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## SPEECHES AND TESTIMONY

### **DCI's Worldwide Threat Briefing (As Prepared for Delivery)**

### **The Worldwide Threat in 2003: Evolving Dangers in a Complex World**

**11 February 2003**

Mr. Chairman, last year—in the wake of the September 11 attack on our country—I focused my remarks on the clear and present danger posed by terrorists who seek to destroy who we are and what we stand for. The national security environment that exists today is significantly more complex than that of a year ago.

- I can tell you that the threat from al-Qa'ida remains, even though we have made important strides in the war against terrorism.
- Secretary of State Powell clearly outlined last week the continuing threats posed by Iraq's weapons of mass destruction, its efforts to deceive UN inspectors, and the safehaven that Baghdad has allowed for terrorists in Iraq.
- North Korea's recent admission that it has a highly enriched uranium program, intends to end the freeze on its plutonium production facilities, and has stated its intention to withdraw from the Nonproliferation Treaty raised serious new challenges for the region and the world.

At the same time we cannot lose sight of those national security challenges that, while not occupying space on the front pages, demand a constant level of scrutiny.

- Challenges such as the world's vast stretches of ungoverned areas—lawless zones, veritable "no man's lands" like some areas along the Afghan-Pakistani border—where extremist movements find shelter and can win the breathing space to grow.
- Challenges such as the numbers of societies and peoples excluded from the benefits of an

expanding global economy, where the daily lot is hunger, disease, and displacement—and that produce large populations of disaffected youth who are prime recruits for our extremist foes.

## **TERRORISM**

Mr. Chairman, as you know, the United States Government last week raised the terrorist threat level. We did so because of threat reporting from multiple sources with strong al-Qa'ida ties.

The information we have points to plots aimed at targets on two fronts—in the United States and on the Arabian Peninsula. It points to plots timed to occur as early as the end of the Hajj, which occurs late this week. And it points to plots that could include the use of a radiological dispersion device as well as poisons and chemicals.

The intelligence is not idle chatter on the part of terrorists and their associates. It is the most specific we have seen, and it is consistent with both our knowledge of al-Qa'ida doctrine and our knowledge of plots this network—and particularly its senior leadership—has been working on for years.

The Intelligence Community is working directly, and in real time, with friendly services overseas and with our law enforcement colleagues here at home to disrupt and capture specific individuals who may be part of this plot.

Our information and knowledge is the result of important strides we have made since September 11th to enhance our counterterrorism capabilities and to share with our law enforcement colleagues—and they with us—the results of disciplined operations, collection, and analysis of events inside the United States and overseas.

Raising the threat level is important to our being as disruptive as possible. The enhanced security that results from a higher threat level can buy us more time to operate against the individuals who are plotting to do us harm. And heightened vigilance generates additional information and leads.

This latest reporting underscores the threat that the al-Qa'ida network continues to pose to the United States. The network is extensive and adaptable. It will take years of determined effort to unravel this and other terrorist networks and stamp them out.

Mr. Chairman, the Intelligence and Law Enforcement Communities aggressively continue to prosecute the war on terrorism, and we are having success on many fronts. More than one third of the top al-Qa'ida leadership identified before the war has been killed or captured, including:

- The operations chief for the Persian Gulf area, who planned the bombing of the USS Cole.
- A key planner who was a Muhammad Atta confidant and a conspirator in the 9/11 attacks.

- A major al-Qa'ida leader in Yemen and other key operatives and facilitators in the Gulf area and other regions, including South Asia and Southeast Asia.

The number of rounded-up al-Qa'ida detainees has now grown to over 3000—up from 1000 or so when I testified last year—and the number of countries involved in these captures has almost doubled to more than 100.

- Not everyone arrested was a terrorist. Some have been released. But the worldwide rousting of al-Qa'ida has definitely disrupted its operations. And we've obtained a trove of information we're using to prosecute the hunt still further.

The coalition against international terrorism is stronger, and we are reaping the benefits of unprecedented international cooperation. In particular, Muslim governments today better understand the threat al-Qa'ida poses to them and day by day have been increasing their support.

- Ever since Pakistan's decision to sever ties with the Taliban—so critical to the success of Operation Enduring Freedom—Islamabad's close cooperation in the war on terrorism has resulted in the capture of key al-Qa'ida lieutenants and significant disruption of its regional network.
- Jordan and Egypt have been courageous leaders in the war on terrorism.
- A number of Gulf states like the United Arab Emirates are denying terrorists financial safehaven, making it harder for al-Qa'ida to funnel funding for operations. Others in the Gulf are beginning to tackle the problem of charities that front for, or fund, terrorism.
- The Saudis are providing increasingly important support to our counterterrorism efforts—from arrests to sharing debriefing results.
- SE Asian countries like Malaysia and Indonesia, with majority Muslim populations, have been active in arresting and detaining terror suspects.
- And we mustn't forget Afghanistan, where the support of the new leadership is essential.

Al-Qa'ida's loss of Afghanistan, the death and capture of key personnel, and its year spent mostly on the run have impaired its capability, complicated its command and control, and disrupted its logistics.

That said, Mr. Chairman, the continuing threat remains clear. Al-Qa'ida is still dedicated to striking the US homeland, and much of the information we've received in the past year revolves around that goal.

Even without an attack on the US homeland, more than 600 people were killed in acts of terror last year—and 200 in Al-Qa'ida-related attacks alone. Nineteen were United States citizens.

- Al-Qa'ida or associated groups carried out a successful attack in Tunisia and—since October 2002—attacks in Mombasa, Bali, and Kuwait, and off Yemen against the French oil tanker *Limburg*. Most of these attacks bore such al-Qa'ida trademarks as intense surveillance, simultaneous strikes, and suicide-delivered bombs.

Combined US and allied efforts thwarted a number of Al-Qa'ida-related attacks in the past year, including the European poison plots. We identified, monitored, and arrested Jose Padilla, an al-Qa'ida operative who was allegedly planning operations in the United States and was seeking to develop a so-called "dirty bomb." And along with Moroccan partners we disrupted al-Qa'ida attacks against US and British warships in the straits of Gibraltar.

Until al-Qa'ida finds an opportunity for the big attack, it will try to maintain its operational tempo by striking "softer" targets. And what I mean by "softer," Mr. Chairman, are simply those targets al-Qa'ida planners may view as less well protected.

- Al-Qa'ida has also sharpened its focus on our Allies in Europe and on operations against Israeli and Jewish targets.

Al-Qa'ida will try to adapt to changing circumstances as it regroups. It will seek a more secure base area so that it can pause from flight and resume planning. We place no limitations on our expectations of what al-Qa'ida might do to survive.

We see disturbing signs that al-Qa'ida has established a presence in both Iran and Iraq. In addition, we are also concerned that al-Qa'ida continues to find refuge in the hinterlands of Pakistan and Afghanistan.

Al-Qa'ida is also developing or refining new means of attack, including use of surface-to-air missiles, poisons, and air, surface, and underwater methods to attack maritime targets.

- If given the choice, al-Qa'ida terrorists will choose attacks that achieve multiple objectives—striking prominent landmarks, inflicting mass casualties, causing economic disruption, rallying support through shows of strength.

The bottom line here, Mr. Chairman, is that al-Qa'ida is living in the expectation of resuming the offensive.

We know from the events of September 11 that we can never again ignore a specific type of country: a country unable to control its own borders and internal territory, lacking the capacity to govern, educate its people, or provide fundamental social services. Such countries can, however, offer extremists a place to congregate in relative safety.

Al-Qa'ida is already a presence in several regions that arouse our concern. The Bali attack brought the threat home to Southeast Asia, where the emergence of Jemaah Islamiya in

Indonesia and elsewhere in the region is particularly worrisome.

- And the Mombasa attack in East Africa highlights the continued vulnerability of Western interests and the growing terrorist threat there.

Although state sponsors of terrorism assume a lower profile today than a decade ago, they remain a concern. Iran and Syria continue to support the most active Palestinian terrorist groups, HAMAS and the Palestine Islamic Jihad. Iran also sponsors Lebanese Hizballah. I'll talk about Iraq's support to terrorism in a moment.

Terrorism directed at US interests goes beyond Middle Eastern or religious extremist groups. In our own hemisphere, the Revolutionary Armed Forces of Colombia, or FARC, has shown a new willingness to inflict casualties on US nationals.

Mr. Chairman, let me briefly turn to a grave concern: the determination of terrorists to obtain and deploy weapons of massive destructive capability, including nuclear, radiological, chemical, and biological devices.

The overwhelming disparity between US forces and those of any potential rival drives terrorist adversaries to the extremes of warfare—toward "the suicide bomber or the nuclear device" as the best ways to confront the United States. Our adversaries see us as lacking will and determination when confronted with the prospect of massive losses.

- Terrorists count on the threat of demoralizing blows to instill massive fear and rally shadowy constituencies to their side.

We continue to receive information indicating that al-Qa'ida still seeks chemical, biological, radiological, and nuclear weapons. The recently disrupted poison plots in the UK, France, and Spain reflect a broad, orchestrated effort by al-Qa'ida and associated groups to attack several targets using toxins and explosives.

- These planned attacks involved similar materials, and the implicated operatives had links to one another.

I told you last year, Mr. Chairman, that Bin Ladin has a sophisticated BW capability. In Afghanistan, al-Qa'ida succeeded in acquiring both the expertise and the equipment needed to grow biological agents, including a dedicated laboratory in an isolated compound outside of Kandahar.

Last year I also discussed al-Qa'ida's efforts to obtain nuclear and radiological materials as part of an ambitious nuclear agenda. One year later, we continue to follow every lead in tracking terrorist efforts to obtain nuclear materials.

- In particular, we continue to follow up on information that al-Qa'ida seeks to produce or

purchase a radiological dispersal device. Construction of such a device is well within al-Qa'ida capabilities—if it can obtain the radiological material.

## IRAQ

Before I move on to the broader world of proliferation, Mr. Chairman, I'd like to comment on Iraq. Last week Secretary Powell carefully reviewed for the UN Security Council the intelligence we have on Iraqi efforts to deceive UN inspectors, its programs to develop weapons of mass destruction, and its support for terrorism. I do not plan to go into these matters in detail, but I would like to summarize some of the key points.

- Iraq has in place an active effort to deceive UN inspectors and deny them access. This effort is directed by the highest levels of the Iraqi regime. Baghdad has given clear directions to its operational forces to hide banned materials in their possession.
- Iraq's BW program includes mobile research and production facilities that will be difficult, if not impossible, for the inspectors to find. Baghdad began this program in the mid-1990s—during a time when UN inspectors were in the country.
- Iraq has established a pattern of clandestine procurements designed to reconstitute its nuclear weapons program. These procurements include—but also go well beyond—the aluminum tubes that you have heard so much about.
- Iraq has recently flight tested missiles that violate the UN range limit of 150 kilometers. It is developing missiles with ranges beyond 1,000 kilometers. And it retains—in violation of UN resolutions—a small number of SCUD missiles that it produced before the Gulf War.
- Iraq has tested unmanned aerial vehicles to ranges that far exceed both what it declared to the United Nations and what it is permitted under UN resolutions. We are concerned that Iraq's UAVs can dispense chemical and biological weapons and that they can deliver such weapons to Iraq's neighbors or, if transported, to other countries, including the United States.
- Iraq is harboring senior members of a terrorist network led by Abu Musab al-Zarqawi, a close associate of Usama Bin Ladin. We know Zarqawi's network was behind the poison plots in Europe that I discussed earlier as well as the assassination of a US State Department employee in Jordan.
- Iraq has in the past provided training in document forgery and bomb-making to al-Qa'ida. It also provided training in poisons and gasses to two al-Qa'ida associates; one of these associates characterized the relationship he forged with Iraqi officials as successful.

Mr. Chairman, this information is based on a solid foundation of intelligence. It comes to us from credible and reliable sources. Much of it is corroborated by multiple sources. And it is consistent with the pattern of denial and deception exhibited by Saddam Hussein over the past 12 years.

## PROLIFERATION

Mr. Chairman, what I just summarized for you on Iraq's WMD programs underscores our broader concerns about proliferation. More has changed on nuclear proliferation over the past year than on any other issue. For 60 years, weapon-design information and technologies for producing fissile material—the key hurdles for nuclear weapons production—have been the domain of only a few states. These states, though a variety of self-regulating and treaty based regimes, generally limited the spread of these data and technologies.

In my view, we have entered a *new world of proliferation*. In the vanguard of this new world are knowledgeable non-state purveyors of WMD materials and technology. Such non-state outlets are increasingly capable of providing technology and equipment that previously could only be supplied by countries with established capabilities.

This is taking place side by side with the continued weakening of the international nonproliferation consensus. Control regimes like the Non-Proliferation Treaty are being battered by developments such as North Korea's withdrawal from the NPT and its open repudiation of other agreements.

- The example of new nuclear states that seem able to deter threats from more powerful states, simply by brandishing nuclear weaponry, will resonate deeply among other countries that want to enter the nuclear weapons club.

Demand creates the market. The desire for nuclear weapons is on the upsurge. Additional countries may decide to seek nuclear weapons as it becomes clear their neighbors and regional rivals are already doing so. The "domino theory" of the 21<sup>st</sup> century may well be nuclear.

- With the assistance of proliferators, a potentially wider range of countries may be able to develop nuclear weapons by "leapfrogging" the incremental pace of weapons programs in other countries.

Let me now briefly review, sector by sector, the range on non-nuclear proliferation threats.

In biological warfare (BW) and chemical warfare (CW), maturing programs in countries of concern are becoming less reliant on foreign suppliers—which complicates our ability to monitor programs via their acquisition activities. BW programs have become more technically sophisticated as a result of rapid growth in the field of biotechnology research and the wide dissemination of this knowledge. Almost anyone with limited skills can create BW agents. The rise of such capabilities also means we now have to be concerned about a myriad of new agents.

- Countries are more and more tightly integrating both their BW and CW production capabilities into apparently legitimate commercial infrastructures, further concealing them from scrutiny.

The United States and its interests remain at risk from increasingly advanced and lethal ballistic and cruise missiles and UAVs. In addition to the longstanding threats from Russian and Chinese missile forces, the United States faces a near-term ICBM threat from North Korea. And over the next several years, we could face a similar threat from Iran and possibly Iraq.

- Short- and medium-range missiles already pose a significant threat to US interests, military forces, and allies as emerging missile states increase the range, reliability, and accuracy of the missile systems in their inventories.

And several countries of concern remain interested in acquiring a land-attack cruise missile (LACM) capability. By the end of the decade, LACMs could pose a serious threat to not only our deployed forces, but possibly even the US mainland.

Mr. Chairman, I turn now to countries of particular concern, beginning, as you might expect, with North Korea.

The recent behavior of North Korea regarding its longstanding nuclear weapons program makes apparent to all the dangers Pyongyang poses to its region and to the world. This includes developing the capability to enrich uranium, ending the freeze on its plutonium production facilities, and withdrawing from the Nonproliferation Treaty. If, as seems likely, Pyongyang moves to reprocess spent fuel at the facilities where it recently abrogated the 1994 IAEA-monitored freeze, we assess it could recover sufficient plutonium for several additional weapons.

- North Korea also continues to export complete ballistic missiles and production capabilities along with related raw materials, components, and expertise. Profits from these sales help Pyongyang to support its missile and other WMD development programs, and in turn generate new products to offer to its customers.

Indeed, Mr. Chairman, Kim Chong-il's attempts this past year to parlay the North's nuclear weapons program into political leverage suggest he is trying to negotiate a fundamentally different relationship with Washington—one that implicitly tolerates the North's nuclear weapons program.

- Although Kim presumably calculates the North's aid, trade, and investment climate will never improve in the face of US sanctions and perceived hostility, he is equally committed to retaining and enlarging his nuclear weapons stockpile.

Mr. Chairman, I want to mention our renewed concern over Libya's interest in WMD. Since the suspension of sanctions against Libya in 1999, Tripoli has been able to increase its access to dual-use nuclear technologies. Qadhafi stated in an Al-Jazirah interview last year that Arabs have "the right" to possess weapons of mass destruction because, he alleges, Israel has them.

- Libya clearly intends to reestablish its offensive chemical weapons capability and has produced at least 100 tons of chemical agents at its Rabta facility, which ostensibly



reopened as a pharmaceutical plant in 1995.

China vowed in November 2000 to refrain from assisting countries seeking to develop nuclear-capable ballistic missiles, and last August Beijing promulgated new missile-related export controls. Despite such steps, Mr. Chairman, Chinese firms remain key suppliers of ballistic- and cruise missile-related technologies to Pakistan, Iran, and several other countries.

- And Chinese firms may be backing away from Beijing's 1997 bilateral commitment to forego any new nuclear cooperation with Iran. We are monitoring this closely.

We are also monitoring Russian transfers of technology and expertise. Russian entities have cooperated on projects—many of them dual-use—that we assess can contribute to BW, CW, nuclear, or ballistic- and cruise- missile programs in several countries of concern, including Iran. Moscow has, however, reexamined at least some aspects of military-technical cooperation with some countries and has cut back its sensitive nuclear fuel-cycle assistance to Iran.

- We remain alert to the vulnerability of Russian WMD materials and technology to theft or diversion. Russia has the largest inventory of nuclear materials that—unless stored securely—might be fashioned into weapons that threaten US persons, facilities, or interests.
- Iran is continuing to pursue development of a nuclear fuel cycle for civil and nuclear weapons purposes. The loss of some Russian assistance has impeded this effort. It is also moving toward self-sufficiency in its BW and CW programs.
- Tehran is seeking to enlist foreign assistance in building entire production plants for commercial chemicals that would also be capable of producing nerve agents and their precursors.
- As a supplier, Iran in 2002 pursued new missile-related deals with several countries and publicly advertises its artillery rockets, ballistic missiles, and related technologies.

I should also note, Mr. Chairman, that India and Pakistan continue to develop and produce nuclear weapons and the means to deliver them.

## **CHINA**

I'd like to turn now from the transnational issues of terrorism and proliferation to countries and regions of the world where the United States has important interests, beginning with China.

I have commented for the past several years on China's great power aspirations and in particular Beijing's efforts to maximize its influence within East Asia relative to the US. This is both despite and because global strategic shifts unfolding since 9/11 have impressed upon the Chinese the limits of their international influence.

And despite Beijing's continuing skepticism of US intentions in Central and South Asia and its concern that the United States is gaining regional influence at China's expense, Beijing is emphasizing developing a "constructive relationship" with us. Both before and since President Jiang's visit to Crawford last fall, Chinese leaders have been actively seeking a degree of engagement in areas of mutual interest, such as counterterrorism and regional security issues like North Korea.

China's chosen path to long-term regional and global influence runs through economic growth and Chinese integration into the global economy. Beijing calculates that, as China's economic mass increases, so too will the pull of its political gravity. To date, China's successes have been dramatic—and disconcerting to its neighbors.

Despite China's rapid growth, it remains vulnerable to economic fluctuations that could threaten political and social stability. China is increasingly dependent on its external sector to generate GDP growth. And without rapid growth, China will fall even further behind in job creation.

The recent Congress of the Chinese Communist Party marked a leadership transition to a younger political generation but also created a potential division of authority at the top—and, in light of China's profound policy challenges, an additional leadership challenge.

- The former party chief, Jiang Zemin, who is also scheduled to hand over the Presidency to his successor in both positions, Hu Jintao, is determined to remain in charge. He retains the Chairmanship of the party's Central Military Commission. The new leadership contains many Jiang loyalists and protégés.
- The "next generation" leaders offers policy continuity, but the current setup probably guarantees tensions among leaders uncertain of their own standing and anxious to secure their positions.

Such tensions may well play out on the issue of Taiwan, the matter of greatest volatility in US-China relations. For now the situation appears relatively placid, but recent history shows this can change quickly, given the shifting perceptions and calculations on both sides.

- Chinese leaders seem convinced that all trends are moving in their favor—Taiwan is heavily invested in the mainland and Chinese military might is growing.
- From its perspective, Beijing remains wary of nationalist popular sentiment on Taiwan and of our arms sales to and military cooperation with Taipei.

As for Taiwan President Chen's part, he may feel constrained by internal political and economic problems and by Beijing's charm offensive. As he approaches his reelection bid next year, Chen may react by reasserting Taiwan's separate identity and expanding its international diplomacy.

In this regard, our greatest concern is China's military buildup. Last year marked new high points

for unit training and weapons integration—all sharply focused on the Taiwan mission and on increasing the costs for any who might intervene in a regional Chinese operation. We anticipate no slowdown in the coming year.

## **RUSSIA**

Moving on to Russia, Mr. Chairman, I noted last year that well before 9/11, President Putin had moved toward deeper engagement with the United States. I also observed that the depth of domestic support for his foreign policy was unclear and that issues such as NATO enlargement and US missile defense policies would test his resolve. Since then, Putin has reacted pragmatically to foreign policy challenges and has shown leadership in seeking common ground with the United States while still asserting Russia's national interests.

- This was apparent in Russia's low-key reaction to the decision to invite the Baltics into NATO and in its serious attitude toward the new NATO-Russia Council, and in reconsidering some of its military-technical cooperation with proliferation states of concern.
- Moscow eventually supported UN Security Council resolution 1441 on Iraq and has been a reliable partner in the war on terrorism.

International terrorist groups' presence and activities in and around Russia are influencing Russia's policies, sometimes in ways that complicate Moscow's relations with neighboring states. For example, the presence in Georgia's Pankisi Gorge of Chechen fighters and some of their foreign Mujahideen backers have generated new tensions in Russian-Georgian relations. These tensions were highlighted on the one-year anniversary of the September 11 attacks, when Putin threatened unilateral force against Georgia because he was not satisfied Tbilisi had, in his words, taken action to prevent Georgian-based terrorists from entering Russia.

Similarly, the war in Chechnya is complicated by the continued influence of radical Chechen and foreign Islamists—some of whom have ties to al-Qa'ida. The takeover of the Moscow theater in October proved counterproductive to the terrorists' aim of forcing Russia to withdraw from Chechnya. Indeed, the Kremlin has turned this to its advantage by tying the Chechen opposition to international terrorism.

- Meanwhile, over the past year the war in Chechnya entered a new, brutal phase. Russian security service units have targeted suspected guerrillas and their supporters and punished their families. Chechen guerrillas, for their part, continued to kill pro-Moscow officials and their families.

Putin has no clear domestic rivals for power as he enters an election season that culminates in parliamentary elections in December and presidential elections in March 2004.

Putin has sought to recentralize power in Moscow. He exercises considerable influence over both houses of parliament and the national electronic news media.

- While Putin has reined in some powerful political figures—a few of the governors and so-called "oligarchs"—in many cases he has negotiated a balance of interests.

Putin still hopes to transform Russia over the long term into a power of global prominence, but his comments since late 2001 have contained more emphasis on raising the country's economic competitiveness. To this end, his government has set out a goal of narrowing the huge gap in living standards between Russians and Europeans and seeks to advance an ambitious structural reform program.

- Over the past three years, the Russian government has made real progress on reform objectives by cutting tax and tariff rates, legalizing land sales, and strengthening efforts to fight money laundering.
- Moscow has used its largely oil-driven revenue growth to pay down the country's external public sector debt to a moderate level of 40 percent of GDP, half the level of only a few years ago.

Such reforms are promising, but success ultimately hinges upon the sustained implementation of reform legislation. A risk exists that the government will delay critical reforms of state-owned monopolies and the bloated, corrupt bureaucracy—which Putin himself has highlighted as a major impediment—to avoid clashes with key interest groups before the March 2004 Presidential election. Moreover, Russia's economy remains heavily dependent on commodity exports, which account for 80 percent of all Russian exports and leaves future growth vulnerable to external price shocks.

## IRAN

We watch unfolding events in Iran with considerable interest, Mr. Chairman, because despite its antagonism to the United States, developments there hold some promise as well. Iranian reformers seeking to implement change have become increasingly frustrated by conservatives efforts to block all innovation. We see the dueling factions as heading for a showdown that seems likely to determine the pace and direction of political change in Iran. Within the next several weeks a key test will come as reformers try to advance two pieces of legislation—bills that would reform the electoral process and significantly expand presidential powers—they claim will benchmark their ability to achieve evolutionary change within the system.

- Some reformist legislators have threatened to resign from government if conservatives block the legislation. Others have argued for holding a referendum on reform if opponents kill the bills.
- Comments from the hardline camp show little flexibility—and indeed some opponents of reform are pressing hard to dismantle the parties that advocate political change.

As feuding among political elites continues, demographic and societal pressures continue to mount. Iran's overwhelmingly young population—65 percent of Iran's population is under 30 years old—is coming of age and facing bleak economic prospects and limited social and political freedoms. Strikes and other peaceful labor unrest are increasingly common. These problems—and the establishment's inflexibility in responding to them—drive widespread frustration with the regime.

- Weary of strife and cowed by the security forces, Iranians show little eagerness to take to the streets in support of change. The student protests last fall drew only 5,000 students out of a student population of more than one million.
- But more and more courageous voices in Iran are publicly challenging the right of the political clergy to suppress the popular will--and they are gaining an audience.

Given these developments, we take the prospect of sudden, regime threatening unrest seriously and continue to watch events in Iran with that in mind. For now, our bottom line analysis is that the Iranian regime is secure, but increasingly fragile. The reluctance of reformist leaders to take their demands for change to the street, coupled with the willingness of conservatives to repress dissent, keeps the population disengaged and maintains stability.

- We are currently unable to identify a leader, organization, or issue capable of uniting the widespread desire for change into a coherent political movement that could challenge the regime.
- In addition, we see little indication of a loss of nerve among the opponents of reform, who have publicly argued in favor of using deadly force if necessary to crush the popular demand for greater freedom.

Although a crisis for the regime might come about were reformers to abandon the government or hardliners to initiate a broad suppression on leading advocates of change, the resulting disorder would do little to alleviate US concern over Iran's international behavior. Conservatives already control the more aggressive aspects of Iranian foreign policy, such as sponsoring violent opposition to Middle East peace.

- No Iranian government, regardless of its ideological leanings, is likely to willingly abandon WMD programs that are seen as guaranteeing Iran's security.

## **SOUTH ASIA**

On the Pakistan-India border, the underlying cause of tension is unchanged, even though India's recent military redeployment away from the border reduced the danger of imminent war. The cycles of tension between Indian and Pakistan are growing shorter. Pakistan continues to support groups that resist India's presence in Kashmir in an effort to bring India to the negotiating table. Indian frustration with continued terrorist attacks—most of which it attributes to Pakistan—causes New Delhi to reject any suggestion that it resume a dialogue with Islamabad.

- Without progress on resolving Indian-Pakistani differences, any dramatic provocation—like 2001's terrorist attack on the Indian parliament by Kashmir militants—runs a high risk of sparking another major military deployment.

I also told you last year, Mr. Chairman, that the military campaign in Afghanistan had made great progress but that the road ahead was full of challenges. This is no less true today. Given what Afghanistan was up against at this time last year, its advances are noteworthy, with impressive gains on the security, political, and reconstruction fronts.

- Milestones include establishing the Afghan Interim Authority, holding the Emergency Loya Jirga in June 2002 to elect a President and decide on the composition of the Afghan Transitional Authority (ATA), and establishing judicial, constitutional, and human rights commissions.
- The country is relatively stable, and Kabul is a safer place today than a year ago. The presence of coalition forces has provide security sufficient for aid organizations and NGO's to operate. Six battalions of what will be the Afghan National Army have been trained by the US and coalition partners to date.
- The Afghan Government also has made great strides in the reconstruction of the beleaguered economy. More than \$1 billion in foreign aid has helped repatriate Afghan refugees, re-opened schools, and repaired roads. The ATA introduced a new currency, and instituted trade and investment protocols.

That said, daunting, complex challenges lie ahead that include building institutional barriers against sliding back into anarchy. Opposition elements, such as Taliban remnants and Hezbi-Islami and al-Qa'ida fighters, remain a threat to the Afghan Government and to coalition forces in the eastern provinces. At the same time, criminal activity, such as banditry, and periodic factional fighting continue to undermine security. Sustained US and international focus is essential to continue the progress we and the Afghans have made.

- The Afghans will also have to decide politically contentious issues such as how the new constitution will address the role of Islam, the role sharia law will play in the legal system, and the structure of the next Afghan government. Other major hurdles include bringing local and regional tribal leaders into the national power structure.
- Several Bonn agreement deadlines are looming, including the convening of a constitutional Loya Jirga by December 2003 (within eighteen months of the establishment of the ATA) and holding free and fair elections of a representative national government no later than June 2004.
- And much effort is needed to improve the living standards of Afghan families, many of whom have no steady source of income and lack access to clean drinking water, health care facilities, and schools.

What must be avoided at all costs is allowing Afghanistan to return to the internecine fighting and lawlessness of the early 1990s, which would recreate conditions for the rise of another fanatical movement.

## TRANSNATIONAL THREATS

Mr. Chairman, I'd like to address now a range of key transnational issues that have an immediate bearing on America's national security and material well-being. They are complex, evolving, have far-reaching consequences.

Globalization—while a net plus for the global economy—is a profoundly disruptive force for governments to manage. China and India, for example, have substantially embraced it and retooled sectors to harness it to national ends, although in other countries it is an unsought reality that simply imposes itself on society. For example, many of the politically and economically rigid Arab countries are feeling many of globalization's stresses—especially on the cultural front—without reaping the economic benefits.

- Latin America's rising populism exemplifies the growing backlash against globalization in countries that are falling behind. Last year Brazil's President, "Lula" da Silva, campaigned and won on an expressly anti-globalization populist platform.
- UN figures point out that unemployment is particularly problematic in the Middle East and Africa, where 50 to 80 percent of those unemployed are younger than 25. Some of the world's poorest and often most politically unstable countries—including Afghanistan, Pakistan, Haiti, Iraq, Yemen, and several nations in Sub-Saharan Africa—are among the countries with the youngest populations in the world through 2020.

Among the most unfortunate worldwide are those infected with HIV. The HIV/AIDS pandemic continues unabated, and last year more than 3 million people died of AIDS-related causes. More than 40 million people are infected now, and Southern Africa has the greatest concentration of cases.

- That said, the Intelligence Community recently projected that by 2010, we may see as many as 100 million HIV-infected people outside Africa. China will have about 15 million cases and India will have 20 to 25 million—higher than estimated for any country in the world.
- The national security dimension of the virus is plain: it can undermine economic growth, exacerbate social tensions, diminish military preparedness, create huge social welfare costs, and further weaken already beleaguered states. And the virus respects no border.

But the global threat of infectious disease is broader than AIDS. In Sub-Saharan Africa the leading cause of death among the HIV-positive is tuberculosis. One-third of the globe has the tuberculosis bacillus. And at least 300 million cases of malaria occur each year, with more than a million deaths. About 90 percent of these are in Sub-Saharan Africa—and include an annual 5

percent of African children under the age of 5.

Mr. Chairman, the world community is at risk in a number of other ways.

- The 35 million refugees and internally displaced persons in need of humanitarian assistance are straining limited resources. Substantial aid requirements in southern Africa, the Horn of Africa, Afghanistan, and North Korea, plus expected needs this year in Iraq, Cote d'Ivoire, and elsewhere in Africa will add up to an unprecedented demand for food and other humanitarian assistance. Worldwide emergency assistance needs are likely to surpass the record \$8-10 billion donors provided last year for humanitarian emergencies.
- Food aid requirements this year will rise more sharply than other categories of humanitarian assistance, particularly in Sub-Saharan Africa, because of drought, instability, HIV/AIDS, and poor governance. Preliminary estimates put the total food aid needed to meet emergency appeals and long-term food aid commitments at about 12 million metric tons, 4 million tons greater than estimated aid supplies.

## **OTHER HOTSPOTS**

Mr. Chairman, Sub-Saharan Africa's chronic instability will demand US attention. Africa's lack of democratic institutionalization combined with its pervasive ethnic rifts and deep corruption render most of the 48 countries vulnerable to crises that can be costly in human lives and lost economic growth. In particular, the potential is high for Nigeria and Kenya to suffer setbacks in the next year.

- Growing ethnic and religious strife, rampant corruption, and a weak economy will test Nigeria's democracy before and after the April 2003 election. Its offshore oil areas provide 9 percent of US crude oil imports and are insulated from most unrest, but relations with Washington could rupture if yet another military regime assumes power in Nigeria during a domestic upheaval.
- After 24 years of President Moi's rule, the new president and ruling coalition in Kenya face many challenges, including preserving their shaky alliance while overhauling the constitution. Kenyans' severe economic woes and sky-high expectations for change do not bode well for the coalition's stability this year.

In addition, other failed or failing African states may lead to calls for the United States and other major aid donors to stabilize a range of desperate situations. In Zimbabwe, President Mugabe's mismanagement of the economy and clampdown on all political opposition may touch off serious unrest and refugee flows in coming months.

- Cote d'Ivoire is collapsing, and its crash will be felt throughout the region, where neighboring economies are at risk from the fall-off in trade and from refugees fleeing violence.



Regarding Latin America, Mr. Chairman, Colombian President Uribe is off to a good start but will need to show continued improvements in security to maintain public support and attract investment. He is implementing his broad national security strategy and moving aggressively on the counterdrug front—with increased aerial eradication and close cooperation on extradition. And the armed forces are gradually performing better against the FARC. Meanwhile, the legislature approved nearly all Uribe's measures to modernize the government and stabilize its finances.

- Although Uribe's public support is strong, satisfying high popular expectations for peace and prosperity will be challenging. Security and socioeconomic improvements are complex and expensive. And the drug trade will continue to thrive until Bogotá can exert control over its vast countryside.
- FARC insurgents are well-financed by drugs and kidnappings, and they are increasingly using terrorism against civilians and economic targets—as they demonstrated last weekend in a lethal urban attack—to wear away the new national will to fight back.

Venezuela—the third largest supplier of petroleum to the United States—remains in mid-crisis. The standoff between Hugo Chavez and the political opposition appears headed toward increased political violence despite the end of the general strike, which is still being honored by oil workers.

- Because many oil workers have returned to work, the government is gradually bringing some of the oil sector back on line. Nevertheless, a return to full pre-strike production levels remains months. Oil production through March will probably average less than 2 million barrels per day—one million barrels per day below pre-strike levels.
- Meanwhile, Chavez, focused on crippling longtime enemies in the opposition, states he will never resign and has balked at requests for early elections.

Finally, Mr. Chairman, after several years of modest progress toward normalization in the Balkans, the situation is beginning to deteriorate. Although we are unlikely to see a revival of large-scale fighting or ethnic cleansing, the development of democratic government and market economies in the region has slowed. Moreover, crime and corruption remain as major problems that are holding back progress.

- International peacekeeping forces led by NATO exert a stabilizing influence, but the levels of support provided by the international community are declining.
- The real danger, Mr. Chairman, is that the international community will lose interest in the Balkans. If so, the situation will deteriorate even further.

Thank you, Mr. Chairman. I welcome any questions you and the members of the Committee may have for me.

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