment and cooperation in responding promptly and effectively to unauthorized disclosures of classified information.

## SMUGGLING OF COMPONENTS OF WEAPONS OF MASS DESTRUCTION

*Question 93.* Do we have any indications that criminal organizations have, or are likely to engage in, smuggling weapons grade nuclear material or other components of weapons of mass destruction?

*Answer.* Organized crime is a powerful and pervasive force in Russia today. Russian and other East European authorities have reportedly arrested individuals—alleged to be members of organized crime groups—during seizures of non-weapons grade nuclear materials. This indicates that the potential for smuggling of weapons-grade material clearly exists.

## CIA AND FBI DIVISION OF LABOR ON ORGANIZED CRIME

*Question 94.* As the CIA has begun to collect intelligence on international organized crime, bureaucratic tensions seem to have developed with the FBI. What steps have been taken to address these jurisdictional concerns? How have organized crime responsibilities been divided?

*Answer.* The CIA and FBI are in frequent contact on the issue of international organized crime, and they work together cooperatively to fashion a sound division of labor.

- The FBI's primary concern is criminal activity that directly affects the United States.

- The CIA, in its policy support role, focuses on organized crime's impact on the political and economic stability of countries of strategic interest to the United States, particularly Russia.

- Consistent with U.S. law, the CIA provides the FBI with analytic assessments and intelligence lead information on the structure and activities of international organized crime networks.

Building on its programs and experiences in the counternarcotics arena, the Intelligence Community has established interagency coordinating mechanisms for work done on international aspects of organized crime. Progress is being made in delineating and coordinating collection, analysis, and operations activities within the law enforcement and intelligence communities. CIA and FBI have worked closely to ensure that their programs are complementary rather than competitive:

- Decisions with regard to organized crime groups against which CIA focuses collection and analytic resources are fully coordinated with the FBI.

The two agencies have exchanged senior and working-level officers to better meld their respective programs and to facilitate communication and exchange of information.

## EXPOSURE OF U.S. TROOPS TO CHEMICAL WEAPONS

*Question 95.* What is the status of the Intelligence Community's inquiry into the possible exposure of U.S. military personnel to chemical weapons—or biological weapons—during and after the Persian Gulf War? What are the Intelligence Community's limitations in monitoring the use of such weapons?

*Answer.* CIA has actively supported the investigation of the Presidential Advisory Commission (PAC) on the Gulf War Illnesses since it began in 1995. In keeping with the President's call to expedite the PAC's investigation, we have established a Persian Gulf War Illnesses Task Force. This body is responsible for coordinating Intelligence Community support to the PAC, as well as the Department of Defense, National Security Council, and Congressional committees investigating Gulf War illnesses.

The decision to appoint a Special Assistant for Persian Gulf War Illnesses is a reflection of our commitment to providing the maximum amount of information to those who served in the Gulf. Much of what is now known about chemical weapons and their locations in Iraq is largely due to the efforts of CIA analysts, and the Task Force builds on their fine record. As the single focal point, the Special Assistant has at his disposal all of the resources of the Intelligence Community. He oversees efforts to declassify pertinent intelligence information, monitors the passage of related classified information to DOD, and collects and assesses any new reports related to possible release of chemical or biological agents in the Gulf. We are committed to doing everything in our power to ensure that the maximum amount of information is released to veterans groups and the public at large.

If the Iraqis had used their chemical weapons on a large scale, we would have expected this to result in mass casualties or at least widespread symptoms that would have been readily identifiable. For example, we identified and reported the extensive use of chemical weapons against Iran and Kurdish insurgents during and after the Iran/Iraq war.



## INTERNATIONAL CRIMINAL TRIBUNAL FOR THE FORMER YUGOSLAVIA (ICTY)

**Question 96.** The Intelligence Community has been sharing some information with the International Criminal Tribunal for the Former Yugoslavia (ICTY). Journalists and nongovernmental organizations have documented the whereabouts of 37 of the 67 Bosnian Serb and Bosnian Croats indicted by the ICTY who remain at large.

**Question 96a.** Is the Intelligence Community tracking the whereabouts of the indicted war criminals?

**Answer.** The Intelligence Community (IC) has some information on the whereabouts of indicted war criminals.

**Question 96b.** Is the Intelligence Community aware of the whereabouts of all or most of the indicted war criminals?

**Answer.** We are not aware of the whereabouts of the majority of the indicted war criminals. We are aware of claims that journalists and others have vast amounts of information on the locations of indicted war criminals. We have attempted to follow up on these claims and have found that they are usually referring to spotty and uncorroborated reports that an indictee was seen at a given location, although not necessarily in recent weeks or months. A number of indictees are employed as members of the police forces of the former warring parties. As a consequence, their general locations when on duty can be inferred. Even this generalized knowledge of an indictee's whereabouts, however, is not usually enough to predict where an indictee will be at a specific time with a high degree of confidence.

**Question 96c.** Is the Intelligence Community sharing this information with the parties to the Dayton Agreement as a way of helping them live up to their commitment to cooperate in "the identification and location of persons," "the arrest or detention of person," and the "surrender or the transfer of the accused" to the Tribunal? If not, why not?

**Answer.** For the low-ranking individuals comprising the majority of the indictees, the IC has little locational information to share. The locations of high-profile indictees such as Radovan Karadzic and General Ratko Mladic, who receive official security protection, is already known to their governments, as are the locations of those employed in the police or militaries of the former warring parties.

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U.S. DEPARTMENT OF STATE,  
Washington, DC, May 1, 1997.

Hon. RICHARD SHELBY, *Chairman,*  
*Select Committee on Intelligence,*  
*U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN: Thank you for your February 18, 1997 letter to Assistant Secretary Gati which contained questions for the record from the February 5, 1997 hearing on current and projected national security threats to the United States.

Most of the enclosed responses are unclassified so that they may be made a part of the hearing transcript. Please note, however, a classified response has also been prepared in several cases in order to more fully answer the question.

We hope that this material is helpful. Should you require additional information, please do not hesitate to contact us.

Sincerely,

BARBARA LARKIN,  
*Assistant Secretary,*  
*Legislative Affairs.*

## UNCLASSIFIED RESPONSES TO QUESTIONS FOR THE RECORD

## RUSSIAN MILITARY CAPABILITIES

**Question 1a.** Many experts believe that Russia is likely to focus on internal issues and only on those national security concerns on its periphery—unless it considers its vital national interests at stake. What vital interests would Moscow perceive beyond its periphery that would warrant its commitment of military force?

**Answer.** With its military capabilities declining, Russia is unable to play a global role and defines its vital interests as lying essentially close to home. Russians see few vital interests beyond the CIS as warranting the commitment of military force which, in any case, would be a last resort. For the purposes of this question, we assume that Russia considers the CIS as part of its periphery, though even within the CIS it is increasingly selective about the use of military force.

- A direct attack on Russia by another state would draw a Russian military response.

- A direct attack on a CIS ally would also likely draw a Russian response, though not necessarily beyond CIS territory.

For example, the Russians have defined the security of the Tajik-Afghan border as a vital interest, and Russian border guards have clashed with Tajik opposition groups based in Afghanistan. The Afghans claim Russia has conducted bombing raids against targets within Afghanistan in its defense of the Tajik-Afghan border, but an actual Russian deployment of ground forces into Afghanistan is unlikely.

Developments short of armed attack probably would not warrant the commitment of military force. Russia would respond instead with political, diplomatic, and economic measures to the extent possible, but might attempt to use arms transfers or intelligence activities to influence outcomes. Such possible scenarios include:

- Baltic admission to NATO. Some Russians have threatened that Russia would use military force to prevent Baltic accession to NATO, by deploying Russian troops to the Baltic countries. While operationally the Russian military would be capable of such a deployment, political constraints would make it most unlikely. However, Moscow would probably consider deploying additional troops along its borders with the Baltics.

- Outside meddling in CIS country affairs short of threats to their territorial integrity.

- Instability in regions that could threaten Russia's periphery—Afghanistan, Iran, China, Turkey. Moscow would be unlikely to intervene directly and unlikely to act unilaterally, preferring to get international actors like the U.N. to take the lead.

*Question 1b.* If present trends continue, what will be the Russian military's capability to conduct operations 5 years from now? Do these trends indicate the possibility that Russia may soon have insufficient military force to retain order within Russia?

Answer. Over the next five years Russian military capabilities will continue to diminish. With its conventional forces Russia will continue to retain the ability to conduct operations within its borders (as it did in Chechnya) or on its immediate periphery. However, offensive operations, particularly ground operations, against most neighboring countries will be difficult to impossible, depending on the adversary.

Primary responsibility for the maintenance of order is held by the ministry of internal affairs (MVD), which has extensive forces ranging from ordinary policemen to heavily armored formations. The MVD is suffering some of the same problems as the military, but it is not in such dire straits. Moreover, the Chechnya war, which was a great drain on MVD resources, has ended. We do not foresee that Russian ministry of defense forces will, over the next five years, lose the power necessary to be the ultimate guarantors of internal order. Indeed, we do not expect violent unrest within Russia over the next five years on a scale sufficient to require the use of ministry of defense forces on anything other than a local level, at most.

#### RUSSIA'S RELIANCE ON NUCLEAR WEAPONS

*Question 2a.* Many experts believe that Russia's weakness in conventional arms will lead it to place greater emphasis on nuclear weapons. In fact, Russia's new military doctrine enhances the role of nuclear weapons in Russian security policy. In your opinion, what is the likelihood that the Russian military would resort to the use of nuclear weapons? What would be the likeliest scenario for the Russian military's first use of nuclear weapons?

Answer. As a matter of declaratory policy, Russia's reliance on nuclear weapons in its strategic planning increased in 1992-93 and appears likely to increase again in the wake of NATO expansion or as a result of the military reform debate. However, the likelihood of Russia actually using nuclear weapons for the foreseeable future remains extremely low for two reasons. First, Russia is unlikely to find itself embroiled in any war of sufficient magnitude to warrant the use of nuclear weapons. Second, no matter what Russia's declaratory policy, any sane future Russian leader would weigh very carefully the possibility that his first use of nuclear weapons could have extremely negative consequences, threatening at least Russia's future political standing, perhaps even its physical existence.

The likeliest scenario—albeit still extremely unlikely—for a Russian use of nuclear weapons would probably be a small war on Russia's periphery which threatened to escalate beyond the Russian ability to prevent a catastrophic defeat with only conventional weapons.

**Question 2b.** Please describe Russia's current military doctrine and trace its evolution since the mid-1980's. What role do nuclear weapons play in the current doctrine?

Answer. Russia's May, 1992 "draft" military doctrine stated and the November, 1993 doctrine implied that Moscow would now view attacks on Russia's strategic, nuclear forces, early warning system, nuclear power facilities, and chemical industrial facilities as tantamount to a crossing of the nuclear threshold. The 1993 doctrine also stated that Russia reserved the right to initiate the use of nuclear weapons if it is attacked by a non-nuclear weapons state allied with or supported by a nuclear weapons state. This reverses the soviet-era "no first use" policy.

More recently, Russian military and strategic thinkers have discussed the use of nuclear weapons both as political tools and on the battlefield to compensate for Russian military weakness. Though it is not official policy, various Russian officials had asserted that the expansion of NATO might mean an increased reliance on tactical nuclear weapons in defense planning. Russia's currently available nuclear options are essentially limited to the use of strategic weapons due to the placement in storage of tactical nuclear weapons. If motivated, however, Russia could re-deploy its tactical nuclear weapons to front line forces in a matter of months.

The role of nuclear weapons is also under discussion as part of Russia's debate over military reform, which will at some point almost certainly entail the drafting of a new military doctrine. The November, 1993 doctrine stated that "local wars" were the most likely to occur, but they could escalate into "large-scale conflicts." the Russians apparently still consider this assessment valid, though they now talk about the intermediate stage of "regional wars" in or perhaps adjacent to Russia which would involve the forces of two or three Russian military districts. The defense council staff believes that the ministry of defense reform plan calls for an unrealistically large (and thus expensive) force structure, one sufficient to fight a "large-scale" war against an enemy such as NATO or China. The defense council staff suggests instead that strategic nuclear weapons could be used to de-escalate "regional wars" before they become "large-scale," thus obviating the need for a vast conventional force structure. A presidential-level decision will ultimately be needed if this question is to be resolved.

**Question 2c.** Please describe the nature and extent of Russia's ballistic missile defense (BMD) effort. How has the dissolution of the Soviet Union affected the Russian program?

Answer. Russia is currently the only country in the world with an operational antiballistic missile (ABM) system. Additionally, it is the only country, besides the United States, to deploy an antitactical ballistic missile (ATBM) capable surface-to-air missile system. The Russian company, "rosvooruzheniye," has been marketing the S-300 system to countries as capable of destroying ballistic missiles. The key emphasis of the Soviet Union appeared to be ABM systems. With the proliferation of shorter range ballistic missiles, cuts in their defense budget, and growing exportability of their ATBM systems, Russia is expected to shift its developmental emphasis from strategic ABM systems to ATBM systems.

**Question 3.** What are the prospects that Russia's economic reform could be rolled back? Do you consider Russia's transition to a market-driven economy irreversible? What fraction of the Russian economy is still controlled by the government? By the Russian mafia?

Answer. The sustainability and irreversibility of economic reform in Russia ultimately depend upon political commitment to the reform process. Political uncertainty could weaken the leadership's commitment to reforms as offering the best long term hope for a better life. "Reform fatigue" is always a danger. Economic reform also requires fully functioning societal institutions and legal structures. For example, Russia lacks laws that protect and promote private property and enforce contracts. Tax laws are inadequate, as are Russia's banking and accounting systems.

Yeltsin's recent return and his appointment of Chubays and Nemtsov to spearhead change create possibilities for continued reform and its deeper entrenchment. However, in Russia the success of policies and institutions is dependent on personalities, and so economic power is not subject to the checks and balances normally found in a market economy. With economic power concentrated in the hands of Moscow's political and economic elite, narrow personal agendas rather than wider national interest often guide economic policy. This undermines popular support for economic reform.

Chances are practically nil that any Russian government—even one dominated by nationalists or communists—would return to central planning. But ignorance and lack of faith in market economics, reinforced by reform fatigue, could push some successor governments to slow down or "step back" from reform.

The government officially states that at least 70 percent of Russia's economy is in the private sector. This number is now widely accepted, but likely includes activity of enterprises in which the government maintains some ownership.

Reliable estimates of the fraction of the economy under mafia control are not available. Russia does have a sizeable unofficial or "shadow" economy which operates outside the law; however, this activity is not by any means all under "mafia" or criminal control. Estimates of the "shadow" economy's size vary. Russia's official statistical agency now estimates that 20 to 25 percent of overall economic activity goes unrecorded.

#### ORGANIZED CRIME AND LAST YEAR'S RUSSIAN ELECTION

**Question 4.** In response to a question from the committee last year the CIA stated, "[b]ecause so much is at stake in the Russian presidential election, we believe that crime groups—like many other segments of Russian society—will attempt to influence the outcome of the election." Did we see any evidence of Russian crime groups exerting influence on the election? Were they successful? Has the absence of strong leadership from President Yeltsin given the crime organizations more of an opportunity to fill the power vacuum? What is your prognosis for Russian efforts to combat this problem?

**Answer.** We did not see evidence of any systemic or widespread effort by Russian crime groups to influence last year's presidential election. Nevertheless, Russian organized criminals have likely established some links to politicians, particularly at the local and regional level. Evidence that this has occurred has thus far been circumstantial or anecdotal.

An absence of strong leadership has benefitted Russian organized crime groups, and Russian politicians acknowledge that the criminals are exploiting government weaknesses. In his March address to parliament, President Yeltsin said that economic crime and corruption are threatening market reforms and democracy, and that mafia groups are openly challenging the state. Prosecutor-General Skuratov told the federation council in mid-February that the current scope of corruption is unprecedented. He also said that Russian criminal groupings' profits amounted to almost five trillion rubles, with a considerable part of it injected into legitimate business, including foreign trade.

Fighting organized crime is one of the Russian government's top priorities, and the government enacted a new criminal code in January and a law strengthening the independence of the judiciary in late December. Moreover on February 4, internal affairs minister Anatoliy Kulikov assumed an additional title of deputy prime minister with enhanced responsibilities for fighting economic crime. His elevated position should strengthen his ability to combat money laundering, tax evaders, and customs violators.

Notwithstanding these positive developments, progress over the next several years will be impeded by deeply entrenched weaknesses in Russia's law enforcement and judicial systems, including corruption, politicization and resource shortages. The government will continue to face an uphill struggle for legal and judicial reform. Other key anti-crime and corruption legislation has been stalled for over a year, and none of the high profile mafia-style murders have been solved.

#### YELTSIN'S SUCCESSOR

**Question 5.** What is the likelihood that President Yeltsin will still be in power one year from now? Who is the likeliest successor and what are the likeliest changes in policy that we will witness from this succession?

**Answer.** It is inappropriate for me to speculate about Russian domestic politics.

It is also inappropriate for me to speculate, particularly in public, about possible successors to President Yeltsin, who was elected to a four-year term in office last July.

#### CHINESE PROLIFERATION

**Question 6.** China has made commitments to comply with various arms control regimes, but numerous press reports have raised questions about the level of China's commitment.

**Question 6a.** Could you elaborate on the nature and extent of China's assistance to Iran and Pakistan? Do you believe that this assistance raises compliance concerns with China's commitment to the Nonproliferation Treaty (NPT) and the Missile Technology Control Regime (MTCR)? How likely is it that China will adhere to the Chemical Weapons Convention (CWC)?

**Answer.** *Iran nuclear.* China has played an active role in Iran's civil nuclear program since 1985 and is engaged in a number of projects there. Chinese sales of nu-

clear facilities to Iran—small research reactors and other related facilities—have been made pursuant to IAEA safeguards. China had planned to sell Iran two small nuclear power reactors, but we believe the deal has been suspended due to difficulties in site selection as well as Iran's contract with Russia to purchase at least one large nuclear power reactor. We do not expect China to reopen negotiations with Iran for the sale of these reactors.

We do not believe China would knowingly assist Iran to acquire nuclear weapons. We have had an active dialogue with Chinese officials concerning China's nuclear cooperation with Iran and have urged China, as well as all other potential nuclear suppliers, to refrain from any nuclear cooperation with Iran given our judgment that Iran is pursuing a nuclear weapons program. We have noted that any cooperation with Iran, even that which has no direct weapons applications, will materially enhance Iran's currently limited nuclear capabilities. We have stressed that Iran cannot be trusted to abide by its commitments under the NPT.

*Pakistan nuclear.* China is providing assistance to Pakistan's civilian nuclear program through construction of a nuclear power reactor that will be subject to IAEA safeguards. But, China also has been involved in cooperation with Pakistan's unsafeguarded nuclear program in areas that raise concern.

Prior to China's NPT accession in March 1992, the U.S. had concluded that China had assisted Pakistan in developing nuclear explosives. By joining the NPT, China made a binding international commitment not to assist any non-nuclear weapon state to acquire or to develop nuclear explosives and undertook to require IAEA safeguards on certain of its nuclear exports. Under the treaty, there are only five recognized nuclear weapon states—the U.S., the U.R., France, China and the Soviet Union (now the Russian federation).

On May 11, 1996, China stated publicly that it will not provide assistance to unsafeguarded nuclear facilities. In the course of discussions between the U.S. and China over the past year, the Chinese provided clarifications and assurances regarding China's policies toward nuclear non-proliferation and nuclear cooperation with other countries.

We are closely monitoring Chinese behavior for any signs that Beijing is not living up to its international obligations or national policies. We follow up with the Chinese government on all credible reports regarding cooperation with unsafeguarded facilities. Our current information does not provide a basis for concluding that China has acted inconsistent with its May 11, 1996 statement or that it has violated the NPT.

*Pakistan missiles.* In August 1993 the U.S. imposed category II missile sanctions on China for its transfer of missile-related items to Pakistan. The sanctions were lifted in October 1994. Since then, the administration has reviewed carefully reports of Chinese transfers to Pakistan of missiles, components and production technology. Although the administration has not reached a conclusion since the 1993 sanctions determination that any of these reported transfers meet the specific legal requirements for triggering sanctions under U.S. law, there are troubling reports of continuing Chinese missile cooperation with Pakistan. We will continue to monitor closely Chinese and Pakistani activity for any transfers that might cross the threshold of sanctionable activity.

*Iran missiles.* The administration has reviewed carefully allegations of transfers to Iran of missile-related equipment and technology. While we have not reached a conclusion that any of these reported transfers meet the specific legal requirements for triggering sanctions under U.S. law, we are deeply troubled by reports of Chinese missile cooperation with Iran. We will continue to monitor Chinese and Iranian activity for any transfers that might cross the threshold of sanctionable activity.

*NPT compliance.* China supported the indefinite extension of the NPT in 1996. The U.S. objects to any transfers from China to Pakistan or any other non-nuclear weapon state that would contravene China's NPT obligations and could help that country in the development of nuclear weapons.

The administration has carefully evaluated all available information on Chinese nuclear behavior and has not determined that China has violated the NPT, or that it has engaged in activities that would trigger sanctions under U.S. legislation.

We follow up with the Chinese government on all credible reports that relate to its compliance with international treaty commitments and its stated non-proliferation policy. We will continue to do so in the future as the need arises. During the past year, we have had several discussions on the experts level concerning our mutual obligations under the NPT.

*MTCR compliance.* In October 1994, we negotiated with China a joint statement on missile nonproliferation in which China agreed to ban all exports of MTCR-class ground-to-ground missiles and reaffirmed its 1992 commitment to observe the guidelines and parameters of the missile technology control regime (MTCR). We have not

determined that China has conducted activities inconsistent with its October 1994 commitments.

**CWC adherence.** Beijing was an active participant during chemical weapons convention (CWC) negotiations in Geneva. China signed the convention when it was first opened for signature in Paris in January 1993. China's legislature has taken the steps necessary to ratify the CWC, but China has yet to formalize its ratification.

The PRC recognizes that adherence to the CWC will enhance its security by reducing the global threat of chemical weapons. Participating in the CWC regime will permit China to take an international leadership role in implementing the convention.

Finally, membership in the convention will insure that China is not subject to CWC-mandated restrictions on trade in certain chemicals with non-states parties.

**Question 6b.** What is the Intelligence Community's assessment of the likelihood that sanctions by the U.S. against China—or Pakistan—will modify their behavior?

Answer. In implementing our sanctions laws, the administration does not consider the effect of sanctions as a factor that may be taken into account in deciding whether sanctionable activity has occurred. (To the extent that sanctions would affect national security interests, the effect of sanctions may be taken into account in determining whether a waiver of sanctions is warranted.)

That said, we believe that if sanctions were imposed against China, the Chinese leadership would retaliate, possibly to include counter-sanctions that would target, *inter alia*, U.S. economic interests. Beijing believes it can find replacements for U.S. equipment and technology; other countries would be unlikely to implement similar sanctions. Even if China were to feel the pain of U.S. economic sanctions, Chinese officials would feel under pressure not to appear to be giving in to U.S. pressure. In addition to economic retaliation, we would expect increased Chinese reluctance to discuss non proliferation issues with us.

With respect to Pakistan, sanctions would be unlikely to have a significant impact on Pakistani behavior. The Pakistani government considers its military programs essential to its national security.

**Question 6c.** Are the talks between India and China, and India's recent decision to suspend its medium-range missile program, signs of an opening that could lead to a detente in the nuclear and ballistic missile arms races between India and Pakistan?

Answer. Indian officials, including prime minister Deve Gowda, have recently made it clear that medium-range missile development will continue. Advances in Sino-Indian relations have little direct bearing on Indo-Pakistani relations. India and Pakistan are scheduled to resume high-level talks on March 28 for the first time in three years. The expectations for these talks are modest as there are many contentious issues the two sides have to discuss.

#### Chinese organized crime

**Question 7a.** How would you describe the level and growth of criminal activity in the domestic Chinese economy?

Answer. China's economic modernization process, coupled with endemic corruption, has presented new opportunities for Chinese criminals. Bribery, embezzlement, fraud, and other illicit economic activities have likely cost the government millions of dollars through loss of revenues.

**Question 7b.** How would you characterize the level of Chinese international organized crime? What functional areas (drugs, migrations, counterfeiting) is it involved in? What geographic areas is it involved in? What developments and changes have you detected over the past several years?

Answer. Traditional ethnic Chinese organized criminal groups—often referred to as triads—trace their origins to the 17th century Chinese secret societies. Triads are not monolithic but fluid associations of ethnic Chinese criminals and quasi-legitimate businessmen involved in an array of criminal enterprises. They have an estimated worldwide membership of 100,000 and a strong international presence. Triads are expanding into virtually every country that has a sizable ethnic Chinese community.

Triads are involved in an array of criminal enterprises, including drug trafficking, alien smuggling, gunrunning, gambling, prostitution, credit card fraud, and extortion. Triads are involved in the worldwide heroin trade by facilitating transport and providing contacts for triad members.

Besides mainland China, extensive triad activity has been noted in the U.S., Canada, Europe, Australia, Thailand, Japan, Taiwan, Philippines, Malaysia, Saudi Arabia, Paraguay, Panama, Dominican Republic, and Belize. Since the 1980s, Hong-Kong and Taiwan-based triads have become increasingly active in the United States. Triads are expanding into virtually every country that has a sizable ethnic

Chinese community. They are also attempting to gain a larger foothold in the Caribbean, Central America, and Eastern Europe—where they seek to take advantage of growing economic opportunities.

Chinese officials have expressed growing concern that Chinese gangs are becoming a more serious threat to society, and that Hong Kong and Taiwan-based triads are expanding their networks into China. Increasing organized crime activity has been noted particularly in southern China. More recently, triads have become involved in real estate speculation, and the distribution of counterfeit cds, laser discs and computer software.

#### THE FUTURE OF HONG KONG

*Question 8.* China will take over Hong Kong later this year.

*Question 8a.* What is the likelihood that China will respect the political and economic freedoms that citizens of Hong Kong currently enjoy? What role will the people's liberation army play in enforcing China's will in Hong Kong?

Answer. Beijing consistently has indicated that it will observe the basic law—Hong Kong's "mini-constitution" promulgated in 1990—after retrocession. If this is the case, residents of the future Hong Kong special administrative region (SAR) would enjoy freedoms like those which they currently enjoy. Questions have arisen, in light of statements and some steps taken by ranking Beijing and Hong Kong political figures, as to how the SAR government, the provisional legislature, and ultimately the central government in Beijing will interpret principles such as freedom of speech and assembly. The PRC has a strong interest in both a smooth transition and the success of "one country, two systems." Beijing would like, insofar as it does not conflict with overarching national interests, to maintain the stability and public confidence that have contributed to Hong Kong's success.

The stated role of the people's liberation army in the SAR will be as a Garrison force. Beijing has conducted an extensive public relations campaign to portray the Garrison as uninvolved in the SAR's internal operations, where the SAR police will have authority to maintain public order and control.

*Question 8b.* How likely is it that large numbers of Hong Kong citizens will seek asylum in other countries? If this were to occur, where would they be likely to go? What proportion of such people would the United Kingdom accept?

Answer. Since the 1984 signing of the Sino-British joint declaration, most Hong Kong citizens who wished to leave have already done so or made arrangements in case they choose to do so later. According to polls conducted in Hong Kong over the last year, a broad cross-section of residents is optimistic about the quality of their lives after reversion. Emigration decreased in 1995 to 43,100 from a 1992 high of 66,000 and there is evidence that over 10 percent of those who emigrated since 1984 have returned. Some reports suggest emigration may increase slightly this year. Canada, Australia, and the United States have traditionally received the highest number of Hong Kong immigrants; these three are likely to receive the bulk of new applications. Aside from the 600,000 Hong Kong residents who hold United Kingdom or third-country passports, another 2.5 million—or roughly 40 percent of the population—hold British national overseas passports which allow unrestricted entry into the United Kingdom without conferring citizenship or right of residence.

#### CHINESE FOREIGN POLICY

*Question 9a.* As the leadership succession in China continues to play out, what effect will the changes have on China's foreign policy?

Answer. Chinese leaders immediately after Deng Xiaoping's death in late February said that there would be no changes in China's foreign policy direction, which is based on assuring a peaceful international environment and friendly relations with other countries in order to pursue economic development. Some adjustments in foreign policy are likely in response to changes in the international environment, but we expect no major changes in direction. Beijing appears to hope that relations with the United States can be improved over the coming year through a program of high-level exchanges. Once leaders are confirmed in office at the party's congress later this year and at next year's national people's congress, they may shift from their current risk-avoidance strategy to a more confident and active effort to improve relations.

*Question 9b.* What is the status of China's relations with North Korea?

Answer. China's relations with North Korea have been formally correct, but not warm, since Beijing and Seoul exchanged diplomatic recognition in 1992. PRC-DPRK relations recently have been further strained by the defection in Beijing of former North Korean official Hwang Jong Yop. Beijing has been concerned about possible political instability in the north as a result of food shortages and has con-

tinued to provide oil and limited food aid to help stabilize the situation and prevent a flood of refugees fleeing into China. Trade, however, has dropped substantially in recent years and North Korean arrears to Chinese companies have grown. Close contacts between Taiwan and North Korea have become a growing source of friction between Beijing and Pyongyang, the latest example of which is Taiwan's decision to ship nuclear waste to North Korea for storage. Relations between Beijing and Pyongyang may warm marginally this summer or fall, after Kim Jong-Il assumes the top DPRK positions and makes a long-expected visit to China.

*Question 9c.* How would you describe China's relations with Russia, including military cooperation?

*Answer.* After initial concern about Russia's political stability in the early 1990s, China has found substantial commonality of interest with Russia. Last year, Presidents Yeltsin and Jiang declared a new "strategic partnership," a formula that reflects broadening high-level exchanges, expanding trade, near-complete settlement of outstanding border disagreements and an impending agreement on confidence-building measures and troop reductions along the border, and rhetorical support on such political issues as concern about NATO expansion and internal "separatists." Nevertheless, considerable strategic, economic, and political differences remain and neither Moscow nor Beijing envision a return to the alliance relationship of the 1950s. The two sides have a common interest in Russian arms sales to China that provide much needed income for the sagging Russian economy while up-grading key elements of China's dated military technology. Cooperation has included sales of SU-27 aircraft and the technology to produce more in China, sales of kilo-class submarines and sovremennyy destroyers, and a wide variety of other military technology that China would have required considerable time to develop on its own.

#### THE CHALLENGE OF CHINA'S POPULATION

*Question 10.* To what extent do you believe the agricultural sector in China will be able to support its population and economic growth over the next decade? Over the next two decades? To what extent will China's infrastructure (including telecommunications, transportation, and power generation) be able to support its population and economic growth over the next decade? Over the next two decades? What other countries might face difficulties in supporting growing populations and/or economies?

*Answer.* China's population hit the 1.2 billion mark in 1995. It is projected to reach 1.3 billion by the end of this century, and peak at 1.6 billion in 2030. China's capability to feed its growing population has been hotly debated because of varying projections of China's long-term supply and demand for grain. In the short-term, China should be able to meet its grain needs. For example, last fall China reported it harvested a record 480 million tons of grain. (The Chinese definition of "grain" includes potatoes, soybeans, and pulses; USDA excludes these crops.)

1996 per capita grain production amounts to 393 kilograms (kg), only 1 kg shy of the record set in 1991 and well above the 385 kg target for 2000, a goal that would require grain production to rise only by about 1 percent annually—well within China's demonstrated capacity.

Attainment of grain production goals will be more difficult after the turn of the millennium as China's population increases and becomes more prosperous. Even then, we do not believe China's rising demand for grain (and inability to keep up through domestic output) will spawn a world food crisis. Should China's grain supply fall short, world grain production capacity should be adequate to meet the challenge—if markets warrant and politics allow.

China's leaders have set a per capita grain output target of 400 kilograms in 2030. This would require output to increase 1 percent annually through 2010 and by .7 percent annually thereafter. Sustaining this rate of increase will require resolution of a number of complex challenges, such as declining investment shares in farming and agricultural infrastructure, stemming the conversion of fertile cropland to industrial and urban use, and finding ways to speed diffusion of more advanced techniques and improved inputs.

The long term target for per capita grain production envisions China attaining 95 percent domestic self sufficiency. China's leaders are particularly concerned about becoming dependent on imports and thus vulnerable to sanctions or other policy-driven interruptions in grain supply, especially in years when weather or disease would cause China's harvest to fall significantly short. Such a high degree of self-sufficiency, though, would be costly. China's peasants are efficient calculators of profit and loss and shift their efforts with relative price changes. Last year's bumper crop, for example, stems partly from Beijing's decision to hike the state procurement price by 20 percent. But Beijing also wants to hold down the urban cost-of-living



(urban households spend roughly half of their income on food). To sustain self-sufficiency without sparking sharp price increases will likely require coercive policies to discourage farmers from planting crops with higher value-added than grain. Beijing also will need to intervene in resource markets to divert inputs to grain farming that would otherwise go to more productive activities.

China is embarked on an immense infrastructure-building program, as exemplified by construction underway on the giant three gorges dam and powerplants. It is being challenged across the board to expand and improve power, transportation, and telecommunications networks, and to provide a major increase in access to modern public utility systems, especially in the case of water. Beijing's ambitious plans exceed its own ability to fund expansion, and Chinese officials are trying to encourage foreign participation as well as expand financial assistance received from multi-lateral organizations.

China will likely face a sequence of bottlenecks and a rising clamor for Beijing to take steps to resolve them. We do not, though, see these infrastructure constraints, limits on grain supply, or oil shortages posing serious "limits to growth", but rather as the normal problems of a country attempting to modernize.

Limits to China's economic growth more likely are to be found in shortcomings or timidity in its ongoing reform program. Additional market-oriented reforms are vital if China is to boost productivity? The regimes however, is hampered by its inability to promote faster reform of state enterprises. The closing of unprofitable firms and freeing up of resources is more common than in the past, but the process has not been regularized. Beijing, for example, still encourages ill-conceived mergers that only spread losses over a wider base.

China must reform its legal and political institutions for it to keep modernizing. In particular, Beijing must deal more effectively with rising corruption and other social ills that undermine public confidence. Creation of new economic institutions and effective manipulation of the policy instruments needed to manage a more market-oriented economic system also have lagged badly. This is especially visible when compared with the pace of liberalizing reforms that have abolished much of the planning system and its associated set of administrative controls. The government's inability to regulate growth and moderate rapid inflation has promoted a highly cyclical growth path which features a boom-bust pattern, at least through the early 1990s. Recent successful efforts to lower the rate of inflation have depended mostly on traditional administrative actions and keeping credit in check via quotas.

All countries can encounter problems fostering continued growth. We do not look at a country's population size or natural resource base as determining factors in a country's economic success or failure. Instead, we look to the extent and types of competition permitted and the degree of protection from markets that governments allow. While adverse events can cause growth downturns in even the most robust economies, those that provide an environment hospitable to markets adjust faster to adversity and regain their growth path more quickly than those nations which are fixed on maintaining the status quo.

#### CHINA AND TAIWAN

*Question 11.* The people's republic of China (PRC) and Taiwan went through a period of high tension last year prior to the Taiwanese presidential elections in March. How would you characterize the current state of the relationship between Beijing and Taipei? What is the probability of return to heightened belligerence? What is the potential for conflict? Has the threat of a confrontation between the PRC and Taiwan replaced North Korea as the number one security issue in Asia?

*Answer.* Tension across the Taiwan strait remains high, although there have been no recent military activities such as the PRC combined-forces maneuvers and missile tests in 1995-1996. Despite thawing in low-level cross-strait cultural, legal, and commercial exchanges, the likelihood is low of an early resumption of a direct dialogue that could lead to tangible improvement in relations. Beijing characterizes Taiwan President Lee Teng-Hui as a "splittist" with a hidden agenda for Taiwan independence. Taipei argues that the conditions set by Beijing for resumption of talks—recognition of the "one-China" principle—would compromise Taiwan's sovereignty. This standoff will likely preclude a substantial improvement in relations in 1997.

The PRC has made it clear that it would react forcibly to a declaration of independence by Taiwan or to other actions which would be seen as moving in that direction. In the next six to nine months, however, Beijing's interest in a smooth Hong Kong retrocession as well as in its own internal politics should serve to reduce the volatility of cross straight relations. In any case, the potential for an outbreak of hostilities appears far less than on the Korean peninsula.

## CHINA

*Question 12a.* How far along is the succession of power in China? Can we expect the Chinese leadership to stay the course on most policies until Deng passes from the scene? When the succession is complete, do we expect any dramatic changes in our relationship with Beijing or in any other Chinese policies?

Answer. Because Deng had already passed on all of his political positions and withdrawn from active political involvement, the succession had largely already been accomplished before he died. Since his death, the leadership has strongly reaffirmed its commitment to his domestic and foreign policies. Between this fall and next spring, China will hold regularly scheduled (at 5-year intervals) party and government conferences that will reorganize leadership positions, including retiring some leaders, reassigning others, and promoting new leaders. We expect no significant overall shifts in the balance of power within the leadership, though party chief, president and military commander-in-chief Jiang Zemin may marginally strengthen his position as Deng's successor and principal leader. Although it is difficult to predict the internal workings of a closed political system such as China's, we expect no major change in direction as a result of these leadership changes.

*Question 12b.* Under what circumstances would U.S. requested ship visits to Hong Kong be denied?

Answer. PRC defense minister Chi Haotian has stated that ship visits will continue after the July 1 Handover. Bilateral consultations are currently underway to discuss how, if at all, the procedures may change after reversion.

*Question 12c.* What is your assessment of Chinese nuclear cooperation with Iran?

Answer. See the response to question 6a.

*Question 12d.* On December 21, China appointed an unelected legislature to replace the elected Legco. It has begun to repeal portions of the bill of rights and has begun to reinstate colonial law. What do these moves signal by way of Chinese intentions vis-a-vis Hong Kong?

Answer. China's actions during the last three months, although forecast by earlier statements and proposals, have nonetheless generated controversy in Hong Kong and overseas. The appointment and operation of the provisional legislature, the modification of the bill of rights ordinance and other measures have been characterized by some as a preview of Beijing's post-reversion policies. Beijing, however, has acted in a manner consistent with its position regarding the primacy of the basic law over subsequent legislation and measures initiated by the British government. Chinese leaders have indicated that "one country, two systems" and "Hong Kong ruled by Hong Kong residents" under the umbrella of the basic law will determine the territory's direction after the Handover.

*Question 12e.* What is your assessment of possible unrest or Chinese repression over the next six months or immediately following the British departure?

Answer. Beijing has made a smooth transition in Hong Kong one of the top policy priorities for the year. Consequently, it seems unlikely that Chinese leaders would take any measures which would disrupt Hong Kong's stability in the time prior to, or immediately following the Handover. Similarly, reliable polls in Hong Kong reveal a high degree of optimism regarding the economic and social future of the territory. Most segments of society, particularly local and foreign business, want to work with the new regime. Excluding the small radical fringe, even those elements which have disagreed publicly with Beijing on matters surrounding reversion and Hong Kong's future are unlikely to generate unrest, particularly given a public mood that is not likely to support disruption of the transition.

## INDIA AND PAKISTAN NUCLEAR TEST PROGRAMS

*Question 13.* Press reports last year indicated that India was making preparations to test a nuclear weapon. If India was prepared to test, but decided not to test, what factors led to this decision? What is the likelihood that India will test a nuclear weapon within the next year? If India did so, what is the likelihood that Pakistan will respond with a nuclear test of its own? Would these nuclear tests lead to war between the two nations?

Answer. India faces no imminent security threat; in addition, a test would damage significantly India's relations with a number of countries and would undermine the government's efforts to attract foreign investment. If India were to test, moreover, Pakistan would almost certainly respond with a test of its own and regional security would be seriously damaged. These factors probably influenced India's decision on testing last year. Testing by itself would not be enough to trigger a war between India and Pakistan, though tests on either side would abort any effort to improve India-Pakistan relations.

## THE RISK OF NUCLEAR WAR BETWEEN INDIA AND PAKISTAN

*Question 14.* What is the current status of Pakistan's and India's programs to develop nuclear weapons and missiles with which to deliver them?

Answer. The Intelligence Community believes both Pakistan and India can assemble a small number of nuclear weapons on short notice.

Both countries are developing or seeking to acquire ballistic missiles capable of delivering nuclear weapons. Such destabilizing delivery systems have the potential of striking major population centers in the other country.

*Question 14a.* Does Pakistan have a nuclear weapon, despite never having tested it?

Answer. The Intelligence Community believes Pakistan can assemble a small number of nuclear weapons on short notice.

*Question 14b.* By what means would such weapons be delivered?

Answer. India and Pakistan have combat aircraft capable of delivering nuclear weapons. Both are developing or seeking to acquire ballistic missiles capable of delivering nuclear weapons. Such destabilizing delivery systems have the potential of striking major population centers in the other country.

*Question 14c.* Can Indian missiles or bombers reach major civilian or military targets in Pakistan?

Answer. Indian bombers could reach most major civilian or military targets in Pakistan.

The longest range missile India could currently deploy is the Prithvi. It could reach targets as far as 150 kilometers into Pakistan from the Indian border, including Islamabad. We do not believe the Prithvi has a nuclear warhead.

*Question 14d.* Has Pakistan deployed M-11 missiles? If not, what is their status?

This question is addressed in the classified attachment.

*Question 14e.* How great is the risk of war between India and Pakistan in the coming year or so? Would either country go to war over Kashmir? There have been allegations that each country is supporting terrorist acts in the other country. Is there a real risk that an act of terrorism could lead to war?

Answer. The risk of an Indo-Pakistan war over the next year is low, not least because both states fear the widespread destruction which would ensue. Kashmir remains the most likely potential flashpoint, but the recent decline in an anti-Indian separatist insurgency in the disputed territory has eased the prospects for bilateral conflict. Regular low-level military exchanges continue across the line of control, the demarcation between Indian and Pakistani controlled-areas of Kashmir. Neither country, however, wants to allow these tensions to escalate into a broader confrontation, though there remains some danger of miscalculation on both sides. India and Pakistan have traded accusations for many years that the other is sponsoring terrorist activities on its soil. So far, such accusations have not led to a direct conflict. High-level Indian and Pakistani foreign affairs officials will meet in New Delhi on March 28—for the first time in over three years—to attempt to renew their bilateral dialogue. This initiative is the result of an exchange of friendly letters between Indian Prime Minister Deve Gowda and his newly-elected Pakistani colleague, Nawaz Sharif.

*Question 14f.* In the event of a war between India and Pakistan, how great is the risk that one or both sides would use nuclear weapons? Under what circumstances would that be most likely?

Answer. We believe the likelihood of a war between India and Pakistan is low. Nevertheless, an all-out war between the two risks the use of nuclear weapons. India, the stronger power in conventional terms, is unlikely to be the first to use such a weapon, although one could not rule out the possibility of miscalculation. Pakistan would probably hesitate as well to initiate use unless the Pakistani leadership believed the country was on the verge of military defeat. Political pressure in India almost certainly would force New Delhi to respond with a nuclear attack if Pakistan used a nuclear weapon first.

## STABILITY OF INDONESIA

*Question 15a.* What are your views regarding the long-term stability of Indonesia? Do you foresee succession problems once President Soeharto leaves office? What are the prospects for a peaceful settlement related to East Timor?

Answer. In the near term, we expect more disturbances over religious, ethnic, and economic issues and more arrests by the authorities in the period leading up to the parliamentary elections on May 29. The long term stability of Indonesia is fairly well assured. The government party Golkar is expected to win seventy percent of the vote. In 1998, members of parliament plus five hundred individuals selected by the president will vote for president and vice president. President Soeharto will be

re-elected if he stands to run for a seventh term. Indonesia's economic development remains on course, with a steady growth rate of around seven percent annually.

Soeharto has not indicated when he will leave office. His personal choice for vice president may determine how the succession plays out. In all probability, he will pick a successor from the ranks of the military and we could see a period of intense political maneuvering by contenders.

On East Timor, President Soeharto will determine the pace of any compromise solution, which may eventually be some degree of autonomy in the province acceptable to the military, the Vatican, the U.N. Secretary General, and Portugal. Calls for independence or a referendum conflict with the Indonesian belief that a vote in 1976 reflected Timorese desire to incorporate with Indonesia, so a major gap in perception remains regarding a "settlement." short-term prospects for resolution are not good.

**Question 15b.** What is the state of Indonesian-PRC state-to-state relations today? Military-to-military? Is there any formal or informal cooperation between Indonesian and Chinese intelligence agencies?

**Answer.** Relations between Indonesia and China (normalized in 1990 after a 23-year break) are correct and cordial, but not warm. The Indonesian military remembers China's support for the Indonesian communist party and remains nervous about overtures to ethnic Chinese citizens in Indonesia. State to-state relations also are influenced by Indonesia's concern about Chinese intentions in the south China sea and the potential for a dispute concerning waters adjacent to Indonesia's oil and gas resources near the Natuna Islands. Military officials exchange visits and there is some potential for arms trade, but no extensive military-to-military relations; nor is there any significant formal intelligence exchange of which we are aware.

**Question 15c.** How important is Indonesia to regional security and stability?

**Answer.** Indonesia's location, size, and reputation as a moderating force in the region and in international fora make it a key player. A founding member of Asean and the non-aligned movement, Indonesia has been actively engaged in the Asean regional forum and Apec, played a significant role in the resolution of the conflict in Cambodia, and brokered a peace agreement between the Philippine government and Muslims in Mindanao. Indonesia does not pose a military threat to any of its neighbors and is unlikely to do so. Some of the neighbors express concern that a period of domestic unrest due to political or economic developments could lead to refugee outflows or conflict that spills across borders. Efforts to encourage and expand military-to-military exchanges and information flows should minimize such a danger.

#### NORTH KOREA AS A CONTINUING THREAT

**Question 16a.** In an unclassified response to a query from the committee, DIA informed the committee on May 6, 1996 that "The likelihood that North Korea will continue to exist in its current state 15 years from now is low to moderate. Unless solutions to the north's economic problems are found, the regime will not be able to survive. It will have to adapt, slide into irrelevance, or collapse/implode. This has led many analysts to believe that the process of political self-destruction has begun with the potential for system collapse within three years." Do you agree with this assessment?

**Answer.** INR agrees that the likelihood that the north will exist "in its current state" 15 years from now is slim. In fact, Pyongyang has been striving for more than a decade to adapt to a rapidly changing external environment, especially following the collapse of European communism and the end of the cold war. The DPRK knows it has to change—it recognizes that reform involves huge risks, but so does inaction. The north compares its current difficult circumstances with the "arduous march" of Kim's father against Japanese imperialism. The DPRK military has not "taken over," but it does have a prominent and visible role. Kim Jong Il's primary title is supreme commander. He depends on the military to buttress his authority and takes pains to burnish his military credentials.

It is difficult to predict the outcome of Pyongyang's efforts to shore up its economy while maintaining political stability, but INR believes the DPRK is not likely to collapse any time soon. Its control mechanisms remain strong; its system has shown surprising resiliency. There are long-standing ideological and generational differences in the north on such questions as how to deal with the ROK and respond to the current economic crisis, but so far we have not seen evidence of significant factionalism. Rather than a sign that the system is coming unglued, Hwang Chang Yop's defection suggests longstanding policy differences are becoming more apparent as Pyongyang grapples with its problems. Kim Jong Il's challenge is to set new policy directions, revitalize the economy, and overcome any opposition that may eventually emerge without resort to potentially destabilizing purges.

*Question 16b.* How widely is this view shared in the Intelligence Community?

Answer. Intelligence community analysts hold a range of views regarding the staying power of the DPRK and its leadership. It is generally accepted that North Korea's long-term prospects are uncertain. To our knowledge, only a few analysts in May 1996 (the time of DIA's response to the committee) believed that the "collapse" of North Korea was likely "within three years."

*Question 16c.* What is the likelihood of an economic implosion triggering a military explosion that would result in an attack on South Korea? What is the likelihood that North Korea would invade South Korea in the next two years? Under what scenario is a war likely? How has the military threat from North Korea changed since 1993?

Answer. The north is in a tight spot. Chronic food shortages are worsening. The country needs at least 1.5 million tons of grain imports, which it cannot afford. Without substantial aid soon, deaths from starvation and related diseases this year will rise. The population has been weakened by malnutrition, and the public health system is overtaxed. Industrial performance is feeble—plants are old, equipment worn out, and the industrial structure oriented towards a socialist market that no longer exists. Shortages of fuel, power, and raw materials have reduced plants to operating at a fraction of capacity.

The current crisis may have bolstered the case of those pressing for faster reform and opening—and there are some signs of movement. Pyongyang wants to boost foreign investment, particularly in the Najin-Sonbong free trade zone, and has announced plans to allow international commercial overflights. It has set up urban markets, boosted farmers' incentives, and begun to decentralize industrial management.

The likelihood of a North Korean attack depends on many variables, some of which we and other countries can influence. If the north became convinced the ROK and the U.S. were trying to "strangle" it, the risk of an attack or military provocation would rise significantly. The agreed framework has significantly reduced tensions on the peninsula and reduced the risk of war. INR believes that so long as the DPRK perceives it has a chance to surmount its economic problems, the likelihood of an attack is low. Efforts to engage the north complement deterrence, which remains essential to avert war. The DPRK faces an unfavorable military balance on the peninsula, and knows it cannot depend on Chinese or Russian assistance if it initiates a conflict.

The DPRK has made a major effort to sustain its military capabilities, and morale seems to be holding up reasonably well. Pyongyang relies on its military to ensure that its interests are taken seriously. The army still packs a credible offensive punch, and could inflict significant damage on U.S. and ROK forces with little advance warning. Overall readiness, however, has declined significantly since 1993. The military is strapped for funds, faces serious manning problems, and is outclassed by the ROK's ambitious force improvements. The north's tanks, aircraft, and air, defense systems are obsolete, with little hope of replacement. Despite its priority access to resources, the army is suffering many of the hardships affecting the civilian sector. Since 1993 food shortages have increased, even in front-line units, according to defector reports. Anecdotal evidence suggests absenteeism and corruption are on the rise.

*Question 16d.* With the deterioration in North Korea's relations with China and Russia, with the rapid decline in its economy, with the decrease in its military training, what is the current ability of North Korea to attack and cross the DMZ and seize and hold territory in the south?

Answer. Given its force posture and forward concentration of artillery, the DPRK could penetrate some distance across the DMZ if it launched an all-out offensive. Seoul is within range of the north's long-range artillery, and virtually all of the peninsula would be vulnerable to scud missile attack and special forces insertion, and—in the initial hours of a war—air attacks. The DPRK's ability to hold territory and sustain an offensive would depend upon how thoroughly it had prepared and how much warning time ROK and U.S. forces received. The north is likely to forego certain preparations to avoid giving unambiguous warning of its intentions. The DPRK's need to make up fuel and food shortages—and bring its forces up to fighting trim after recent training shortfalls—has lengthened our warning time somewhat.

There are a range of contingencies short of a full-scale offensive which could nonetheless endanger U.S. forces and result in the seizure of ROK territory. The DPRK might choose to execute one of these more limited offensive options if it believed that it had to "shuffle the deck" after exhausting other strategies for regime survival.

## NORTH KOREA'S INVOLVEMENT IN INTERNATIONAL CRIMINAL ACTIVITY

*Question 17a.* To what extent are the North Koreans currently involved in the heroin trade or other drugs?

Answer. North Korea has apparently been cultivating opium poppies for legitimate pharmaceutical purposes for several years. There have been claims and reports that DPRK officials have cooperated with illicit drug trafficking schemes in China and Russia to earn foreign currency. There have been numerous claims in the press that members of the north's public security ministry have smuggled drugs into Russia. Last year, Russian police arrested a North Korean official near Vladivostok as he attempted to smuggle into Russia some 22 kilograms of opium. In 1994, Russian agents reportedly broke up an attempt by North Koreans to establish a drug route with Russian crime groups. There have also been several reports of the drug involvement of DPRK diplomatic missions. These indicators are cause for concern; the department and other agencies are closely watching the situation to better determine the level and scope of DPRK involvement in the drug trade.

*Question 17b.* Are the North Koreans involved in producing or distributing counterfeit U.S. currency? Where are they distributing them? And with what other parties are they working?

Answer. There have been several claims that the North Koreans may be involved in possible counterfeiting and the distribution of counterfeit U.S. currency. In December 1996, a DPRK diplomat assigned to the embassy in Ulaan Baatur and another North Korean were arrested at they attempted to sell counterfeit U.S. currency in a Mongolian market; the diplomat was expelled from Mongolia in February. In early 1996, the North Korean embassy in Cambodia was implicated in a counterfeit currency scheme headed by a former Japanese red army terrorist traveling on a DPRK diplomatic passport. The department and other U.S. agencies are closely monitoring the issue of the DPRK's role in counterfeit U.S. currency in order to develop more information.

## MONITORING OF THE NORTH KOREAN FRAMEWORK AGREEMENT

*Question 18.* In 1994, North Korea signed the nuclear framework agreement and promised to forgo further development of nuclear weapons in return for assistance from the U.S. and others.

*Question 18a.* Has North Korea been living up to its commitments under the framework agreement? Do we expect continued compliance? Does the economic situation in North Korea make compliance more or less likely?

Answer. North Korea has been living up to its central commitments under the agreed framework.

- The north has frozen its nuclear facilities at Yongbyon as it agreed to do. The 5 mw reactor is not operating, nor is the reprocessing facility or Tuffil fabrication facility. Both are under constant monitoring by the IAEA, which has had inspectors there continuously since June 1994.

- The north has ceased construction at both the 50 mw reactor at Yongbyon and a 200 mw reactor at Taechon.

- It is cooperating in safely storing the spent fuel rods now in a cooling pond in Yongbyon for canning in preparation for their eventual shipment out of the country.

- On December 15, 1995, the north concluded a LWR supply agreement with the Korean peninsula energy development organization for two light water reactors, which will be constructed by the ROK. The DPRK has cooperated with several KEDO survey teams that have visited the planned construction site.

- Following the conclusion of the LWR supply agreement, the north announced that it would resume IAEA ad hoc and routine inspections at non-frozen nuclear facilities, as it committed to do in the agreed framework.

- Initially, in January 1995, as we began our deliveries of heavy fuel oil to the north, we had some concerns that a small portion of it was being used for industrial purposes rather than for power or heat generation, as provided for under the agreed framework. We raised this issue with the North Koreans and worked out arrangements for installing monitoring equipment at several power plants which the north told us would use the heavy fuel oil. Those monitoring devices have now been installed and are fully operating except for one case where the equipment is still being calibrated.

- We see no signs at this point that North Korea is backing away from its agreed framework commitments. Down the road the north will have some difficult decisions to make about compliance in resolving discrepancies in its safeguards declaration to the IAEA, and eventual dismantlement of its graphite-moderated nuclear facilities. All parties have obligations under the agreed framework, and have to strive to give the process sufficient momentum to carry it forward.

• We believe that one of the reasons the north entered into the agreed framework was because it saw economic benefits that would alleviate some of its economic problems. To the extent it sees continuing possibilities of improving its external economic relations, we believe it is more likely to follow through on its commitments under the agreement.

*Question 18b.* How high is your confidence that the U.S. Intelligence Community can adequately monitor North Korea's compliance with the U.S.-North Korea framework agreement? How significant are U.S. intelligence collection shortfalls targeted against North Korea?

Answer. We have high confidence that we can monitor the north's performance in fulfilling the nuclear areas of the agreed framework. IAEA inspectors are at the main nuclear facility at Yongbyon on a daily basis, and our own capabilities can detect any significant activities at the construction sites. The U.S. team works alongside the North Koreans at the fuel canning site.

• We also believe that the Kedo system of safeguards now in place, along with other sources of information available to the us, can detect significant diversions of HFO.

• As for collection shortfalls, though we would like to know a lot more about North Korea, the DPRK is not a "black hole." We have learned a great deal about that country and developed a better feel for its negotiating style as a result of our experience with it in talks on the nuclear issue. One area where we could clearly use more information is on the state of the North Korean economy.

*Question 18c.* What is the capability of North Korea to divert past food deliveries (including massive deliveries from Japan in late-1995) and fuel deliveries from the United States to military purposes? Can we reliably detect such diversions?

Answer. The North Koreans can divert food deliveries of whatever quantity if they are not monitored. All United States food and fuel deliveries to North Korea have been carefully monitored through the world food program (WFP), from unloading at dockside through transportation to the distribution sites and then, finally, to the recipients. Significant diversions would be very difficult with this monitoring.

• Similarly, the north's use of Kedo-supplied HFO is carefully monitored; and significant diversions would be very difficult to accomplish. Moreover, HFO is not of much value to the military without further refining, an additional step which complicates any efforts to hide a diversion.

• We believe that the monitoring systems in place can detect—and indeed are a deterrent—to significant diversions of both food and HFO.

#### THE NORTH KOREAN ECONOMY

*Question 19.* What is the near-term outlook for the North Korean economy? To what extent do you expect North Korea will be able to maintain its industrial and agricultural infrastructure over the next decade? What is the likelihood the economy will collapse over the next decade? What are the likely political and social consequences if this collapse occurs? To what extent has south Korea begun to plan for the eventual unification of the country?

Answer. North Korea's economic prospects is a topic under intense and continuing review in the Intelligence Community. We believe that circumstances in North Korea are sufficiently unique to preclude placing odds on the likelihood of a collapse. That said, there are some similarities to Eastern Europe before the collapse of communism, and lessons to be drawn from how other nations have fared when subjected to high levels of economic stress, particularly to a food crisis such as North Korea's.

The North Korean economy is in long-term decline and its performance is not likely to improve soon. In addition to widespread civilian hardship, cascading shortages are hurting military production and readiness, adding to the pressure on the regime to stem the decline. Even if North Korea were to adopt an aggressive economic reform program, the experience of transitioning economies shows that it would take several years before results show up.

We see some changes in economic management and policies, particularly a trend toward devolution of authority to farms, enterprises, and local authorities. There has been a growth of markets to replace government distribution. North Korea also has established a special economic zone and is trying to attract foreign investment to obtain new technology and boost export earnings. But so far, its efforts have met with limited success.

North Korea has a high degree of social cohesion, a demonstrated ability to cope with adversity, and strong internal security mechanisms. Moreover, its relatively small population (22 million) means it can sustain itself if provided with a minimum of economic assistance. It is clear that the DPRK will require foreign aid if it is to stabilize its economy—especially if it begins to experiment with more far-reaching

economic reforms. We expect Pyongyang to continue to lobby for assistance. The bottom line is that it is not just Pyongyang's actions but also those taken by others that will determine whether or not the North Korean economy can rebound.

In a worst case scenario, the prospect of imminent collapse could prompt desperate North Korean leaders to gamble on a range of military actions even with long odds of success.

If a collapse actually occurred, relief and reconstruction and the movement of large numbers of refugees would be a major problem for North Korea's neighbors. A North Korean collapse would also severely strain south Korea's political system and impose a huge burden on the ROK economy.

The ROK has established offices within most of its ministries to examine what needs to be done in their respective areas of responsibility to prepare for a range of reunification contingencies. Moreover, many government and private organizations are active in sponsoring unification-related research.

#### SADDAM'S HOLD ON POWER

*Question 20.* On September 19 of last year, former DCI Deutch testified before this committee in open session on internal developments in Iraq in the wake of U.S. military action against that country. When asked to assess Saddam Hussein's hold on power, he stated that " \* \* I think that it is not possible to argue that he is not stronger today than he was six weeks ago."

*Question 20a.* Do you believe that Saddam's hold on power is stronger today than it was one year ago? Who are the most likely successors to Saddam and what policies would they be likely to pursue?

*Answer.* While Saddam gained some tactical advantage following his incursion into northern Iraq last fall, his position within Iraq is not trouble-free. There are persistent reports of attacks against the regime, most dramatically exemplified by the attack on Saddam's eldest son Uday last December. Opposition reports of coup attempts, mass arrests, and assassinations cannot be corroborated, although tensions do appear to be on the rise.

It is impossible to predict who might succeed Saddam, and precisely what policies they will pursue. There is a reasonable likelihood, however, that whatever successor regime comes to power will wish to turn to the international community for relief from sanctions, and will therefore be somewhat more sensitive to moderating influences in at least the near term.

*Question 20b.* Will Saddam's fall lead necessarily to Iraq's disintegration? If not, why?

*Answer.* While there is a good chance that Saddam's departure from the scene could result in an outbreak of ethnic rivalries and some bloodshed, there is little likelihood that Iraq will "disintegrate." Some Kurdish leaders might consider Saddam's removal as an opportunity to declare a Kurdish "state," however? Iraq's neighbors Turkey, Iran, and Syria would be loath to allow such a development. As for the Shia, they are the majority ethnic population in Iraq and probably would therefore wish to have more influence over the entire country—not just the south.

*Question 20c.* How has Saddam's influence in northern Iraq—and elsewhere in the country—been impacted by last Fall's invasion into the north? Has Saddam effectively regained control of northern Iraq?

*Answer.* Saddam has regained some influence in northern Iraq, but has not regained full control of the region. There are some indications that some Iraqi entities have greater access in areas controlled by Masud Barzani's Kurdish Democratic Party (KDP), but areas under the control of Jalal Talabani's Patriotic Union of Kurdistan (PUK) remain much as they were prior to last fall's incursion.

*Question 20d.* What is the current status and strength of the various groups opposing Saddam, including the Kurds in the north and the Shias in the south?

*Answer.* Both the Kurds and the Shia retain the ability to harass the Iraqi military, but neither has exhibited an ability to seriously threaten the survival of the regime. The Iraqi military continues to conduct operations in southern Iraq against the Shia insurgents, but remains susceptible to hit and run attacks. In the north, large portions of the country are under Kurdish rather than Iraqi control, though the Iraqi military retains the ability to move against the Kurdish forces.

#### THE DHAHRAN BOMBING

*Question 21.* Last August, then Secretary of Defense Perry suggested that the U.S. would retaliate with force if Iran had a hand in the bombing of the Al Khubar Towers in Dhahran.



*Question 21a.* Have there been any developments that you can share in ascertaining who was responsible for the Khobar Towers bombing? Do we have any information that the Iranians were involved in the Al Khobar towers bombing?

Answer. The bombing of Al Khobar Towers is still being investigated by both the Saudi authorities and the FBI. It would therefore be inappropriate to comment. Information pertaining to the investigation is being closely held within the law enforcement community.

*Question 21b.* If the U.S. should take any military action against Iran, what is the likelihood that Iran will in turn retaliate against U.S. lives and property in the U.S. and abroad?

Answer. The likelihood of some type of retaliation is high. Iran's public statements indicate that, if attacked, it will defend itself. The government in Tehran has sponsored terrorist acts against those it perceives to be its enemies or who have threatened it. It is not certain whether Iran would be able to attack on U.S. soil, but there is reason to believe it is capable of attacks on U.S. targets abroad.

*Question 21c.* What, if any, is the role of the Islamic Change Movement in the bombing at Dhahran? What, if any, role did Usama Bin Ladin play in the bombing at Dhahran? Do we have any information regarding any complicity whatsoever of the Syrian government?

Answer. The matter of the Khobar Towers bombing is still under investigation. It would therefore be premature to comment on any supposed role of any group or state.

*Question 21d.* Do you agree with FBI Director Freeh and Attorney General Reno that the Saudis have not cooperated fully in this investigation? Was the Intelligence Community or the state department consulted before the FBI director and the attorney general made these comments publicly?

Answer. As the matter is under investigation, I defer to the director and the attorney general on their assessment of this issue. I am unaware of any efforts to coordinate the public statements to which you refer.

*Question 22.* Is the Iranian government involved in any of these aspects of organized crime: drugs or counterfeiting? What is the level and type of involvement?

Answer. Available intelligence does not show an Iranian government policy of organized drug smuggling into the U.S., nevertheless significant corruption in Iran may result in some government officials' involvement in drug trafficking. The secret service is responsible for investigating counterfeit currency matters, and I defer to that agency on the issue of counterfeiting.

#### IRAN AND IRAQ

*Question 23.* Please discuss Iran's ultimate objectives in Iraq. Do you anticipate that when Saddam ultimately falls, Iran will invade Iraq? Currently, how close are Iraq and Iran to armed conflict?

Answer. Iran would like to see a Shia government in Iraq which would be more friendly towards Iran, and over which Tehran would be able to exert influence. While Tehran is unlikely to launch a full-scale invasion of Iraq should Saddam fall, Iranian efforts to influence the formation of a replacement regime could lead to significant Iranian interference in Iraqi internal affairs.

The current situation between Iraq and Iran is tense, with each side stepping up support for the other's armed opposition. Most recently, the two have traded barbs at the U.N., with Baghdad accusing Tehran of providing safehaven to the perpetrators responsible for shooting Saddam's son, Uday, and Tehran pointing to the accusations as evidence that Baghdad remains hostile to Iran. There has been no evidence thus far of significant military moves and direct large-scale military conflict between Baghdad and Tehran is unlikely. Nevertheless, tensions could lead to conflict through surrogates, particularly in northern Iraq, if they continue to escalate.

#### DEVELOPMENTS IN SERBIA

*Question 24.* Please describe the views of the anti-Milosevic factions. What is the likelihood that Milosevic will be unseated in the next 12 months? Who is most likely to replace him and what policies would be pursued as a result?

Answer. The "together" (Zajedno) coalition of Vuk Draskovic, Zoran Djindjic, and Vesna Pesic represents the most dynamic and pro democratic alternative to Slobodan Milosevic and his Serbian socialist party, despite the past positions of some of its individual leaders. "Together" was surprisingly successful in last year's local elections and now controls Belgrade and some 14 other cities and towns. "Together" seeks multi-party democratization, a free media, and privatization of the economy. It supports autonomy, but not independence, for Kosovo; fully backs the Dayton accords; and desires integration with Europe. Draskovic and Djindjic were

strong rivals prior to entering into their coalition. On the extremist nationalist right, Vojislav Seselj leads the Serbian radical party and attacks Milosevic and his leftist allies for "abandoning" the Bosnian Serbs before their complete victory. He opposes the Dayton agreement. Milosevic is barred by the constitution from running again for president of Serbia in elections to be held later this year, but he may try to circumvent this hurdle. Alternatively, Milosevic may seek the "fry" presidency, if he can strengthen the powers of that office. Either Djindjic or Draskovic is the likely Zajedno candidate for president of Serbia. Either person would be expected to follow "together's" platform of democratization, civil rights, and economic reform.

#### NATIONAL SECURITY THREATS: BOSNIA

*Question 25.* What is the long-term estimate for Croat-Bosniak cooperation in the federation? Are there estimates of Croatian intentions toward "Herzeg-Bosnian" territory?

*Answer.* So long as international engagement continues, some progress on building the federation will move ahead. An important element of this engagement is the work of the federation forum. The channeling of the train and equip program through federation structures is an additional factor strengthening cooperation in the military sphere. Zagreb has recognized Bosnia and Herzegovina's international borders and we expect continued support for the federation.

#### THE PLO AND THE MIDDLE EAST PEACE PROCESS

*Question 26.* Who would be the likely successor to Yasser Arafat if he were removed from power and how would this impact the success of the peace process? What is your assessment of the likely success of the peace process? As the Israeli government is relinquishing more territory to the Palestinians, what is the likelihood that violence will ensue?

*Answer.* Yasser Arafat holds two positions: "ra'es" (chairman or president) of the Palestinian executive authority (elected in 1966), and chairman of the Palestinian Liberation Organization (PLO). In the event he vacates his posts due to death, resignation, or loss of legal capacity, the speaker of the Palestinian legislative council, currently Ahmed Quray (Abu Alaa), takes over the position of "ra'es" of the Palestinian executive authority for no more than 60 days, within which time elections must be held to elect a new "ra'es."

There is no formal procedure for selecting a new PLO chairman, but the process is likely to be based on consensus. Fatah central council members likely would choose a successor among themselves (Fatah is Arafat's faction and dominates the PLO's decision-making bodies) and then probably call for a vote of the Palestine National Council (PNC) to confirm the choice.

No clear successor to Arafat has emerged, nor has he apparently selected such an individual. Arafat himself remains, for most Palestinians, the symbol of their cause. Should he pass from the scene before the peace process is complete, two factors will tend to minimize the period of disruption. First is the broad consensus among Palestinians as to the direction the peace process should take. Second is the number of capable people among the Palestinian leadership. It is likely that after a period of consolidation, Arafat's successor would continue to negotiate the outstanding issues on the Palestinian-Israeli peace track.

The Arab-Israeli conflict as we have traditionally defined it—states of war and conflict between Israel and its neighbors and Israel and the Arab world—is coming to an end. Egypt and Jordan have signed peace agreements with Israel. However, even though the Syrian-Israeli and Lebanese-Israeli peace tracks are currently stalemated and Palestinian-Israeli negotiations are at an impasse, it seems likely that the process that has been launched is irreversible.

The Israeli government has relinquished territory to the Palestinians in accordance with negotiated agreements, to which both Israelis and Palestinians have adhered and to which they remain committed. The relinquishment of West Bank land to Palestinian control in accordance with negotiated agreements would further reduce Israeli controls on Palestinian daily life and economy, which so often have proved the source of past conflicts. The likelihood of violence will diminish if both sides work hard to ensure peaceful implementation. The March clashes between Palestinians and Israeli troops arose because the Palestinians believed that Israel was trying to change the situation in Jerusalem prior to the start of final status negotiations and that the small amount of west bank land transferred from full Israeli control to Palestinian control in the first stage of the Israeli defense forces further redeployment violated the spirit of the OSLO accords.

## THE FUTURE OF THE IRANIAN REGIME

*Question 27a.* Last year, the CIA assessed "that the current Iranian regime has a three in four chance of remaining in power three years from now," and that there is "no immediate threat to the clerics' grip on power," has that assessment changed? What is the likelihood that the current Iranian regime will still be in power three years from now? Are sanctions likely to influence Iran's behavior over the next three years? Why or why not?

Answer. There is no significant change in the Intelligence Community's assessment. It appears highly likely the current regime will still be in power three years from now. Much of the Iranian public has lost faith in the clerics as administrators because of their inefficiency and corruption, and the average citizen does not share the regime's intense anti-western orientation. Nevertheless, there is no sign of broad-based popular opposition mounting a challenge to the regime in the near future. The military and security forces largely back the regime; the latter, apparently with little difficulty, have quelled those domestic disturbances that have arisen in recent years.

U.S. Sanctions will influence Iran's behavior over the next three years, but probably not significantly. The conservative leaders gaining dominance within the regime are pushing a hardline foreign policy agenda driven by ideology, not western-style pragmatism. Should Majlis speaker Nateq-Nuri win the presidency, as is widely expected, the government is likely to emerge more conservative but also more unified. This unity may allow more scope for compromise, despite the conservatism of the leadership. Iran's economy has major problems, but has been able to muddle through, nonetheless. Iran has, for example, made its debt payments on time, thanks in part to last year's run-up in oil prices, and barring a plunge in prices, should be able to continue doing so for at least several more years.

*Question 27b.* Is there any evidence that our allies may be more willing to sanction Iran? What impact would multilateral sanctions have on the Iranian regime?

Answer. At the recent U.N. human rights commission meeting in Geneva, Norway proposed international sanctions against Iran for its persistent threat to Salman Rushdie. Prior to that, none of our allies have supported sanctions against Iran; they have instead objected to and criticized U.S. sanction efforts as extraterritorial coercion. At the same time, however, the Norway example shows that EU members are beginning to acknowledge and evince frustration about the lack of results from their "critical dialogue" policy.

Multilateral sanctions could have much greater economic and political impact, but it would depend on the composition of any sanctions package. Iran depends upon imports to meet most of its military, technological, scientific, industrial, and durable consumer goods requirements. Hitting any or all of these sectors could have significant consequences for the country's security, manufacturing, or commercial interests. Perhaps more significant might be the political fallout: Tehran has found cover in playing off the U.S. against other countries. A united condemnation of Iranian behavior leading to an international embargo would strip away the facade of respectability the regime has presented to its own people.

## SAUDI ARABIA

*Question 28.* Until November 1995, the terrorist threat in Saudi Arabia was considered low to non-existent. In the span of seven months we experienced two major attacks directed at U.S. interests. What has happened to precipitate this sudden change of direction? Does this represent an intelligence failure? Why or why not? How confident are you in your estimate of the terrorist threat to Saudi Arabia? How much of a threat to these radical, military (militant?) factions pose to the Saudi regime's hold on power?

Answer. There has been no "sudden change" in Saudi Arabia; rather, the attacks there appear to be an outgrowth of trends evident for some time. Religiously-motivated militant opposition to the Saudi ruling family has recurred in the kingdom since its founding. The latest resurgence dates from the gulf war; regime opponents who emerged in the early 1990s cited the U.S. troop deployment as one of several grievances against the regime. Since early 1995, opposition elements have tried to use the issue of foreign troops as a rallying cry to mobilize greater popular support.

We were tracking this broader trend, and warning that threat levels were increasing, but we were not able to predict the timing and magnitude of specific attacks. Given that surveillance and activities designed to test our defenses continue, and militants such as Usama Bin Ladin continue to call for expulsion of U.S. troops, more attacks in the region are likely.

However, we do not believe the militants pose an immediate threat to the regime's stability. Terrorism is a real security threat, but terrorism can be carried out by

small groups not representative of most Saudis. We have seen no signs indicating these militants are able to foment widespread activism or serious internal disorders. Nor do they appear able to disrupt the economy or the flow of oil.

That said, there are broader trends within the kingdom which concern us. Among business elites and intellectuals, we sense a growing desire for reforms. Corruption has become an issue for the opposition. The Saudis themselves have identified economic growth, employment, education and subsidies as areas of concern.

We believe the government has time to address its problems. If the Saudi royal family displays the same vision and flexibility in the future that it has in the past, it should be able to transition successfully into the 21st century. Should it fail to address its problems within the next few years, more significant opposition could emerge.

#### THE TALIBAN MILITIA IN AFGHANISTAN

*Question 29.* The Taleban militia has overtaken significant portions of Afghanistan.

*Question 29a.* What is the likelihood that the Taleban will come to dominate Afghanistan over the long term? If the Taleban sustain their dominance over Afghanistan, what are the likely implications for Iran-Afghanistan relations?

Answer. The Taleban are now the dominant political and military force in Afghanistan and, given the continued weakness of their opponents, may well complete the military conquest of the country. However, the movement's own internal divisions and growing ethnic tensions between the largely Pashtun Taleban and the country's minorities (Tajik, Uzbek, Turkmen, and the Shia Hazara) will likely make it extremely difficult to establish a stable and effective central government. If the Taleban sustain their dominance, relations between Iran and the hard-line Sunni Taleban are likely to remain poor. Iran fears the possible radicalization of its own Sunni minority and views the Taleban as proxies in a U.S. effort to isolate Iran. However, Tehran may seek a *modus vivendi* if it appears the Taleban have become securely established as the government of Afghanistan.

*Question 29b.* What do we know of the Taleban's commitment and or involvement in the international radical Islamic movement? What do we know of the Taleban's intent to continue to support drug trafficking and/or harbor terrorists like Usama Bin Ladin?

Answer. The Taleban do not appear to have an articulated Pan-Islamic agenda nor have they yet developed systematic ties to international radical Islamic movements. However, the Taleban's continued toleration of the presence of renegade financier Bin Ladin in territory they captured last fall and reports that training camps for Islamic militants continue to operate in eastern Afghanistan are disturbing. Despite assurances from the Taleban's leadership that the movement is opposed to terrorism and renounces the narcotics trade, there is little evidence of significant moves by the Taleban either to curb trafficking or to prevent the use of Afghan territory under their control for militant activities. We will continue to press the Taleban on both these issues.

#### ADEQUACY OF MIDDLE EASTERN REGIONAL SPECIALISTS IN U.S. GOVERNMENT

*Question 30.* In your opinion, how adequate are both the quantity and quality of Middle East regional specialists in the U.S. Government?

Answer. INR's office for analysis for near East and South Asia currently has 11 analysts working on Middle Eastern political affairs and 4 others working exclusively on South Asia issues. All of our Middle East regional specialists have extensive experience in the field. Many have advanced degrees and/or a background in the languages of the region. I believe our analysis is first-rate, but frankly resource constraints and the increasing demand for our products set limits upon what we are able to do. With more positions and greater funding to support increased training and more frequent consultations in the region, we could do more. Right now, we have barely enough people to provide adequate coverage of all the countries in the region. And as people begin to retire, we will have large gaps that we are unable to fill with new hires.

Roughly 75% of all State Department reporting officers in the Middle East have advanced degrees and about one-third had four or more years experience working with Middle Eastern affairs. Within the foreign service as a whole, there are about 450 officers who speak Arabic and more than 200 who speak Hebrew or Farsi (Persian).

More broadly, I believe the quality of regional specialists throughout the U.S. Government is quite high. I would hesitate, however, to speak for other agencies on

their perception of whether their resources are adequate or require additional commitments.

#### THE SITUATION IN MEXICO

*Question 31a.* Mexico's political and economic difficulties have many ramifications for U.S. policy, both foreign and domestic. How well is Mexico managing the transition from a one-party state to a true democracy? Is that transition irreversible? Or is there still a real chance that the old guard of the PRI will revert to repressive measures in order to maintain power?

Answer. Mexico's transition to democracy will continue, and, like most transitions, will be uneven—not uniform and smooth. The opposition parties are becoming stronger and have high hopes for further electoral gains in mid-term elections in July of this year. The ruling PRI, while acknowledging it doesn't have the same support it once did, will use its resources and superior organization to try to maintain its congressional majority and win as many of the governorships and local offices it can. The result will be greater plurality. Some members of the PRI old guard continue to resist change and defend the old patronage system, but given electoral reform that has already occurred and increased scrutiny of elections, they are unlikely to derail Mexico's movement toward a pluralist democracy.

*Question 31b.* What is the health of the Mexican economy and what are its prospects? Are they over the collapse of the peso, do they face years of recovery, or is another crisis a real possibility?

Answer. Mexico remains on a strong recovery track after the 6.9% fall in GDP in 1995 following the December 1994 peso crisis. Private forecasters concur that Mexican GDP growth in 1997 will be slightly less than the impressive 1996 figure of 5.1%. Open unemployment has dropped steadily and industrial production has risen since the recovery began in 1996. Foreign capital inflows have increased even as Mexican interest rates and inflation have fallen steadily. New borrowing in global markets has allowed early payment on Mexico's debts to the U.S. and an extension of debt repayments, thus reducing the chance of a liquidity crisis down the road. Consumers and businesses are still squeezed by the ongoing credit crunch and the level of non-performing loans remains high, but Mexico's financial system continues on the road to solid recovery.

Though we remain optimistic about Mexico's economic prospects, we will also continue to monitor closely the situation. Recent drug-related corruption scandals have increased investor fears about Mexico, though the Mexican stock market remains above end-1996 levels. With congressional and Mexico city mayoral elections in July, the Zedillo administration will be under pressure to keep economic growth high. The 1994 peso crisis was partly caused by government efforts to keep interest rates and inflation artificially low and the peso artificially high in the run-up to elections, resulting in a crisis of investor confidence and large capital outflows. We do not believe, however, that the Mexican government will make this same mistake.

*Question 31c.* What about the problem of drug trafficking through Mexico, especially of cocaine but also of pills? Has Mexico reversed the trend of increased trafficking? Has the influence of drug traffickers in Mexican politics been curbed?

Answer. Since the early 1990s, Mexican drug organizations have dominated the methamphetamine trade by implementing a simple production method and relying on their established transportation and distribution networks across Mexico and the United States. Although most of their manufacturing operations are centered in Mexico or along the U.S. southwest border, these organizations' transportation and distribution infrastructure have allowed them to span the United States and increase their share of the stimulant market.

Mexico is still the preferred transit route for South American produced cocaine, although the volume may have slipped slightly from an estimated 70 percent to an estimated 60 percent as the Caribbean has re-emerged as a popular shipping route.

We believe that traffickers are continuing their efforts to suborn Mexico's political system. According to Mexican press reports, some mayors and governors have been removed from office because of drug graft.

*Question 31d.* What is the current role of the Mexican military in the Mexican government, and are there reasons to expect a change in this role? How effective is the Mexican military in fighting militant extremist groups in various states?

Answer. In the absence of major threats from its neighbors in recent decades, the military's role has concentrated on internal security threats. President Zedillo has identified narcotics trafficking as the primary threat to Mexico's security and has broadened the mandate of the military in that fight. The military has long been involved in narcotics eradication efforts and, due to widespread corruption among civilian counternarcotics officials, has recently been appointed to head key crime

fighting offices including the Federal judicial police, the center for drug control planning and the federal district's security force. In February, police officials announced that nearly 3,000 soldiers would replace civilian police in Mexico city for two-month rotations over the next 32 months, while police officers attend ethics, weapons, and other training courses. The military's recent record against armed insurgent groups is mixed. It proved effective against the Zapatista National Liberation Army (EZLN) in the Chiapas uprising which began in January 1994; in about three weeks the army had restored order in the area and encircled the insurgents rendering further hostilities highly unlikely. The military has had a more difficult time with the Elusive Peoples Revolutionary Army (EPR) which is noted for violent hit-and-run attacks or ambushes of isolated military or police outposts.

#### FIDEL CASTRO'S HOLD ON POWER

*Question 32.* How firm is Fidel Castro's hold on power?

*Answer.* Fidel Castro appears to be firmly in control without a clear heir apparent. His hold on power is maintained by his control of an effective state security apparatus. While a spontaneous uprising cannot be completely ruled out, the government has been effective in ensuring that no alternative center of civil society would arise for the public to rally around in a time of unrest. The military appears loyal to Castro.

*Question 32a.* Are there any signs that his control is weakening? If there are, what are they? What is the likelihood that he will remain in power one year from now?

*Answer.* We have seen no signs that Castro's control is weakening. Given his apparently adequate health, chances are good that the 70-year-old will remain in power one year from now.

*Question 32b.* What is the most likely scenario for leadership change in that country and what are the prospects for democratic rule resulting from such change? How do you assess the potential impact of the pope's visit to Cuba scheduled for early next year?

*Answer.* The most likely leadership change scenario involves Castro's death or disability due to illness or old age. The balance of power between hardliners and moderates that might seek to rule, perhaps in a civilian/military junta, would determine the prospects for a transition to democratic rule resulting from such a change. A government collapse which creates a power vacuum, if it should occur, could also result in the eventual emergence of democratic rule, but might also bring a period of instability and violence.

The pope's scheduled visit has already had the effect of forcing Castro to ease restrictions on foreign priests and missionaries entering Cuba—one of the Vatican's requirements for a visit—and visits by Roman catholic officials have increased. Castro has also promised that papal events will be open to all who wish to attend and that there will be ample, uncensored media coverage of the pope's message. Castro has probably (accurately) assessed the threat to his authority from a pastoral visit as limited.

#### CUBA AND DRUGS

*Question 33.* What estimates do we have of Cuban government involvement in the transshipment of drugs to this country?

*Answer.* Cuba is a minor transshipment point for drugs coming to the U.S.; such operations usually involve air drops of drug packets in Cuban waters to be picked up by boats from the U.S. or Bahamas and maritime shipments in Cuban waters. Though there are periodic reports of complicity by Cuban officials, there is no hard evidence that senior Cuban officials are currently involved in abetting drug trafficking. Recently, Cuba cooperated in providing witnesses and material evidence regarding a major cocaine seizure in Cuban waters, resulting in two convictions in a U.S. court.

#### CUBAN NUCLEAR REACTOR

*Question 34.* What is the current construction status of the Soviet-designed nuclear reactor at Juragua and what is the likelihood of its being completed? What threat, if any, does completion of this reactor pose to the United States? What multi-lateral support, if any, is being directed for the maintenance or completion of the Juragua nuclear reactor project?

*Answer.* The plant, which was to comprise two reactors, remains mothballed following a halt in construction in late 1992. We believe that civil construction (e.g., floors and walls) of the first reactor was about 90-97% complete when construction halted, but the plant is nowhere near operation, as some of the most essential com-

ponents are lacking. These include about 40% of reactor components (valves, piping, etc.) and unit 1's instrumentation and control system. Construction of unit 2 remains at a very early stage.

Some of the mothballed plant and equipment continues to erode due to weather and proximity to salt water, and there may have been some further damage (if only minor) due to a recent hurricane.

Due to lack of funding, we believe it unlikely that either reactor will ever be completed, though we continue to monitor the plant's status lest there be a renewed push for completion. Castro himself announced in mid-January 1997 that the project had been indefinitely postponed.

Despite press statements by Minatom Deputy Minister Reshetnikov in February that Russia will resume construction with Cuba without third-party assistance, we are not persuaded that this represents a serious push on Moscow's part, given the financial difficulties "going it alone" would entail. Nonetheless, we continue to urge Moscow not to allow the plant to be completed. No other country has indicated a willingness to help finance the plant's completion.

As the department has stated before, we have longstanding safety concerns about the plant. The two reactors are of the Soviet VVER-440 design, with an unproven containment system. The USG is concerned about construction quality, potential operating safety, infrastructure support, inadequate regulatory oversight, and the state of existing equipment, which now has been exposed and largely unprotected for over four years.

We have expressed our safety concerns repeatedly to Russia and other potential supplier countries. We have repeatedly urged the GOR not to allow the project to be completed. (Other than Havana, Moscow has the strongest vested interest in completing the Juragua project owing to the vast amount Moscow has already invested.)

The USG does not regard the Cuban nuclear program as a proliferation threat, but we are concerned that Havana has not ratified the treaty of Tlatelolco, which provides for fullscope IAEA safeguards. We have repeatedly raised this concern with potential suppliers.

We see no serious interest on the part of potential western suppliers in helping to finance and complete the plant. For example, we see no signs that a recent feasibility study reportedly undertaken by potential suppliers has sparked any enthusiasm in the project. We see no evidence of any third party assistance in the Juragua plant's maintenance beyond that being provided by Russians.

The IAEA since 1967 has provided \$12 million in technical assistance and support to Cuba on a variety of activities involving peaceful uses of nuclear technologies. These activities range from use of radioisotopes in agricultural research to training in safe regulation of nuclear programs. No IAEA assistance has gone to finance the Juragua plant's completion.

#### THE THREAT OF FUTURE IMMIGRATION FROM CUBA

*Question 35.* Please assess the threat future immigration flows from Cuba to the United States pose for our country. What is the likeliest scenario for increased Cuban immigration to the U.S.? And how likely is this scenario?

*Answer.* Havana's current ability and willingness to stem mass migration flows has minimized the threat of a repeat of the large rafter exodus of 1994. Cuban control efforts stem not only from their interest in maintaining the bilateral migration accords but also from Castro's fear that mass migration could spark unrest within Cuba. The likeliest scenario for a renewed exodus would be if significant civil unrest accompanies the seventy-year-old Castro's eventual departure from the scene. There is a significant potential for unrest during a transition; the inevitable uncertainty will itself spark some increased interest in rafting.

#### THE HUMAN RIGHTS SITUATION IN CUBA

*Question 36.* Please assess the human rights environment in Cuba. To what extent are our Canadian and European allies pressuring Cuba to improve its human rights, and what success are they having?

*Answer.* The human rights environment in Cuba remains poor. Human rights activists and pro-democracy dissidents are subject to frequent harassment including detentions. There is no tolerance for criticism of the state. Since March 1996, Havana has put a freeze on the limited public discussion of economic reform alternatives in which government-affiliated think tanks were engaging.

Canada and the EU share our goal of a peaceful democratic transition in Cuba. Canada's approach to influencing the Cuban government is one of "constructive engagement" through dialogue with Cuban officials. We have not seen any indication

that the Cuban government is prepared to take steps toward a democratic transition as a result of Canada's efforts.

The EU adopted a "common position" linking improved EU-Cuba relations to improvements in Cuba's human rights situation.

The "common position" provides the framework for EU member states' policy toward Cuba. The EU has taken some initial steps toward implementation. It is, however, too soon to assess the effect of the "common position" on Cuba's human rights situation.

#### IMPACT OF HELMS-BURTON LEGISLATION ON CUBA

*Question 37.* What impact is the Helms-Burton legislation currently having on the Cuban economy? What impact is this legislation having on our relations with out Canadian and European allies?

*Answer.* Economically, Helms-Burton legislation has deterred some potential investment and caused the withdrawal of limited amounts of ongoing investment. More significant to Cuba's immediate economic needs, the legislation delayed financing for inputs to the crucial Cuban sugar sector, and raised already high lending rates to around 20%.

While Europe has refocused its attention on the human rights situation in Cuba, the European Union and Canada have voiced their strong opposition to the extra-territorial nature of Helms-Burton. The European Union has begun the process of challenging the legislation at the WTO; Canada has also expressed its intention to seek redress under the dispute resolution mechanism of the NAFTA treaty. The high profile of the dispute domestically in Europe and the charged political atmosphere surrounding this dispute may lead the EU to be more obstructionist in other areas of political and economic cooperation.

#### PEACE IN GUATEMALA

*Question 38.* The government of Guatemala recently signed a series of peace accords with the guerrilla groups that had waged war against it for a generation. What are the obstacles to successful implementation of that peace agreement, and what are the odds that Guatemala will stay peaceful?

*Answer.* The peace process involves phased-in disarmament and demobilization of armed combatants, followed by a longer process to reintegrate the former combatants into civilian society. The U.N. peacekeeping mission is to prevent friction between the groups that could lead to renewed conflict. Training and education programs to reintegrate former insurgents into civilian society should be adequate—and adequately funded—to do the job. In addition, there are many expatriated and internally displaced Guatemalans who need assistance from the government of Guatemala and international donors.

The government must communicate its program to all sectors of society. Otherwise there is a risk that some sectors of society may believe other groups are benefiting disproportionately.

During the period when the military downsizes and turns over responsibility for internal order to the police, there is a danger of an increase in crime and disorder.

Finally, there is a risk that the law of national reconciliation, which provides for exemptions from prosecution for certain acts committed in the conduct in the war, could be used or seen to be used inappropriately. This could reduce the confidence of the Guatemalan people in the integrity of the whole peace process.

That said, prospects that Guatemala will stay peaceful are good. The U.N. operation was up and running in March 1997, and the various commissions mandated by the peace accords are set up. Most of all, the Guatemalan government and people have shown that they realize now is the time to make peace work.

#### HAITI AND THE PREVAL GOVERNMENT

*Question 39.* The Preval government has come under increasing criticism from domestic critics. What are the chances that this drumbeat of criticism will lead to a political crisis and a change in government? Please assess the security situation in the country.

*Answer.* Many Haitians are impatient with the pace of economic improvement and disturbed at a recent upsurge in crime, but we do not see that discontent is approaching regime-threatening levels; most anti-government demonstrations have involved only a few hundred protestors. It is possible, however, that the legislature will pass a no-confidence motion, which would oblige the president to appoint and seek parliamentary confirmation for a new prime minister.

Overall, the security situation is fairly calm, in that we have seen no indications of coup plotting or efforts to sabotage the upcoming elections. While there is no such



thing as foolproof protection, we believe that under current conditions, including support from Unsmih and the presidential security assistance unit, Haitian contingents are providing adequate security for President Preval and his ministers. The restructured presidential security unit (PSU) is discharging its responsibilities in a professional manner. The overall security situation has deteriorated somewhat in recent weeks, though, due to an outbreak of turf wars between criminal gangs in the capital slums and an upsurge in violent crimes against residents of more affluent neighborhoods.

#### FORMER PRESIDENT'S ARISTIDE'S ROLE IN HAITI

*Question 40.* What political role is former President Aristide playing now that he is out of office? Does he support President Preval's policies? Please gauge his popular support.

Answer. Former President Aristide has publicly criticized the economic policies of the government of Prime Minister Smarth, particularly privatization, on grounds that implementation of these reforms would hurt the poor. In recent months he has devoted most of his energies to creation of a new political party, Lavalas family (FL), which is fielding its own candidates in the Senate and local elections scheduled for April 6. Aristide remains a popular and influential figure on the Haitian political scene, though we believe his popularity has declined somewhat since leaving office.

#### THE HNP'S SPECIAL INVESTIGATIVE UNIT

*Question 41.* What is the current status of the Haitian national police's special investigative unit (SIU), and what resources are being made available to it? Has it made any progress on any of the outstanding political murder cases, including the Bertin case?

Answer. There are presently 26 HNP agents assigned to the special investigative unit. In addition, five Civepol are attached to the unit. Logistical support for the Siu has recently been reinforced with the provision of five vehicles and additional telephone lines. Investigation is proceeding slowly on several of the apparently political murder cases, including the Bertin case.

#### HAITIAN HUMAN RIGHTS ABUSES

*Question 42.* A recent human rights report documents an alarming number of human rights violations, including 15 summary executions, committed by the HNP since its deployment in July 1995. What actions have senior police or Haitian government officials taken in response to these violations?

Answer. The office of the HNP inspector general has been strengthened and has actively pursued investigations of reported abuses. To date, more than 100 HNP have been suspended or discharged for various infractions, including human rights abuses. The IG has recommended prosecution in 32 of these instances, though to date no criminal charges have been filed. High-level officials including director General Denize have made public statements emphasizing that disregard of proper procedures and use of excessive or unwarranted force by police officers will not be tolerated.

#### POLITICAL PROBLEMS IN COLOMBIA

*Question 43.* Has Colombia become, as some predicted, a "narcodemocracy"? How productive is the U.S.-Colombia counternarcotics effort?

Answer. Narco-corruption is extensive in many sectors of Colombian society and its political institutions. Although President Samper was acquitted by the Colombian congress last year following a flawed investigation, a number of other prominent politicians have been investigated for narco-corruption and some of them jailed, including a former defense minister and several Members of Congress. The independent prosecutor general's office (Fiscalia) continues to investigate cases of narco-corruption.

Colombia, which supplies 80% of the world's cocaine and a significant amount of the heroin entering the U.S., was decertified by the USG for insufficient counternarcotics cooperation on February 28, 1997 for the second consecutive year. Decertification was due mainly to persistent, high level governmental corruption and drug kingpins' continued trafficking from jail. Colombia protested that it had taken significant counternarcotics actions in 1996 and early 1997, including passage of laws on asset forfeiture and stiffening sentencing for drug traffickers and money laundering, stepped up coca and opium eradication efforts, signature of a bilateral counternarcotics maritime agreement, and the arrests of several important drug traffickers. The Samper administration publicly pledged to introduce a bill during

the March–June congressional session to amend the constitution to reinstate the extradition of Colombian citizens, though early signs suggest decertification may impede progress on that front.

#### TERRORIST THREAT IN PERU

*Question 44.* Does the hostage taking incident in Lima, Peru represent a resurgence of what had been viewed as a declining terrorism threat? This attack was directed against a Japanese diplomatic facility, but Americans are usually a more inviting target. Have we taken steps to assess whether U.S. facilities in Lima and elsewhere in Latin America need enhanced security? Can we achieve adequate security in urban environments?

*Answer.* The December 17, 1996, takeover of the Japanese ambassador's residence by members of the revolutionary movement Tupac Amaru (MRTA) was clearly a setback for President Fujimori's counterterrorism policy, but we do not believe the incident portends a resurgence of terrorism in Peru. Both MRTA and Peru's larger terrorist group, the shining path, are much weaker overall than they were several years ago. Yes, a review of security in our embassies in Latin America has taken place. Total security is impossible, but our new embassies in Lima and Bogota provide enhanced safeguards and are both on the outskirts of the capitals to provide better protection.

#### PRIVATIZING THE HAITIAN ECONOMY

*Question 45.* What is the status of the Preval government's efforts to privatize the Haitian economy? What is the likelihood of success? What impact will it have on unemployment?

*Answer.* After pushing through a privatization law last fall, Preval has made some progress in this difficult challenge. The government has named a privatization council, the Council for Modernization of State Enterprises (CMEP), to oversee the bidding process, which recently approved a privatization action plan. The government has also pursued an international tender for privatizing the port system and has sought to improve and expand the airport in preparation for privatization.

While we believe that the Preval government is likely to make further progress in late 1997, strong domestic opposition and a lack of Haitian institutional and technical expertise have been problems as of late. In addition, we are disappointed with recent delays in the privatization of the cement factory and sugar refinery. We believe that privatization is a critical component of the government's long-term strategy to boost foreign investment, increase the economic efficiency of the country's infrastructure, and tackle the country's 70% unemployment/underemployment rate.

#### PERU AND ECUADOR

*Question 46.* What is the status of Peru-Ecuador negotiations to end the border dispute between these two countries and the prospects for settlement? What is the status of Peru's purchases of arms from outside the hemisphere? What is the status of Ecuadorian arms purchases?

*Answer.* Ecuador and Peru will begin formal negotiations in Brasilia on April 15. Unforeseen circumstances—the terrorist takeover of the Japanese ambassador's residence in Peru and the fall of President Bucaram in Ecuador—caused the postponement of earlier start-up dates in December and February. The U.S., along with the other guarantors (Argentina, Brazil, Chile) of the 1942 Rio protocol that established the current, incompletely demarcated border, has worked to create an atmosphere of mutual trust that will facilitate negotiations. Both countries say they want to resolve the dispute definitively. New Ecuadorian President Alarcon, terming the negotiations a policy of state rather than of government, nominated a well-respected professional diplomat with extensive experience in Peru as foreign minister and kept the negotiating team named by Bucaram. Overcoming mutual misunderstanding and mistrust dating to the colonial era will require continuous engagement and encouragement by the U.S. and other guarantors.

Peru purchased over a dozen advanced MIG-29 fighters, which started arriving last November, and other air force equipment from Belarus, with a price tag of up to one billion dollars. Ecuador, whose air force is outmatched by the new Peruvian planes, announced it will buy defensive weaponry. (See classified annex.)

#### CHILE: AIMING FOR NAFTA MEMBERSHIP

*Question 47.* How has Chile reacted to the lack of progress on gaining accession to NAFTA?

Answer. Chilean President Eduardo Frei restated Chile's desire for NAFTA membership during his recent state visit to Washington. In the absence of progress on this issue, Chile has begun to emphasize growing trade and investment links to the European Union, Latin America, east Asia, and Canada. In the past year, Chile has negotiated trade agreements with the EU and Canada and become an associate member of the Mercosur bloc. While NAFTA membership remains a foreign policy goal, it is not a make-or-break issue for Chile, which exports more than twice as much merchandise to east Asia than it does to the U.S.

#### TRADE OPPORTUNITIES IN LATIN AMERICA

*Question 48.* What inroads, if any, are the European community and Japan making in trade in Latin America? Is there a growing sense among Latins that free trade with the United States is becoming less likely? Are they looking elsewhere and are we running the risk of losing trade opportunities with our neighbors?

Answer. During 1990–1995, a period of active U.S. leadership in hemispheric trade issues, the U.S. increased its share of the Latin American import market. In 1990, the U.S. was the source of 38.8% of Latin American imports, while the EU and Japan accounted for 22.5% and 5.9% of Latin American imports, respectively. In 1995, the U.S. was the source of 41.4% of Latin American imports, while the EU and Japan accounted for 19.0% and 6.6% of Latin American imports, respectively.

Though complete data for Latin America are not yet available for 1996, there is a good chance that the U.S. position has not improved; U.S. exports to Latin America, for example, increased 14.1% in 1996, while U.S. imports from the region rose 17.9%, according to preliminary data. Sensing a strong ambivalence in the U.S. to free trade, our Latin American neighbors are moving to expand trade ties with the EU, Canada, Japan/Asia, and among themselves.

In particular, the Mercosur trading bloc has moved to increase trade ties with the EU, Canada, Asia, Mexico, and South American countries, particularly Chile and Bolivia. In addition, Chile has concluded a free trade agreement with Canada that will allow Canadian firms a 10% advantage over U.S. firms in the \$15.3 billion Chilean import market. The continued Latin perception of U.S. ambivalence on free trade would further increase leverage on trade issues by the more cautious liberalizers, especially Brazil.

#### GENERAL TRENDS IN LATIN AMERICA

*Question 49a.* Looking ahead, what are the two or three largest problems we may confront in Latin America in the years ahead? What are the principle threats to Latin democracies?

Answer. Because U.S. policy equities in Latin America are closely linked to the continued spread and consolidation of democracy, the responses to the two segments of this question are similar. The largest problems the U.S. will confront include first poverty, not only because it can prompt illegal migration to the us, but also because it frustrates popular expectations and undermines popular faith in free markets and democracy. Other problems include drug trafficking—both as a threat to U.S. citizens at home and to democracy in places like Colombia—and run-of-the-mill corruption that tilts the playing field against U.S. business interests. Less immediate, but no less threatening, are environmental problems that fight for attention from leaders handicapped by resource constraints and the competing demands for rapid development.

The principal threat to Latin democracies is poverty, i.e., the general failure of governments to fulfill popular economic and social expectations aroused by the return of democratic governments. Frustrated majorities will tire of throwing out “rascals” and eventually be seduced by the promises of populist, authoritarian alternatives. Other threats include corruption, especially in its most nefarious guise—drug money—and the failure to develop critical institutional infrastructure such as independent judicial systems and effective elementary education.

*Question 49b.* How successfully have Latin countries consolidated democracy? Do you believe that the most recent wave of democratization is more stable than have been the cyclical waves that we have seen sweep the region historically?

Answer. Democratic consolidation is a dynamic process, evolving according to the distinctive historical experiences and current circumstances of each country. The overall trend is positive, an assessment confirmed by the defeat last April of a coup attempt in Paraguay, long ranked among the least democratic political cultures in the region. The immediate challenge for Latin democrats is to counter the impression that for the great majority of Latin Americans, the combination of democracy and free markets means greater economic uncertainty, higher unemployment, and a more regressive distribution of income. Consolidation also requires institution

building to secure political and legal rights and deliver on promises of social and economic opportunity. The recent wave of democratization is more stable than its predecessors, if only because it is reinforced by patterns of regional integration and economic globalization that effect the entire hemisphere. There is nothing innate about democracy in the region, nothing irreversible about the progress that has been made, especially if the region is hit by a severe international economic shock. Still, the recent record on consolidation is highly positive, and the prognosis encouraging.

#### INTELLIGENCE COMMUNITY ROLE IN COUNTERNARCOTICS

*Question 50.* The Intelligence Community's role in the battle against drugs has increased steadily in recent years and has become critical to interdiction and disruption efforts. At times, the Intelligence Community has faced problems in integrating its operations into law enforcement efforts.

*Question 50a.* How would you describe the current relationship between the CIA and DEA?

*Answer.* The current relationship between the CIA and DEA is extremely positive. There is a regular exchange of information between the two agencies. Several regular working groups have been established which bring together members of the law enforcement and intelligence communities to discuss issues related to enforcement and intelligence sharing. Two committees which focus on cocaine and heroin separately bring together experts on a bi-monthly basis. Numerous ad-hoc working groups are formed to work on special issues.

*Question 50b.* What is the State Department's perception of the contribution made by the Intelligence Community and the integration of the Intelligence Community and law enforcement? How do you measure the impact of intelligence and related efforts?

*Answer.* The contribution made by the Intelligence Community to antidrug efforts has been quite significant. The community has stepped up its collection and analytical efforts in support of law enforcement operations. Intelligence and law enforcement programs are integrated at the field and headquarters level. Intelligence has contributed to the disruption of the cocaine trade, such as the arrest of various leaders of the Colombian Cali mafia. Arrests of key drug figures, drug seizures, raids on drug labs and other antidrug measures are often accomplished with the assistance of Intelligence Community support.

#### LATIN AMERICAN MILITARY ROLE IN COUNTERNARCOTICS

*Question 51.* Increasingly, Latin American militaries are taking a more active role in fighting the drug trade. In some countries this has occurred with U.S. encouragement. Are you at all concerned that this trend will undermine U.S. efforts to ease Latin American militaries out of civilian life? How do you balance the need for an effective counternarcotics effort against the potential for the corruption of the military by drug money and the resurgence of human rights abuses?

*Answer.* There is no evidence that the growing counternarcotics role of many Latin American militaries is threatening the democratic governments in the region. Although many military leaders have been reluctant to assume a role of support in the antidrug struggle, they have taken on more counternarcotics responsibilities, in part, due to a growing realization that the drug trade represents a threat to democratic institutions. Expanded participation in counterdrug operations has led to growing drug corruption among the ranks and officer corps. At the same time, however, Latin American militaries have been alert to this threat and have stepped up efforts to root out corruption. The recent arrest of drug chief General Jesus Guitierrez in Mexico showed that the Mexican military is willing to root out corruption at the highest levels. Human rights abuses in the military effort against narcotics is also of concern, but we are not aware of any resurgence of human rights abuses directly related to the expanded military antidrug role.

#### MONITORING COMPLIANCE WITH THE COMPREHENSIVE TEST BAN TREATY

*Question 52a.* Does the Intelligence Community believe that it is possible to craft a comprehensive test ban treaty (CTBT) that is effectively verifiable? Why or why not?

*Answer.* The signed treaty provides for the use of national technical means (NTM), an international system of technical sensors, an on-site inspection regime and voluntary confidence-building measures, all of which will figure in monitoring a CTBT.

The Intelligence Community is currently drafting a national intelligence monitoring estimate on the CTBT, where the community monitoring conclusions will be presented in terms of confidence levels.

*Question 52b.* What are U.S. monitoring capabilities in this area? Are they adequate?

Answer. The president identified a set of desired capabilities to monitor nuclear tests underground, underwater, in the atmosphere, and in space, roughly equal to a few kilotons of TNT-equivalent evasively tested. The U.S. is currently implementing a national technical means (NTM) enhancement program that aimed at allowing us to meet the monitoring requirements for clandestine explosions underground, underwater, or in the atmosphere. However, these enhancements plus the resources necessary for sustaining our monitoring base do not come cheaply. As the CTBT ratification debate approaches, we expect to be consulting closely on capabilities, cost, and tradeoffs involved.

Our confidence in monitoring the CTBT will also depend on the technique specifications and operating procedures, to be established during the CTBT preparatory commission, for the sensors belonging to the international monitoring system (IMS). Our negotiators in Geneva have planned for an IMS that will have a capability to detect and identify non-evasively conducted nuclear tests down to a level of about one kiloton. The on-site inspection (OSI) provisions and voluntary confidence-building measures (CBMS) are not as comprehensive as those which the U.S. had originally sought. In the absence of more robust OSI and CBM regimes, the technical monitoring capabilities of our NTM and the IMS take on greater importance.

*Question 52c.* Please describe cheating scenarios under which signatories to the CTBT could evade detection?

Answer. The Intelligence Community is currently at work on this subject—a project in which we are participating—so it would be best to defer discussion until the product of this effort is finished.

*Question 52d.* How important is underground testing to achieving a nuclear capability? What lessons are relevant from the North Korean and Iraqi programs?

Answer. In general, we do not regard underground nuclear testing as a prerequisite for nuclear proliferation, for example, in the same manner as we regard the availability of nuclear material as one. Both Iraq and North Korea had programs that caused us concern precisely because of the attention they gave to the nuclear material question. The Intelligence Community has examined this subject in detail and is currently at work on how such cases might relate to a test ban treaty.

#### VERIFYING THE CHEMICAL WEAPONS CONVENTION

*Question 53.* The Senate is again being asked to advise and consent to ratification of the Chemical Weapons Convention (CWC). Is that treaty verifiable? If not, why is the CWC still being submitted to the Senate? Is it likely to lead to the exposure of some violators, even if not all of them? Will it help U.S. intelligence? Is U.S. ratification of the CWC likely to lead to the curtailment of production, stockpiling, or use of chemical weapons by rogue states that refuse to sign or ratify the convention?

Answer. Overall, the IC has stated that the treaty will help the U.S. Intelligence Community learn about the CW threat and track and fight CW proliferation. The treaty contains the most comprehensive arms control verification mechanisms ever agreed to. The declaration and inspection process, including provisions for challenge inspections, will provide important information about countries that we suspect have CW programs, and it will provide—for the first time—a legal basis to compel countries to halt and dismantle their CW programs.

The IC has stated that it has low confidence in its ability to monitor a country determined to preserve a small clandestine CW program, with or without the CWC.

These judgements were based on the inherent difficulty of monitoring small-scale chemical processing operations. Theoretically, a country could design and develop a small CW program that would be hard to detect. On the other hand, most CW programs traditionally have been large, industrial operations. Further, it is difficult for a country to conceal the kind of large-scale and systematic effort necessary to train and equip military divisions to use CW successfully on the battlefield.

#### ECONOMIC INTELLIGENCE

*Question 54.* What types of economic intelligence are most useful to policymakers? To what extent do policymakers rely on short-term "tactical" economic intelligence? To what extent do policymakers rely on long-term "strategic" economic intelligence? In your estimation, how useful has U.S. economic intelligence been during the last year?

Answer. "Economic intelligence" is collected by a variety of means, overt and covert. As vast new databases and sources of information have become available on many areas of the world previously closed to us, economic intelligence is increas-

ingly derived from open, unclassified sources and reporting from foreign service officers. Policymakers rely on economic intelligence for many purposes, including trade negotiations. Strategic economic intelligence also is useful but sometimes hard to fit into the busy schedules of policymakers.

Economic intelligence has provided unique insights in a number of areas, including the North Korean economic situation, the progress of reform in the former Soviet Union, and illicit activities—sanctions-busting, money-laundering, corporate bribery in major contracts. In addition, analysis based on a wide variety of sources has added to the department's understanding of the economic underpinnings of the middle east peace process, Japan's corporate structure, the progress toward European monetary union, and Latin American and East Asian financial vulnerabilities, among others.

#### THREAT TO SCIENCE AND TECHNOLOGY DATA

*Question 55.* How significant is the threat to U.S. corporate science and technology data from foreign governments and foreign corporations? How effectively do U.S. corporations guard against this threat? What other types of threats do you see emerging against U.S. economic competitiveness?

*Answer.* Any estimate of significance should distinguish between the prevalence of domestic industrial theft, losses from which are estimated in the billions of dollars, and the relatively rare but growing number of documented occurrences of theft by foreign entities, including espionage directed by certain governments and government-related entities. That being said, industrial espionage by foreign entities poses a significant threat to U.S. corporations and is one to which we must be alert. Its deleterious impact on their profits has not been, and cannot be, measured accurately, but is sufficient to warrant continued vigilance by corporations with large R&D budgets. It is of concern to the U.S. Government as any theft of property would be a concern, but also because it unfairly enhances the competitiveness of foreign companies.

We are satisfied that U.S. corporations are generally aware of this threat. Many are taking appropriate steps to safeguard their interests, not only to prevent loss of information but also to protect themselves from loss of assets due to inadvertent violations of the law by their own employees. The federal bureau of investigation could evaluate in greater detail the effectiveness of U.S. corporate protection against intrusive foreign activities.

As I commented in my testimony, all forms of unfair foreign competition pose a continuing threat to our interests overseas. INR works with the rest of the department to circulate intelligence information on cases in which a foreign government is apparently supporting a domestic firm with nontransparent political linkages or permitting bribery and corruption.

#### ECONOMIC ESPIONAGE AGAINST THE U.S.

*Question 56.* How do you distinguish between economic espionage and aggressive but legitimate information gathering by a foreign government or foreign corporation? Please describe the type of economic espionage you see as the greatest threat to U.S. economic competitiveness. To what extent is economic espionage against the U.S. supported and coordinated by foreign governments?

*Answer.* Last year's economic espionage act focuses on government control of the person trying to acquire proprietary formation and the dollar value of that information as criteria for espionage. Any person who requests published information, accesses a company web site, searches out company information from, say, a stock rating service, does research on patent records, or pursues any number of ways to obtain open-source information is not considered a threat under the act. Any person who, for example, attempts to bribe a company employee to pass sensitive information, or attempts to hack into a company's computer system is a threat. If that person is associated with a foreign government, then it is considered espionage.

The vast area between an open attempt to acquire information and bribery to obtain it covers considerable ambiguity. Businesses have long sought information on manufacturing processes, for example, by buying into other companies. If the aggressive company is foreign owned, perhaps by a foreign government, it could be considered espionage (defining just what is a foreign-owned company in this age of commercial globalization is a difficult question, especially as it relates to this issue). It will take a long time pursuing precedent-setting test cases through the courts before a true definition of espionage emerges. So too, the term "economic competitiveness" is a difficult one to define on a national level.

Countries do not compete in the same way corporations do. The theft of an individual trade secret, even if crucial for an individual company, is of less importance

in a \$6.5 trillion economy. Economic espionage targeted against industries with high ratios of R&D to sales would have the most impact on corporate wealth and hence on the nation's standard of living. In some areas, such as the pharmaceutical industry or aircraft industry, R&D costs are enormous.

The U.S. is the prime target for economic and industrial espionage because of the capabilities of our business and industry. Foreign governments, sometimes acting through business surrogates, do target U.S. technology and economic information. Claude Silberzahn, head of France's external security service from 1989 to 1993, said in an April, 1996 interview for German television that in France, "the state is not just responsible for law-making, it business as well. \* \* \* it is true that for decades, the French state \* \* \* used the secret services to procure information for its own firms."

We believe that this practice continues today in many countries. Alexander Lebed, Russia's former national security chief, recently commented that the intelligence services should search for new designs in commercial technology and for critical information on plans and activities of leading financial institutions around the world. It is important to remember, however, that despite the undeniable threat from certain countries, the theft of technology does not mean that it is usable to alter competitive conditions. And surveys show that most losses of U.S. intellectual property are due to "insider" activity—and that relatively few instances were attributable to foreign intelligence personnel.

#### USAMA BIN LADIN

*Question 58.* What does the Intelligence Community know about Usama Bin Ladin? What is his relation to state sponsors of terrorism? What is his relation to other terrorist groups? What, if any, influence or contacts does he have in the United States?

*Answer.* Usama Bin Ladin is a denaturalized Saudi who has long been involved in providing financial assistance to many Islamic radicals. His patronage to Islamic militants began during the Afghan Mujahidin's war with the former Soviet Union. He continued his support to extremists while in Sudan from 1992 until the summer of 1996. He has been suspected of supporting groups and individuals involved in numerous incidents of terrorism, including the 1992 bombings of two hotels in Aden, Yemen, where U.S. soldiers were billeted and the 1995 Egyptian Al-Gama'at Al-Islamiyya assassination attempt against President Mubarak. His followers may have been involved in at least one of the attacks in Saudi Arabia, though the information available also points in other directions. He continues to promote terrorism against U.S. interests by publicly praising attacks against the U.S. military presence in Saudi Arabia and by continuing to provide financial, and probably logistical, aid to Islamic extremists. We are unaware of his having any influence or business contacts in the United States.

#### ECONOMIC TERRORISM

*Question 59.* Do you have any evidence that foreign governments, corporations, or individuals are targeting U.S. economic interests using technology (such as a virus, computer hacking, etc.)? Do you see this as a near-term threat, or more long-term?

*Answer.* We have no evidence of such targeting at this time. Even so, given the technology widely available today, it is prudent to assume that U.S. economic interests are at risk and to take seriously the near-term and long-term potential for serious harm that information warfare techniques employed by putative adversaries pose to us. There are government-wide efforts underway to identify threats and to take the steps necessary to counter them, including the administration's broad encryption policy initiative which is based on key recovery and which promotes electronic information security.

#### THE TERRORIST THREAT

*Question 60a.* Are we getting any better at estimating the terrorist threat? Which terrorist groups pose the greatest threat to U.S. interests and why? To what degree do these groups rely on state sponsorship for weapons, training, intelligence or other forms of support?

*Answer.* At the present time, Hizballah and the so-called "ad hoc" groups pose the greatest threat to U.S. interests. Hizballah is supported by Iran—it receives financing, weapons and training from Tehran. The ad hoc groups—exemplified by Ramzi Youssef—are the most difficult to evaluate due to their nature. It is still unclear how such "groups" are supported.

*Question 60b.* Should the Khobar Towers attack in Dhahran be viewed as an intelligence failure? Why or why not?

**Answer.** The Downing Commission was satisfied that the bombing of Khobar Towers was not the result of an intelligence failure. Some intelligence was available to indicate that Khobar Towers was a potential target and that the threat was for the near term. However, it is nearly impossible in most cases to judge the exact timing and nature of a threat. At best, intelligence provides warning of potential targets during a particular time frame. It does not provide the exact time, nature, target, and perpetrator. Although from time to time we are able to prevent a specific attack because we know what, where, when, whom, how and why, this is very much the exception to the rule.

**Question 60c.** Are U.S. terrorist threat assessments sophisticated enough that we can identify vulnerability within terrorist organizations that we can exploit?

**Answer.** The Intelligence Community works very hard to identify chinks in the terrorists' armor. The community then coordinates with law enforcement authorities to take advantage of such opportunities.

**Question 60d.** Is our understanding of the political support for Islamic terrorist organizations sophisticated enough to allow us to identify openings in Islamic politics that we can successfully exploit through diplomacy?

**Answer.** The Intelligence Community is working hard to build its understanding of the political and financial support offered to Islamist terrorist organizations. IC-gathered information on this matter has enhanced our diplomatic and law enforcement efforts against these groups.

#### DEVELOPMENTS IN INTERNATIONAL TERRORISM

**Question 61.** In addition to state supported terrorism, we have encountered individuals or loosely organized groups, such as Ramzi Yousef and his accomplices, acting without significant infrastructure support and with their own, sometimes murky agendas. Do these terrorists constitute a greater threat than established groups and state sponsored terrorists? What are the special challenges for the U.S. and other nations in dealing with this amorphous threat?

**Answer.** This more amorphous type of terrorism does not necessarily pose a greater threat to U.S. interests. Loosely organized groups may have greater flexibility in their operations, but they are often less capable than traditional state-sponsored groups. For us and other counterterrorism authorities they pose several challenges: their loose structures are harder to identify and penetrate; their agendas and operations are more difficult to predict largely because of their typically multinational composition; and their diversified resources of support are harder to pinpoint and disrupt.

#### THREAT OF TERRORIST USE OF WMD

**Question 62.** The Aum Shinrikyo gas attack in a Tokyo subway vividly demonstrated the potential devastation terrorists could cause with a weapon of mass destruction. In this case it was a chemical weapon, but the next time it could be a biological agent, radiological material or a nuclear device.

**Question 62a.** If a group decided to launch an attack with a weapon of mass destruction, what would likely be their weapon of choice?

**Answer.** A chemical agent such as Sarin used in Tokyo or a biological toxin like Ricin would be the likely weapon of choice.

**Question 62b.** The Aum Shinrikyo attack proved that deadly chemical weapons can be manufactured easily in small laboratories. How difficult is it for a group to construct and deliver an effective chemical weapon? A biological or radiological weapon? A nuclear device? What existing groups now have such a capability?

**Answer.** A chemical weapon—as demonstrated by Aum Shinrikyo—is feasible if funding is available. Substantial quantities of the raw materials can be acquired legally on the open market or illegally through fraud or theft. For production of many biological agents such as Antrax bacteria, terrorists would need little outside assistance. Construction and delivery of a radiological device, while conceivable, would be more difficult. I would defer the question of our knowledge of specific groups in this context to Mr. Tenet in a classified arena.

**Question 62c.** What is the likelihood that the U.S. IC could detect such an effort by a terrorist organization either in the U.S. or abroad? Is there any indication that Iran, Libya or other countries are contemplating the provision of BW or CW to terrorists?

**Answer.** The involvement of terrorist groups in WMD would be difficult to detect. This is particularly true with regard to chemical and biological materials since the agents can be obtained fairly easily and production can be hidden. Again, on the question of specific states and WMD I defer to Mr. Tenet in a classified session.



## SUDAN: REGIONAL IMPACT OF RADICAL ISLAMIST AGENDA

*Question 63.* What is the threat posed to the U.S. or regional governments by Sudanese-backed terrorists? What effect will commercial projects, such as the oil deal with occidental petroleum, have on Sudan's ability to continue support for terrorists? Was the Intelligence Community consulted before occidental was given the go-ahead on this project?

*Answer.* Sudan continues to provide haven to terrorist groups which pose a threat to U.S. interests and to Sudan's neighbors. These groups include the Abu Nidal organization, the Lebanese Hizballah, the Palestine Islamic Jihad, the Palestinian Islamic Resistance Movement (Hamas), and opposition and insurgent groups from Uganda, Tunisia, Kenya, Ethiopia, and Eritrea.

Occidental petroleum has no commercial or exploratory operations in Sudan, although until recently occidental was pursuing such deals. No license or "go-ahead" was ever required or requested. USG officials did, however, warn occidental in explicit terms of the security and policy risks associated with exploration of oil reserves in southern and central Sudan. The decision to pursue business in Sudan was left to occidental.

## THREAT OF INFORMATION WARFARE BY TERRORISTS

*Question 64.* Our traditional definition of terrorism does not include such things as computer attack intended to damage our telecommunications or transportation infrastructure. Are we prepared to deal with "virtual terrorism?" To what extent have Intelligence Community counterterrorism efforts focused on this new threat?

*Answer.* "Virtual terrorism" is one of many potential information warfare (IW) threats against the U.S. which are being addressed by various elements within the executive branch, including the Intelligence Community. INR and other elements of the department are cooperating in on-going, government-wide efforts to identify threats (for instance to our own communications systems) and to take the steps necessary to counter them. Cooperation with the private sector and state and local authorities, as well as improvements in software and equipment, will also be necessary for effective countermeasures. The department will shortly open dialogue with the private sector through the overseas security advisory council on this issue.

While the Intelligence Community is devoting more attention and resources to IW, including "virtual terrorism," we do not believe that we have come far enough to describe ourselves as "well prepared." Much more remains to be done. One step which would help focus counterterrorism efforts would be definitive resolution of the roles and functions of the numerous elements of the Intelligence Community involved in the rapidly emerging IW arena.

## EXECUTIVE BRANCH ORGANIZATION FOR COUNTERTERRORISM ISSUES

*Question 65.* The State Department has the lead for counterterrorism overseas; the FBI is the lead agency for domestic terrorism; the FAA has primary responsibility for hijacking; and numerous other agencies are involved in aspects of counterterrorism policy and prevention. Counterterrorism intelligence gathering is coordinated by a committee chaired by CIA and a special situation group, headed by the vice president, handles crisis management. Is the fractured responsibility hurting our ability to deal with the terrorism threat? Is there a need to designate a single agency or person to coordinate all CT activity? How well do the CIA and the FBI cooperate on CT efforts? Should the FBI be given primacy over both domestic and foreign counterterrorism intelligence gathering?

*Answer.* I believe the current division of responsibility works well. I would, however, like to see an increased effort by the FBI to share information gathered in its investigations of anti-U.S. attacks overseas so that INR, CIA and other foreign intelligence elements can better predict future trends and provide better warning of future attacks.

## INTERNATIONAL ORGANIZED CRIME

*Question 66a.* How many and which nations in particular do we now identify as being threatened or undermined by criminal activity?

*Answer.* Criminal activity undermines any nation in which it operates. However, organized criminal activity in Russia, the newly independent states, and central Europe is of particular concern given the profound political, social, and economic changes occurring in those countries, and the ability of organized crime groups to exploit the weaknesses of their judicial and law enforcement institutions. There is also concern that crime groups are undermining political and economic institutions in other regions, such as Latin America and Italy.

**Question 66b.** Do we have sufficient understanding of the threat the advent of criminal societies and "gangster" states pose to this country?

**Answer.** The FBI and other U.S. law enforcement agencies are tracking the numerous international organized crime groups operating in the United States, including Italian, Asian, Latin American, Russian, and Eurasian criminal enterprises. Through information-sharing among law enforcement and intelligence liaison services and among the members of the p8 senior experts working group on transnational organized crime, the law enforcement and intelligence communities are gaining greater insight into the threats that criminal societies pose to this country. At the same time, more information is needed given that most organized criminals are well financed, sophisticated and flexible in their operations. They use modern technology, including state-of-the-art communications, employ specialists, work with other foreign criminal groups, and frequently change tactics to evade law enforcement.

**Question 66c.** Do we have a sufficient level of analysis of the social and political factors at play in these nations under the threat of criminalization?

**Answer.** Over the last two years, the law enforcement and Intelligence Communities have increased the number of analysts devoted to following organized crime. However, more analysis is still needed to better understand the often blurred lines among organized criminals, corrupt bureaucrats, intelligence services, and businessmen in Russia and the new independent states. There are still many unanswered questions regarding the degree and nature of illicit economic activity in this region.

**Question 66d.** Of the nations under threat from criminal organizations, have any reversed the downward trend in the last 12 months?

**Answer.** Though many nations have bolstered their fight against crime and corruption and enhanced coordination with other countries, progress has been mixed. There has been some successes in tackling violent street crime, for example in Russia, but overall crime and corruption remains a significant problem in Russia, the new independent states, and central Europe.

**Question 66e.** Of the nations under threat from criminal organizations, which ones have governments that are at least partially co-opted by criminal elements?

**Answer.** In some form or another, all governments in the new independent states have been negatively impacted by criminal elements which seek to exploit weak legal frameworks and law enforcement agencies that are generally understaffed, underfunded, and plagued by corruption. Economic and political decisionmaking in these countries is often heavily influenced by an elite composed of senior government officials and business leaders, many of whom are involved in questionable or illegal activities and/or who have connections with the criminal world.

**Question 66f.** In that list of nations under threat, have we prioritized them to identify where the U.S. will engage in combatting the spread of international organized crime?

**Answer.** U.S. national security and law enforcement interests determine the priority given to country programs. The U.S.' initial focus was to assist Russia, the new independent states (NIS), and Central Europe make the transition from communism to democracy, develop a system based on market principles and the rule of law, and combat the rise of organized crime. It continues to emphasize training in this region, although the U.S. has recently broadened its counter-crime programs globally. The U.S. has conducted numerous anti-crime training and technical assistance programs in Russia, the NIS, and central Europe, with a particular emphasis on Russia, Ukraine, Poland, Hungary, the southern tier countries, and the Baltics. Training has particularly focused on combatting international organized crime, financial crimes, and narcotics.

In 1995, the U.S., in partnership with Hungary, established the International Law Enforcement Academy (ILEA) in Budapest to train law enforcement officers from central Europe and the NIS. The U.S. will establish another law enforcement academy in south America, and is planning a third in Asia. To further combat the spread of international organized crime, the U.S. is expanding its counter-crime training initiatives in Latin America, the Caribbean, Asia, Africa, Europe and the Middle East.

**Question 67.** In order to prevent the outbreak of widespread fighting between the Bosnian factions, it is widely perceived as essential for the SFOR (stabilization force) to remain a credible military force. In your opinion, what is required to make the Bosnian stabilization force a credible military force?

**Answer.** SFOR is already a credible military force. It is respected and feared by all armed elements in Bosnia. IFOR and SFOR achieved their military objectives with dispatch and precision. There has been no serious military challenge to them.

## INTERNATIONAL CRIMINAL TRIBUNAL FOR THE FORMER YUGOSLAVIA (ICTY)

**Question 68.** The Intelligence Community has been sharing some information with the International Criminal Tribunal for the former Yugoslavia (ICTY). Journalists and non-governmental organizations have documented the whereabouts of 37 of the 67 Bosnian Serb and Bosnian Croats indicted by the ICTY who remain at large.

**Question 68a.** Is the Intelligence Community tracking the whereabouts of the indicted war criminals?

Answer. This question is addressed in the classified attachment.

**Question 68b.** Is the Intelligence Community aware of the whereabouts of all or most of the indicted war criminals?

Answer. This question is addressed in the classified attachment.

**Question 68c.** Is the Intelligence Community sharing this information with the parties to the Dayton agreement as a way of helping them live up to their commitment to cooperate in "the identification and location of person," "the arrest or detention of persons," and the "surrender of the transfer of the accused" to the tribunal? If not, why not?

Answer. This question is addressed in the classified attachment.

## TURKEY'S STABILITY

**Question 69a.** What is the likelihood the Turkish state will collapse within the next 5 years?

Answer. The "Refahiyol" government's term runs through December, 2000; Prime Minister Erbakan is publicly committed to handing over the prime ministership to Deputy Prime Minister Ciller in July, 1998. Speculation is widespread about the possibility of new elections and recently has centered on prospects for a falling out between Erbakan and Ciller over the secularism issue. But the Refahiyol government has proven more durable than was generally anticipated when it assumed office last July—and we are not predicting its imminent demise. Both Erbakan and Ciller have recently repeated their pledges to respect secularism and preserve their temporary political partnership.

As for the fate of the state: the current government came into office democratically, and it and its rivals are committed to sticking with the democratic process; none of the major political contenders seeks the collapse of the state. A protracted period of political instability is a possibility, but Turkey has a history of weathering such periods without the state's collapsing. The Kurdish rebellion in the southeast has focused on demands for autonomy and cultural rights, and the government appears to be working toward solutions to address this.

**Question 69b.** What has been the impact of this instability on Turkey's military? On Turkey's political institutions?

Answer. The PKK insurgency has been the military's main focus and *raison d'être* for the last decade or more; similarly, the political Islam issue appears to have had a unifying effect on the military. Turkey's political institutions remain largely unaffected by these forces, and continue functioning according to the constitution.

## ENVIRONMENTAL THREAT TO THE U.S.

**Question 70.** Are there regions of the world where you believe environmental events will have a significant effect on the geopolitical or humanitarian situation? Please explain. Are there any environmental events you foresee that could threaten U.S. citizens or our livelihood?

Answer. I cannot think of a region in which environmental events do not have a significant geopolitical or humanitarian impact. This does not mean that environmental factors can be separated neatly from other factors that influence international relations—they almost always work in conjunction with other social, economic, and political forces—usually to make difficult problems even worse.

It is hard to predict which environmental problem will directly threaten U.S. citizens since Americans reside throughout the world and thus share with locals the health risks of pollution and the dangers of a natural disaster. Long term global climate change and cyclical fluctuations, such as the El-Nino southern oscillation, can threaten livelihoods because of their effect on future food production at national, regional, and global levels; this has significant economic and humanitarian implications. Natural disasters in foreign countries can also directly and indirectly threaten livelihoods within the United States; for example, a major environmental crisis in Mexico, such as a drought would likely increase pressures on illegal migration into the USA.

## NEW U.S. EMBASSY BUILDING IN MOSCOW

*Question 71.* The United States is rebuilding its new Embassy building in Moscow.

*Question 71a.* How confident are you that the design and construction of the new building will preclude Russian penetration of it?

*Answer.* The design and construction of the new building are based upon plans and specifications developed jointly with the Intelligence Community incorporating state-of-the-art countermeasures against all known threats including the systems and techniques employed by the Soviets in construction of the building. The multi-tiered protections include transit, industrial, physical, construction, counter-intelligence and anti-terrorism security. This, together with utilizing American materials and top secret-cleared American workers constructing to a design having multi-tiered security systems and devices within the building based upon known threats, assures with reasonable confidence that the building will be secure.

*Question 71b.* Is the State Department doing all it can do to make sure that the new portion of the building will be secure?

*Answer.* Based on the known foreseeable threat, the State Department in conjunction with the Intelligence Community is doing all it can do to assure security of the new building.

## NICHOLSON CASE

*Question 72.* Much has been declared of the cooperation between the CIA and the FBI in the Nicholson case exposed last November. Yet, within weeks of this counter-intelligence success, the CIA and FBI failed to coordinate over the public episode of retired KGB Colonel Vladimir Galkin, who was arrested by the FBI in New York over the CIA's objections, and later released. What happened and what does this imply about cooperation between the FBI and the CIA?

*Answer.* Retired Colonel Vladimir Galkin was not arrested by the FBI over the objections of either the CIA or the Department of State. In the Department's view, his arrest was the result of misunderstandings over the intentions of the U.S. attorney. Coordination in this case should have been better and new mechanisms have been created to ensure future coordination.

The Department believes that it would not be appropriate to comment on the quality of the cooperation between the FBI and the CIA during their joint investigation of the Nicholson espionage case. The Department was not a party to that investigation and was not informed of their ongoing investigation until he was about to be arrested.