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WORLD WIDE THREAT ASSESSMENT

**Statement before the
Committee on Armed Services
United States Senate
10 March 2011**

**Ronald L. Burgess, Jr. Lieutenant General, U.S. Army
Director, Defense Intelligence Agency**

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Good morning, Chairman Levin, Ranking Member McCain, and members of the committee. Thank you for this opportunity to testify today and for your continued support to the dedicated men and women of the Defense Intelligence Agency (DIA), more than 700 of whom are forward-deployed directly supporting U.S. and allied military forces in Afghanistan and Iraq, and supporting missions in 130 other countries around the world.

The United States continues to face a complex security environment marked by a broad spectrum of dissimilar threats, some emerging from nation-states and others from highly adaptive transnational networks. This testimony reflects DIA's analysis, derived from the agency's worldwide human intelligence, technical intelligence, counterintelligence, and document and media exploitation capabilities, along with information and intelligence from our Intelligence Community partners, coalition partners, and open sources.

I will begin my testimony with the two regions where we are actively supporting the warfighter on the ground: the Afghanistan and Pakistan region and Iraq.

In **Afghanistan**, Kabul has made incremental progress in the areas of governance, development, and security in 2010, but the security situation remains fragile and heavily dependent on ISAF support. The Taliban-led insurgency remains capable of challenging U.S. and international goals despite suffering setbacks in 2010. Insurgents are attempting to counter the increase in the number of ISAF troops and undermine local and international confidence in the Afghan government by increasing attacks and influencing the Afghan population through intimidation and shadow governance efforts.

Afghanistan will experience record levels of violence through 2011, in part due to increased ISAF operations. Security is improving in major cities--to include Kandahar

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City--and the scope of insurgent influence has been constrained in some of the areas ISAF efforts are focused.

The Taliban does not require al-Qaida participation to sustain its insurgency in Afghanistan. By participating, al-Qaida is able to exploit Taliban successes for propaganda, legitimize its ideological message, and further its global objectives. This is also a vulnerability, since Taliban failures can also appear to be al-Qaida failures. Groups like Tehrik-e Taliban Pakistan (TTP) are receptive to this message and increasingly are adopting al-Qaida's anti-Western rhetoric and agenda. In fact, TTP was behind the May 2010 attempt to detonate a car bomb in Times Square, New York.

In the south, Taliban networks are under more pressure than ever before, but have shown resilience. Although they have taken tactical losses, they continue to maintain influence over much of the local population, particularly outside of urban areas. In the east, the Taliban and the Haqqani network have suffered numerous tactical losses, including the removal of several key leaders from the battlefield, but this does not appear to have affected their operational capacity, which included conducting several high-profile attacks against ISAF bases in 2010. The Taliban is attempting to increase its influence in the north and west through increased violence, including the assassination of the Kunduz provincial governor last October.

Although the Taliban have experienced some disruptions and encountered some financial constraints as a result of increased ISAF presence, they have remained able to sufficiently fund fighters through various funding streams. A poppy disease concentrated in southern Afghanistan led to a considerable decline in opium production in 2010; however, the United Nations Office on Drugs and Crime estimated a corresponding increase in the farmers' local price of opium, from \$64 per kilogram in 2009 to \$169 per kilogram in 2010, off-setting some insurgent losses from decreased opium yields.

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The Taliban have publicly stated they believe the ISAF presence in Afghanistan will begin to end in July of this year. The Taliban have also stated that they have no intention to negotiate with the Afghan government or ISAF, as they continue to believe in their inevitable victory. The Taliban are unlikely to compromise on core goals, such as the departure of foreign forces and Taliban control of the government, as long as they believe they are in a position of strength.

Afghanistan's army and police forces met growth targets ahead of schedule for 2010; yet achieving qualitative improvements remains a challenge. Addressing low Afghan National Army (ANA) retention rates will remain critical to the future sustainability of the force. The ANA has improved its ability to successfully plan and execute operations with ISAF support and now comprises a higher percentage of units involved in operations. ANA capability will rise modestly as additional ISAF units partner with ANA units. The ANA is generally regarded by the populace as a trusted and capable force.

The Afghan National Police (ANP) remains largely reliant on coalition oversight and support, and lags behind the ANA in planning and executing operations. The ANP faces the additional challenge of acting as a counter-insurgency element in addition to performing law enforcement duties, stretching its already thin capabilities. Afghan popular support for the ANP is increasing, but the police continue to be plagued by endemic corruption and limited capacity of some forces. The Afghan government has initiated programs such as the Afghan Local Police (ALP) to extend security to remote areas, although success will depend on the Interior Ministry's ability to provide adequate oversight.

We believe a concerted effort to strengthen the Afghan Border Police (ABP) has led to an increase in the effectiveness of the force. Documented travel through the Afghanistan/Pakistan border has improved. The security situation at main transit points is

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stable, and customs revenues have increased in certain regions. However, to build on these successes border checkpoints, customs processing and revenue collection systems need further improvement, while border forces require expansion in terms of both manpower and training.

The Afghan government's planning and execution of the September 2010 parliamentary election improved over the 2009 presidential election, but was insufficient to deter pervasive fraud and increased violence. Post-election negotiations to select a new speaker reflected shifting ethnic balances in parliament and may portend increased ethnic political friction over the coming months.

Afghanistan continues to struggle with corruption - nearly half of Afghans have reported that corruption has increased over the last five years. Predatory corruption--including extortion, land seizures, illegal checkpoints, kidnapping and drug trafficking--undermines Afghan government legitimacy and effectiveness and fuels support for the insurgency.

The Afghan government took several actions to facilitate reintegration, but it is too early to assess whether these efforts will evolve into a sustained, tangible reintegration program. Reintegration efforts have not yet notably degraded insurgent capability, forced insurgents to alter their strategy or goals, or created widespread interest in negotiations. Prospects for reintegration depend upon Kabul's ability to overcome several significant challenges, including synchronizing the efforts of over twenty Afghan government entities, provincial reconstruction teams, non government organizations and other third-party organizations, and expanding human capital and bureaucratic infrastructure.

Iran continues its efforts to take full advantage of its influence along Afghanistan's western border and is using legitimate business and humanitarian efforts as cover for deliveries of weapons and logistic support to Afghan insurgents. Its covert shipments include explosively formed penetrators, rocket propelled grenades, light and medium

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machine guns, mortars, rockets, small arms ammunition, and explosives. Arms caches found in Afghanistan reveal substantial amounts of recently manufactured Iranian weapons. Tehran also wants to make the most of its influence with the Afghan government and acknowledges providing regular payments directly to President Karzai.

Before moving on from the discussion of Afghanistan, it is fitting that I discuss al-Qaida's senior leadership. On Afghanistan's border with Pakistan, the Federally Administered Tribal Area (FATA) safe havens continue to enable militant groups targeting Pakistan and Afghanistan, including the Taliban and al-Qaida. Sustained counterterrorism pressure since 2008 has resulted in the deaths of dozens of al-Qaida and other militant leaders although the networks continue to operate, exploiting unpopular actions by Islamabad through targeted propaganda.

Senior al-Qaida leaders in the FATA are struggling to recover from successful counterterrorism pressure that is thinning their ranks and restricting their movement. Remaining leaders are assuming greater responsibilities, and some less-experienced operatives are filling senior roles. North Waziristan is al-Qaida's primary FATA safehaven, and the group's strong relationship with the Haqqani Network, a major powerbroker in the area, gives it added protection.

Despite setbacks, al-Qaida persistently shows it can recruit, train, and deploy operatives and stay in contact with external networks. It exports its terrorist agenda, and plans, supports, and directs attacks against the United States and Europe, in addition to broader Western interests. In particular, it is recruiting and deploying Western operatives for attacks in Europe. Several terrorists arrested in 2010 for seeking to travel abroad to receive terrorist training or for planning attacks in the United States identified Department of Defense facilities and personnel as targets.

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Senior al-Qaida leaders are strengthening their connections to its regional affiliates. These affiliates plan and initiate transnational attacks from diverse locations, allowing al-Qaida to convey a perception of a unified, worldwide jihad and attempt to take pressure off its Pakistan-based leadership.

Meanwhile, **Pakistan** continues to struggle with a resilient militancy, a feeble economy, political in-fighting and tense civil-military relations, all of which were compounded by last summer's flooding – the worst in the country's 60 year history. Relations between the civilian and military leadership remain tenuous. Pressing issues – including economic reform, maintaining public support for counter-insurgency operations, and reconstruction of conflict-hit areas – have been and will likely continue to be a secondary priority for the government. The military will continue to maintain pressure on the civilian government to tamp down corruption and focus on service-delivery. The Army remains dominant in Pakistani national security decision-making.

Following the devastating floods in August of 2010, Pakistan's military led rescue operations, provided relief supplies and built temporary infrastructure for refugees. Relief operations eclipsed counter-insurgency operations due to the temporary diversion of the army's entire fleet of transport helicopters. As flood waters receded, the military has resumed low level clearing operations in the tribal areas.

Pakistan also continues to pursue conventional weapons to offset what it perceives as an eroding conventional military balance with its traditional foe, India. Pakistan's modernization pursuits include the JF-17 multi-role aircraft as well as increasing its inventory of F-22 Frigates and the al-Khalid Main Battle Tank – weapons systems which are better suited to conventional conflict with India than to counter militants in mountainous tribal areas.

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Relations between India and Pakistan remain strained despite several high level meetings in 2010. India wants future dialogue to move slowly and focus on relatively noncontroversial confidence building measures, while Islamabad wants discussions to center on Kashmir and move quickly. India continues to insist Pakistan takes meaningful steps against the perpetrators of the November 2008 terrorist attacks in Mumbai, but they have agreed to resume talks leading to a meeting between foreign ministers this year..

Kashmir remains the core dispute in the India-Pakistan relationship and political violence during the latter half of 2010 contributed to ongoing bilateral tension. New Delhi has promised a robust economic development package for the state and has offered talks with various political parties, but results have so far been modest.

The persistent India-Pakistan rivalry drives Islamabad to develop its nuclear infrastructure, expand nuclear weapon stockpiles which are based primarily on highly enriched uranium, and seek more advanced nuclear warheads and delivery systems, including cruise missiles. Once deployed, these new missile systems, along with its current ballistic missile system, will provide Islamabad the ability to strike a variety of targets at ranges of 200-2000 km with both conventional and nuclear payloads. Pakistan is able to safeguard its nuclear weapons, including protecting important segments of its nuclear program in underground facilities, although vulnerabilities still exist.

Iraq has remained on a generally secure path over the last year, and overall levels of violence remain at the lowest levels since 2003. Attack levels have periodically spiked, but terrorist and insurgent groups have not been able to sustain the level of attacks. Al-Qaida in Iraq (AQI) remains the most capable Sunni terrorist group in Iraq, however its success has been severely limited for three primary reasons:

- AQI no longer controls territory or has undisputed safe havens inside Iraq.
- Iraqi society has shown great resilience in the face of AQI attacks.

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- The Iraqi Security Forces (ISF) continue to improve their capabilities.

Successive joint U. S. Forces and Iraqi operations last March and April eliminated al-Qaida in Iraq's (AQI) top two leaders Abu Umar al-Baghdadi and Abu Ayyub al-Masri and many of their key northern Iraq-based advisors. These operations resulted in unprecedented losses to the group's leadership cadre in 2010. However, AQI has proven resilient in the wake of these losses and demonstrated the capability to conduct periodic, coordinated attacks across Iraq in support of its long-term strategy.

AQI remains focused on Baghdad, hoping to destabilize the Iraqi government during political negotiations and undermine Iraqi security efforts through targeted attacks. Indiscriminate attacks against Shia civilians continue as AQI intends to exploit sectarian tensions; however, the group is unlikely to reignite widespread sectarian violence. AQI could regain strength in a more permissive operating environment in 2011 barring maturation of the Iraqi Security Forces (ISF) and improvement of Iraq's legal system during the U.S. Forces drawdown.

Sunni Arab nationalist insurgents are transitioning from an anti-U.S. occupation posture toward increased opposition to the Iraqi government. The insurgents have lost traction in recent years because the Iraqi government has done a better job incorporating Sunni Arab elites into the political system and pushing resources to the provinces. Leading Sunni Arabs are represented in the current government, but greater accommodation leading toward national reconciliation has been blocked by a dispute over nominating the Defense Minister and other power-sharing issues.

Muqtada al-Sadr is setting the conditions to increase his influence within Iraq following U.S. Forces' withdrawal in 2011. The Sadr Trend is the only political party in the government still operating an illegal militia – the Promised Day Brigade -- despite at

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least two laws prohibiting organizations with militias from participating in the political process. Sadr continues to authorize the Promised Day Brigade to conduct extra-legal attacks on U.S. forces, although these attacks have declined.

Iraq formed a new government in December 2010, nine months after the elections. Parliamentary blocs reached a power sharing agreement designed to reduce the potential for a resurgence of violent opposition to the central government and constrain the power of the prime minister. We do not expect the new government's relationship with the U.S. to differ greatly from the previous government. However, we judge the newly elected parliament will face difficulty addressing critical issues, such as the provision of essential services, and the status of disputed territories.

Demand for services continues to outstrip supply, and the electricity shortage will worsen over the summer and almost certainly fuel rising domestic discontent with local governments and potentially, the national government. The Iraqi street, as well as Maliki's political rivals are watching public demonstrations occurring in the Middle East. Anti-regime forces, such as Iraq's Ba'th Party, as well as the legal political opposition are seizing on the government's shortcomings, hoping to rally public support and create a larger problem for Maliki's government. However, unlike Tunisia and Egypt, the Iraqi government is broadly representative and most of the protests are small and localized, focused on the shortcomings of the local government.

Following the 1 September U.S. change of mission, the ISF have taken the lead for security operations throughout Iraq. The ISF now conducts the majority of counterinsurgency operations independently, although the ISF still requires development of its capabilities in a number of areas: logistics, intelligence, surveillance and reconnaissance, and tactical communications.

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The ISF has demonstrated an ability to put forces on the street, conduct static security of high-profile sites, operate checkpoints – including joint Kurdish and GoI checkpoints in the disputed territories– and increasingly conduct intelligence-driven targeting. However, numerous security vulnerabilities remain as a result of manning shortages, an overly centralized control of the ISF, and uneven enforcement in the security environment.

Iraq's Ministry of Interior police forces are continually improving and beginning preparations to take the lead for internal security. Locally recruited police officers have been vulnerable to terrorist attacks, intimidation, corruption and competing loyalties, requiring further leadership commitment to anti-corruption efforts. The transition to police primacy will require significant cooperation between provincial police forces and the nationally-controlled Federal Police. The Iraqi Army will play a continuing role in internal security through 2011, particularly with regard to offensive operations and reinforcement of the police in crisis situations.

Turning to Iranian aims in Iraq, Tehran wants a Shia Islamist-led government in Iraq so it can retain influence with Baghdad and undermine U.S. interests. Despite points of tension, such as border demarcation issues and the disposition of the Mujahideen-e Khalk, Iran generally has strong relations with its neighbor. However, over the long-term Iran remains concerned a strong Iraq could once again emerge as a regional rival and threat to Iranian influence.

Iran threw its weight behind a second Maliki government, pushing for a Shia religious party-led coalition as the core of the new government. Although these parties want to benefit from Iran's support, they also seek to balance relations by having good ties to Washington too. For its part, Tehran sees competition for influence in Iraq as a zero-sum game – for Tehran to win, the U.S. has to lose. The Iranians hope to undermine U.S. interests in Iraq, but all Iraqi political parties, except for the Sadrists, see the advantage of a close relation with Washington.

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Iran's Islamic Revolutionary Guard Corps (IRGC) IRGC-Qods Force oversees the execution of Tehran's policies in Iraq. The Revolutionary Guards also posts officers in Iran's diplomatic missions throughout Iraq, including Iran's current Ambassador to Iraq, Hassan Dani'far. We assess that Tehran approves the rules of engagement that guide the targeting of U.S. forces in Iraq.

The Revolutionary Guards continues to covertly provide money, weapons, safe haven and training to select Iraqi Shia militants and terrorists. In particular, the Revolutionary Guards supports Kataib Hizballah, an Iraqi Shia terrorist group designated a foreign terrorist organization on 2 July 2009, that targets U.S. personnel in Iraq. Tehran's strategic partner the Lebanese Hizballah has trained Iraqi insurgents in Iraq, Iran and Lebanon, incorporating lessons learned from operations in southern Lebanon.

Although Tehran and Baghdad generally enjoy a positive relationship, and we assess Iran remains generally supportive of Maliki's government, the Iranians' subversive activity, as just outlined, is an irritant to the relationship.

Elsewhere in the region, Iran continues efforts to gain regional power by countering Western influence, expanding ties with its neighbors, and advocating Islamic solidarity. It is undermining U.S. efforts by supporting and arming groups in Afghanistan, Iraq, and the Levant. The Iranian Islamic Revolutionary Guard Corps (IRGC) is prominent in protecting the regime from internal unrest. It also trains and provides weapons and logistic support to Lebanese Hizballah. In turn, Lebanese Hizballah is training Iraqi insurgents at Iran's behest, providing them with tactics and technology to attack U.S. interests. The Islamic Revolutionary Guard Corps-Qods Force

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(IRGC-QF) may be enabling similar training of HAMAS also using Lebanese Hizballah as a conduit.

Outside the region, Iran is cautious about engaging with the West and is trying to improve ties with countries in Asia, Latin America, Africa, and East Europe both to minimize its international isolation and challenge U.S. influence. Tehran has not demonstrated a willingness to abandon its nuclear program despite the passage in 2010 of UNSCR 1949, the toughest international economic sanctions to date against Iran.

Iran's military defends the regime against more modern external adversaries and internal opponents. The ground forces are refining their new organization to improve coordination and prepare for both external and internal threats. The navy is building bases on the Gulf of Oman and expanding bases in the Persian Gulf and Caspian Sea, and is adding boats and conducting exercises to improve operations in the Persian Gulf. It also is deploying vessels into the Arabian Sea for counter-piracy operations, and has, for the first time to sail two navy vessels into the Mediterranean Sea.

During an external crisis, Iran could attempt to block the Strait of Hormuz temporarily with its navy, threaten the United States and its allies in the region with missiles, and employ terrorist surrogates worldwide. However, we assess Iran is unlikely to initiate or intentionally provoke a conflict or launch a preemptive attack.

Iran is making progress in developing ballistic missiles that can strike regional adversaries and central Europe. In addition to its growing missile and rocket inventories, Iran is boosting the lethality and effectiveness of existing systems with accuracy improvements, new submunitions, and salvo launches. Iran's Simorgh space launch vehicle shows the country's progress toward developing an intercontinental ballistic missile.

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International economic sanctions are not stopping Iran's drive to enrich uranium and operate its heavy water nuclear reactor. Iran has installed nearly 9,000 centrifuges at Natanz and accumulated more than enough 3.5 percent enriched uranium for a nuclear weapon, if it further enriches and processes the material. It began producing limited amounts of 20 percent enriched uranium in February 2010.

Buried, hardened facilities and improved air defenses are key elements of Iran's extensive program to protect its nuclear infrastructure from destruction. Iran has major underground nuclear facilities at Qom and Natanz. Russian President Medvedev's September 2010 edict to prohibit delivery of the SA-20 (S-300PMU2 Favorit) set back Iran's plans to modernize air defenses, but its goal to obtain advanced surface-to-air missiles with automated command, control, and communications has not changed. Iran seeks these missiles to protect senior leaders and industrial facilities, in addition to its nuclear infrastructure.

I would like to move on to the situation on the Korean peninsula which reminds all of us that the threats posed by nation-states and the unresolved issues of the last century remain real and dangerous.

North Korea's primary goal is to preserve its current system of government while improving its dismal economy. The Democratic People's Republic of Korea (DPRK) pursues nuclear and missile capabilities for strategic deterrence and international prestige, as well as for economic and political concessions. While North Korea may be willing to abandon portions of its nuclear program in exchange for improved relations with the United States, Pyongyang is unlikely to eliminate its nuclear weapons.

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Kim Jong Il appears to be firmly in control of the DPRK but shows residual physical impairments from his August 2008 stroke. His health problems probably explain why the regime has accelerated the succession process for Kim's youngest son. Kim Jong Un, thought to be 28 years old, received the rank of four-star general and vice chairmanship of the Korea Workers' Party Central Military Commission in late September of 2010. We continue to assess that his succession is likely to progress smoothly, although the concentration of power on Kim Jong Il poses some risk of factionalism and instability, especially if the father dies before his son fully consolidates authority.

North Korea – with strong encouragement from China, and because it needs economic help – is signaling it is prepared to return to Six-Party Talks. The North may now have several plutonium-based nuclear warheads that it can deliver by ballistic missiles and aircraft as well as by unconventional means. The DPRK will try to keep its nuclear weapons and gain international recognition as a nuclear state, together with security guarantees from Washington and expanded economic assistance.

North Korea's large, forward-positioned military can attack South Korea with little or no strategic warning, but it suffers from logistic shortages, aging equipment, and poor training. Pyongyang knows it cannot reunite the Korean Peninsula by force and is unlikely to attack on a scale that would risk the survival of its regime. It has, however, initiated small-scale attacks and maintains the capability for further provocations. A multinational Joint Civilian-Military Investigation Team concluded that a North Korean midget submarine sank South Korea's naval corvette *Cheonan* on March 26, 2010 near the contentious Northern Limit Line in the West Sea, causing the loss of 46 South Korean sailors. Then, in the first such attack against a civilian-inhabited area since the Korean War, North Korea shelled Yonpyong Island on November 23, 2010, killing two South

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Korean marines and two civilians. South Korea's response to these provocative acts was restrained, but has strengthened Seoul's resolve to react more forcefully in the future.

Pyongyang is making some efforts to upgrade conventional weapons, including modernizing every aspect of its deployed missile forces – short-, medium-, and intermediate-range systems. It has reinforced long-range artillery forces near the DMZ with a substantial number of mobile ballistic missiles that could strike South Korea, Japan, and U.S. bases in the Pacific with an array of warheads. However, we believe the DPRK's emphasis is on using nuclear weapons and missiles to defend against technologically superior forces. Given that emphasis, North Korea protects important segments of its nuclear programs underground.

We expect the North will continue to test-launch missiles, including the TD-2 ICBM/SLV, to refine their performance. With further TD-2 tests, North Korea may develop an intercontinental ballistic missile capable of reaching the U.S. homeland. Pyongyang has a long history of ballistic missile proliferation and likely will continue to market and potentially export missile technologies to countries including Iran and Syria.

Elsewhere in the region, I would now like to discuss **China**. While China's military strategy may be defensive, its doctrine calls for seizing the initiative, including possible preemptive acts. China continues to field new weapons and test doctrines to counter U.S. capabilities. It increasingly can carry out military operations along its periphery. Growth in space, cyberspace, electronic warfare, and long-range precision strike capabilities could enable Beijing to delay or degrade U.S. military forces entering the region during a conflict.

China-Taiwan relations improved in 2010 as both sides are seeking economic and cultural engagement. Beijing seems willing to hold off on sensitive political or military

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talks, and it is showing flexibility by allowing Taiwan to participate in the World Health Assembly, which does not require sovereign status. Nevertheless, Beijing maintains its military presence opposite Taiwan and continues deploying many of China's most advanced weapon systems across the Strait. Consistent with this approach, the People's Liberation Army (PLA) remains focused on Taiwan contingencies.

We estimate China spent more than \$160 billion on military-related goods and services in 2010, compared to the \$79 billion Beijing reported in its official military budget. The published budget omits major categories, but does show spending increases for domestic military production, foreign acquisitions, and programs to improve professionalism and quality of life among military personnel.

The PLA Air Force continues to acquire precision-strike weapons, aircraft with greater ranges, and offensive electronic warfare capabilities. PLA Navy progress in aircraft carrier research and development could enable China to start building a series of domestically produced carriers and associated support ships by 2020.

China is having moderate success introducing new missiles. The PRC currently has fewer than 50 ICBMs that can strike the continental United States, but probably will more than double that number by 2025. To modernize the nuclear missile force, China is adding more survivable systems, such as the road-mobile DF-31A ICBM. China deploys a limited but growing number of conventionally armed, medium-range ballistic missiles, including the DF-21C, and it likely is nearing deployment of a medium-range antiship ballistic missile. It has more than 1,000 CSS-6 and CSS-7 conventional short-range ballistic missiles opposite Taiwan for a variety of precision strike missions. It also is forming more missile units, upgrading some older missile systems, and developing methods to penetrate missile defenses. China, also a world leader in underground construction technology, is putting more of its military facilities below ground.

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Realistic and complex training is part of the PLA's modernization and professionalization efforts. MISSION ACTION 2010, the past year's most comprehensive mobilization training event, involved ground forces from three military regions. Greater force diversity now includes training for military operations other than war with emphasis on counterterrorism, emergency response, disaster relief, and international peacekeeping operations. The PLA is seeking bilateral training with a diverse set of countries in these areas and combat operations as well, and also emphasizing joint training under high-technology conditions.

PLA Navy ships routinely operate in the South and East China Seas, including patrols near the Spratly and Paracel Islands. Chinese military and civilian ships continue to respond to U.S. naval research vessels in both areas, but the extent to which Beijing coordinates these responses is unclear.

The space program, including ostensible civil projects, supports China's growing ability to deny or degrade the space assets of potential adversaries. China operates satellites for communications, navigation, earth resources, and intelligence, surveillance, and reconnaissance. It has successfully tested a direct ascent ASAT and is developing jammers and kinetic and directed-energy weapons for ASAT missions. Technologies from its manned and lunar space programs enhance China's ability to track and identify satellites, a prerequisite for ASAT attacks. Beijing is also increasing the quantity and quality of its satellite constellations, enabling space-based intelligence, surveillance, and reconnaissance, in addition to navigation and communication services. Some Chinese military commentary heavily promotes the importance of controlling space, noting the role of space in long-distance targeting and other battlefield domains. Beijing, however, rarely acknowledges direct military applications of its space program and refers to nearly all satellite launches as scientific or civil in nature.

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Turning now to **Russia**, where its leaders are pursuing a more cooperative approach to relations with the United States and the West and are seeking access to foreign investment, technology, and markets. An example of cooperation is Moscow's willingness to permit supplies to pass through Russia to Coalition forces in Afghanistan. Russia also voted for a fourth round of UN Security Council sanctions on Iran and canceled Iran's SA-20 contract, but it still opposes unilateral U.S. or EU sanctions and will work with Iran in areas not subject to sanctions, including support for the nuclear power plant at Bushehr.

Moscow has concerns about how long the positive trend in U.S.-Russian relations will last. Moscow sees the New START agreement as a key element of the evolving bilateral relationship. However, Moscow worries that U.S. policy will become more confrontational. Other concerns are U.S. military assistance to Georgia and plans to deploy missile defenses in Europe as part of the Phased Adaptive Approach. Moscow's foreign policy pronouncements may increasingly reflect political posturing in advance of Russia's December 2011 parliamentary election and March 2012 presidential election.

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

Russia has moved from division- to brigade-centric ground forces, disbanded most of its Soviet-era mobilization reserve structure, and consolidated air force units. To

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better control general purpose forces in regional conflicts, it has formed the first peacetime joint strategic commands – West, East, South, and Center.

Moscow's 10-year modernization plan is a top priority for the armed forces. Defense-related spending probably will increase in 2011 by 9.2 percent in real terms to \$72.9 billion. The 2011-2020 State Armament Program aims to spend about \$630 billion with substantial increases for new weapons. Currently, the level of modern equipment in service is 10 percent; Moscow wants to increase it to 30 percent by 2015 and 70 percent by 2020. We assess that competing demands to sell arms abroad, Russia's aging industrial base, lack of resources plus corruption and mismanagement most likely will keep modern equipment below those levels.

New equipment for the general purpose forces will begin to increase in 2011, but deliveries will be small and Soviet-era weapons will remain the standard. Russia also will buy selected foreign systems, such as France's Mistral amphibious assault ship, and will integrate foreign technology and sustain joint production programs.

Russia is upgrading massive underground facilities that provide command and control of its strategic nuclear forces as well as modernizing strategic nuclear forces as another top priority. Russia will field more SS-27/Topol-M road-mobile ICBMs and SS-27 Mod-X-2 (RS-24) MIRVed ICBMs. It also will continue development of the Dolgorukiy/SS-NX-32 Bulava SSBN/SLBM and next-generation Air Launched Cruise Missiles.

Russia already has formidable space and counterspace capabilities and is improving its navigation, communications, ballistic missile launch detection, and intelligence-gathering satellites. It has extensive systems for space surveillance and tracking and others with inherent counterspace applications, such as satellite-tracking

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laser rangefinders. Russia is researching or expanding directed-energy and signal jamming capabilities that could target satellites.

Military readiness is generally increasing in Russia's new units, but demographic trends will complicate efforts to fill the ranks adequately. Programs to build a professional military stalled because they are expensive and Moscow's current priority is rearmament.

We continue to monitor the ongoing events in the **Middle East and North Africa** and the potential for further instability in the region. The removal of Tunisian President Zine el-Abidine Ben Ali and Egyptian President Hosni Mubarak and ongoing demonstrations and violence in the region risk the stability of other states in North Africa and the Middle East.

A changing dynamic throughout the larger region is emerging, as oppositionists seek to build on the momentum of successful movements in Egypt and Tunisia, while conversely some governments are taking proactive steps to forestall similar outbreaks.

In Egypt, the Supreme Council of the Armed Forces has taken steps to quiet the opposition and stem protests since the resignation of former President Mohamed Hosni Mubarak on 11 February. While Egypt's opposition groups lack a unifying leader and a common platform to address political, social, and economic issues, Egypt's Muslim Brotherhood—the most organized opposition group—could wield disproportionate political influence in post-Mubarak Egypt. Opposition groups will likely be satisfied with the Supreme Council's announced two-month timeline for a referendum and six-month timeline for Presidential elections. We do not believe simple delays will result in protests similar to those seen in early February.

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Following departure of Ben Ali and the establishment of an interim government as a result of a popular uprising in Tunisia, the military has stabilized the country. The interim government likely will continue to distance itself from Ben Ali while working to hold elections. However, stability remains fragile.

This January, Algeria witnessed its most significant unrest in over 20 years and is faced with ongoing demonstrations. I am watching events in Algeria closely, and I am concerned unresolved socio-economic and political grievances will continue to serve as a catalyst for potentially destabilizing unrest – not only in Algeria but across the region.

In the **Arabian Peninsula**, two nations currently must deal with heightened unrest likely spurred in part by the resignation of leaders in Tunisia and Egypt. In Bahrain, members of the Shia community, who account for 70% of the population, have held demonstrations calling for political and economic reform in the capital Manama. These demonstrations have led to clashes between government security forces and the Shia demonstrators. Likewise, in Yemen, student-led protesters calling for President Salih's ouster have held daily protests in the Yemeni capital of Sanaa; some of which have included violent confrontations with pro-government counter-demonstrators. These demonstrations, and protests in other major Yemeni cities, have added to existing stresses on the Yemeni government. Yemen continues to combat a Huthi tribal insurgency in the north, increasingly violent but fractured southern secessionists, and a growing terrorist challenge from Al-Qaida in the Arabian Peninsula. These threats, combined with dwindling water and oil resources, continue to increase the risk of serious instability in Yemen over the next three years.

All Gulf governments remain skeptical of Iraq's Shia-led government but have engaged with Baghdad at various levels. The United Arab Emirates, Bahrain, and Kuwait now have diplomatic relations with Iraq, however Saudi Arabia continues to

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refuse to send an ambassador largely because of security concerns and its distrust of Iraqi Prime Minister Maliki.

Gulf countries share a common fear of Iran, its growing power in the region, and its potential to develop nuclear weapons. Most also fear Iran's influence on their own marginalized Shia populations. They are not united in their response, but some offer public statements of support for peaceful nuclear technology in the region.

Al-Qaida in the Arabian Peninsula (AQAP) plans attacks in the United States, as well as attacks against U.S., Western, and local government interests in Yemen and likely elsewhere in the Arabian Peninsula. It attempted to detonate bombs in cargo holds of aircraft bound for the United States in October 2010 and carried out two attacks against British Officials' convoys, and plotted to assassinate the Saudi Deputy Minister of Interior for Security Affairs. Propaganda in AQAP's English-language online magazine, *Inspire*, encourages followers to commit individual acts of terrorism in support of al-Qaida's agenda.

In the Levant, Israel's northern and southern borders have been calm despite brief periods of tension, including an August 2010 altercation on the Israel-Lebanon border. Both HAMAS and Hizballah are applying lessons learned from past conflicts with Israel. Even if neither intends to resume fighting, escalation could result from miscalculated responses to a provocation or incident.

In Gaza, HAMAS is preoccupied with internal Palestinian issues and is still rearming and rebuilding after Israel's December 2008 Operation CAST LEAD. It is avoiding provocations that could trigger another major conflict with Israel. Increased international cooperation against HAMAS and Iranian arms smuggling will hamper the

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group's rearmament but will not affect its ability to control Gaza. We assess that another round of fighting in the Gaza Strip is likely in the next two to three years.

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

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

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

Syria's military remains inferior to Israel's, but continues upgrading missiles, rockets, antitank weapons, and air defenses. Regionally, Syria seeks to strengthen its influence in Lebanon through support to Hizballah and other allies.

Damascus perceives Hizballah as an extension of its defense against Israel. It continues to apply lessons learned from the 2006 Israel-Hizballah conflict, and we expect

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Syria increasingly will develop smaller, infantry-based units armed with advanced, portable antiarmor weapons to counter Israel's ground-force superiority. Syria's strategic partnership with Iran centers on shared regional objectives that include countering Israel by transferring increasingly sophisticated arms to Hizballah.

Damascus is buying air defense equipment from Russia, contracting for Russia's medium-range SA-17 system and Bastion coastal defense system. These will augment several SA-22 self-propelled short-range gun and missile air defense systems it obtained in June of 2008. Additionally, Syria views ballistic missiles as a strategic deterrent against Israel and relies on such systems to offset shortfalls in its conventional forces. Its inventory includes older Russian-built SS-21 SRBMs, as well as SCUD B, SCUD C, SCUD D, and the Iranian-origin Fateh-110 missiles.

Syria's well-established chemical warfare program includes a stockpile of nerve agent, which can be delivered by aircraft or ballistic missiles. Syria continues to seek chemical warfare-related precursors and expertise from foreign sources. Some elements of the country's biological warfare program may have advanced beyond research and development, possibly giving Damascus a potential for limited agent production

Moving to **Africa**, Al-Qaida in the Lands of the Islamic Maghreb (AQIM) continues expanding its operations in North Africa and the Sahel despite increased counterterrorism efforts by North African governments. In 2010, AQIM executed a French hostage it held in northern Mali, kidnapped five French nationals in Niger, and carried out its first vehicle-borne improvised explosive device (VBIED) attacks in Mauritania and Niger.

The **Al-Shabaab** group seeks to establish an Islamic state in **Somalia**. It is enforcing Sharia, appointing regional officials, and taking over media outlets, while also

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conducting near-daily attacks against the Transitional Federal Government and African Union Mission in Somalia (AMISOM). Al-Shabaab has been working more closely with al-Qaida since both groups publicly vowed in 2009 to support each other. The bombing in Kampala, Uganda, in July of 2010 was al-Shabaab's first attack outside Somalia, killing 64 civilians, including a U.S. citizen. Al-Shabaab warned of more attacks in Uganda and Burundi if AMISOM does not withdraw from Somalia.

We assess that clan infighting, endemic corruption, and a persistent insurgency will keep Somalia unstable. The Transitional Federal Government (TFG) is a victim of factional infighting and depends on AMISOM for its survival in Mogadishu. Despite a recent increase to 7,000 troops, however, AMISOM is unable to expel al-Shabaab insurgents from the capital. Al-Shabaab's terrorist actions and growing capabilities continue to destabilize the entire country and threatens regional stability. Somalia's neighbors – Ethiopia, Kenya and Djibouti – will support the TFG to pursue their respective national interests and contain militant Islam.

Piracy is a symptom of Somalia's poor governance, instability, and lack of economic opportunities. Pirate attacks on ships transiting the Somali coast have stayed on par with 2009 levels over the past year, with a slight reduction of successful hijackings. Final ransom payments are substantially higher. Poor weather, coalition anti-piracy patrols, and improved defensive measures by merchant vessels have hampered but not deterred the pirates.

I will close my regional review by turning to **Latin America**. More than 28,000 people have died in **Mexico's** drug-related violence since President Calderon declared war on cartels shortly after taking office in December of 2006. Security forces – the Army, Navy, and police – have captured or killed 17 of Mexico's 37 most wanted

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traffickers on a list the attorney general announced in March of 2009. Security reforms to improve operational effectiveness are awaiting action in the legislature.

President Raul Castro is in firm control of **Cuba** with his brother Fidel's peripheral involvement. His priorities are domestic and focus on reforming the island's economy and social system. Cuba's 6th Communist Party Congress in April will set the domestic agenda for several years. Havana primarily receives its foreign support from Venezuela but is trying to reduce that dependence and expand economic ties to other countries, especially China and Brazil.

President Hugo Chavez is trying to shore up voter support leading into **Venezuela's** 2012 elections and will stay focused on domestic issues, such as poverty and the country's high crime rate. Chavez signed no new arms contracts with Russia in 2010 but did obtain an agreement from Russia to help develop a nuclear energy program. The Venezuelan military received 18 K-8 fighter trainers from China and is waiting for deliveries from Russia that include T-72 tanks and armored personnel vehicles. Negotiations are under way to buy air defense systems.

Colombia is in the 46th year of its internal conflict against the Marxist-oriented Revolutionary Armed Forces of Colombia (FARC). The group maintains a presence and influence in Colombia's coca-growing areas but continues to lose its ability to threaten democratic institutions. Sustained security force operations have cut FARC strength by more than half to about 8,000 personnel, increasing the possibility that the group will eventually fragment into several criminal organizations and continue their criminal activities.

I would now like to summarize a few other **transnational threats and trends**.

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First, the proliferation and potential use of **weapons of mass destruction (WMD)** and ballistic missiles against the American people, U.S. forces, our allies, and interests remains a grave and enduring threat. Securing nuclear weapons and materials is a worldwide imperative to prevent both accidents and the potential diversion of fissile and radiological materials. Chemical and biological weapons are spreading and becoming more technically sophisticated as technology proliferates. Al-Qaida and other terrorist organizations are working aggressively to acquire and employ chemical, biological, and nuclear materials.

Ballistic missiles continue to become more survivable, reliable, and accurate with greater range. Potential adversaries are using denial and deception measures and basing more missiles on mobile platforms at sea and on land. Technical and operational measures to defeat missile defenses also are increasing. China, Iran, and North Korea, for example, exercise near simultaneous salvo firings from multiple locations to counter missile defenses. Technology is also improving the range and accuracy of ballistic missiles. Countries are designing them to launch from multiple transporters against a broad array of targets, enhancing their mobility and effectiveness on the battlefield. Shorter launch-preparation times and smaller footprints are making new systems more survivable, and many have measures to defeat missile defenses.

Theater ballistic missiles already are a formidable threat in the Middle East and Asia, and proliferation is expanding their availability worldwide. We assess that technology sharing will accelerate the speed with which potential adversaries deploy new, more capable ballistic missile systems over the next decade. Sophisticated missiles and the equipment to produce them are marketed openly. Transfers of complete missile-production infrastructures are helping countries rapidly develop and field systems that endanger U.S. and allied forces.

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Many advanced nations are cooperating to stop WMD proliferation, however some aspects of WMD-related research and technology are beyond their direct control, including commercial scientific advances, scientists' enthusiasm for sharing their research, and the availability of dual-use studies, information, training, and education. Determined groups and individuals, as well as the proliferation networks they tie into, often sidestep or outpace international detection and export-control regimes. They supply WMD- and ballistic missile-related materials and technologies to countries of concern by regularly changing the names of the front companies they use, operating in countries with permissive environments or lax enforcement, and avoiding international financial institutions.

Second, governments and commercial enterprises continue to proliferate **space and counter-space** related capabilities, including some with direct military applications. Space technologies that have both civilian and military uses – in such areas as communications, reconnaissance, navigation and targeting – remain relatively easy for countries and non-state groups to obtain.

Russia and China continue developing systems and technologies that can interfere with or disable vital U.S. space-based navigation, communication, and intelligence collection satellites. Other countries and non-state groups rely on denial and deception techniques to defeat space-based imagery collection, conduct electronic warfare or signal jamming, and possibly attack ground sites for space assets.

Third, **cyber** attacks against the United States continue to increase and attackers are using more sophisticated methods. Widely available advanced technologies for computer attacks, as well as inconsistent security policies, help adversaries access U.S. networks and offer opportunities to cause major damage and disruptions. We also must be alert to new risks from applied technologies – such as biometrics – that endanger

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operations and identities of U.S. intelligence personnel. The Department of Defense remains a prime target for collection of sensitive but unclassified military information and data on contractor research and development. The risks increase when U.S. defense communications transit commercial networks operated by foreign providers and equipment.

A fourth transnational threat is a very long-standing one. The United States and Department of Defense continue to face a persistent and significant intelligence threat posed by numerous countries and a few sub-national actors. A few transnational terrorist groups, sometimes aided by several foreign intelligence organizations, have developed their own increasingly sophisticated intelligence collection and counterintelligence capabilities. Effective **counterintelligence** is a significant priority for the Defense Intelligence Agency, the Military Services, other Defense Agencies, and the Department.

Foreign intelligence services conduct a wide range of intelligence activities to degrade U.S. national security interests worldwide. They target the U.S. armed forces, warfighting and commercial research, development and acquisition activities, national intelligence system, and national policymakers' perceptions and decision processes. In addition, foreign intelligence services and international terrorist organizations will continue to seek out and exploit those who could betray national interests.

An emerging threat involves possible foreign compromise of the U.S. supply chain in an era of globalized commerce to degrade or defeat government information systems or weapons platforms by inserting malicious code into or otherwise corrupting key components bound for these important warfighting systems.

Several countries pose a serious challenge, consistently demonstrating in the past exceptional persistence in pursuing priority US targets and attacking US interests. The

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US remains a top priority intelligence target for Russia as evidenced by the FBI arrest in June of 2010 of eleven Russian illegals operating covertly in the US. Russian intelligence and security services continue to target Department of Defense interests in support of Russian security and foreign policy objectives. China in the past has used its intelligence services to target US military technology, strategic warfighting capabilities, and global command and control information systems. In recent years, multiple cases of economic espionage and theft of dual-use and military technology have uncovered pervasive Chinese collection efforts.

North Korea maintains a continuing interest in US military activities on the Korean peninsula - a top intelligence collection priority for Pyongyang. North Korea continues to recruit South Korean agents to collect U.S. information—including sensitive war plans—and deployed intelligence officers under defector cover to assassinate a prominent North Korean defector in Seoul in April 2010. Additionally, a North Korean intelligence service has been accused of directing and orchestrating attacks against the South Korean naval corvette *Cheonan* in March 2010 and Yonpyong Island in November 2010.

Iran is a growing foreign intelligence threat to the US Military and our Coalition partners in Iraq and Afghanistan as it tries to gain a better understanding of our capabilities and intentions.

Cuba has traditionally been a foreign intelligence threat to the US government and US Intelligence Community. It has conducted espionage activities in the US—to include inside the Defense Intelligence Agency--and anti-US propaganda and influence campaigns throughout the Western hemisphere.

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In an era of increasing cyber dependency, globalized commerce and rapidly developing regional conflicts, effective Department of Defense counterintelligence activities are critical to confronting current and potential adversaries, ensuring the integrity of U.S. technical systems and weapons, and managing potential threats from insiders who seek to steal U.S. secrets or harm Americans.

The use of **underground facilities**, a fifth transnational trend, is expanding as potential adversaries conceal and protect their most vital national security functions and activities. Dozens of heavily fortified, deep underground facilities are under construction to support command and control, nuclear, and ballistic missile operations. They will reduce the U.S. government's ability to monitor activities, in addition to greatly improving survivability. The spread of Western tunneling technology and equipment is contributing to a rise in construction by countries and organizations that have not previously used modern techniques.

Sixth, **unmanned aerial vehicles (UAVs)** are revolutionizing air forces worldwide as adversaries integrate them not only for intelligence, surveillance, and reconnaissance missions, but also for air attacks. UAVs are particularly attractive because they offer longer endurance, autonomous navigation, and lower costs than typical manned aircraft.

Countries in Europe, Asia, the Middle East, and Africa are leading UAV proliferators. Many routinely offer multiple systems for export and market UAV technology to countries and organizations with little or no previous capabilities. Industry proliferators are mounting weapons on UAVs – for example, the Chinese Caihong-3 – and touting them as economical, low-crew-risk alternatives to strike aircraft. Such UAVs threaten U.S. military units and installations, as well as those of our allies. UAVs are

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alternatives for nations and non-state groups that are unwilling or unable to field modern manned aircraft.

Global health security is the final transnational issue that I will address. Health care deficiencies hurt stability and growth in developing countries, such as Afghanistan. Expanding and improving health systems, on the other hand, will boost resiliency in these countries and mitigate illness and death from disasters, medical emergencies, and potential health effects of climate change. While most health aid will be positive, some adversaries, such as Iran and transnational terrorist groups, will use health aid to gain regional influence. Countries that can medically support their military forces abroad, as China can with its hospital ships, likely will be able to project influence well beyond their borders.

Possible emerging pathogens, including severe pandemic influenza, are a threat to health systems, populations, and U.S. forces worldwide. A highly transmissible virus that causes severe disease could appear anywhere, and for at least the next five years, most of the world will not be able to detect the pathogen early enough to prevent its spread.

Inadequate global food safety and pharmaceutical controls raise the likelihood of mass illness from consumption of contaminated food or counterfeit or contaminated drugs. This and other threats – for example, an accidental or intentional release of toxic industrial chemicals or radioactive materials – could imperil populations and U.S. troops in areas where they occur.

Future abilities to modify human performance for military purposes could give foreign adversaries operational advantages. At present, however, foreign techniques to modify human performance have questionable effectiveness, and new, better approaches are at least ten years away from implementation.

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CONCLUSION

Today's focus on combat operations against insurgents and transnational terrorists does not preclude the potential that other threats will come to the fore. In cooperation with the Intelligence Community, DIA is strengthening collection and analysis and sharing more information across intelligence disciplines and among agencies and the nation's close allies.

The men and women of DIA have a unique responsibility to the American people and take great pride in their work. I am privileged to serve with them and present their analysis to you.

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

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