



## **ANNUAL THREAT ASSESSMENT**

**Statement Before the  
Senate Armed Services Committee  
United States Senate  
18 April 2013**

**Michael T Flynn, Lieutenant General, U.S. Army  
Director, Defense Intelligence Agency**

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

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

I will begin my testimony first with an assessment of Afghanistan, where the Department of Defense (DoD), the IC, DIA, and our coalition partners remain actively engaged supporting military operations against the threat of Al-Qa'ida and other anti-government of Afghanistan forces.

#### CONFLICT IN AFGHANISTAN

As the International Security Assistance Force (ISAF) continues the transition in *Afghanistan*, the Afghan government and the Afghan National Security Forces (ANSF) will seek to complete a Bilateral Security Agreement in 2013, assume full security lead for all of Afghanistan, and conduct presidential and provincial council elections in 2014.

The Afghan Army and Police have performed well over the course of 2012. Increasing independent and Afghan-led operations, along with joint operations with

ISAF, have countered insurgent influence in key urban centers in southern and eastern Afghanistan. Afghan Security Forces have proven more capable and better coordinated in responding to sustained high-profile attacks in Kabul, managing nationwide civil unrest, and have additionally improved their capability to secure roads and critical transportation corridors in the country's north. As an auxiliary to Afghanistan's formal security forces, the Afghan Local Police (ALP) have disrupted insurgent activity in rural areas that might otherwise lack central government security presence.

The Afghan National Army (ANA) and Afghan National Police (ANP) met their recruitment goals for 2012. Overall force generation also remains on track to support Afghan assumption of security lead for all of Afghanistan by 2014. Future recruiting figures are expected to fluctuate as recruiting requirements change to compensate for attrition. However, we expect the force to remain within authorized manning levels despite these fluctuations.

Operationally, the ANA has shown some improvement in capability and effectiveness, but require sustained mentoring and direct support from ISAF for combat enabling capabilities such as close air support; medical evacuation; intelligence, surveillance and reconnaissance; and counter-improvised explosive device (IED) expertise and technology. This reliance on ISAF for combat enabler functions limits the ANA's ability to independently project force outside of large urban areas and logistical hubs. Despite these limitations, the Afghan population continues to view the Army positively.

The Afghan Police are steadily improving although sustained improvements to their development and capability will rely on continued ISAF oversight, partnering, and support. ANP development challenges are further compounded by a difficult dual mission of simultaneously building law enforcement capability and serving as a paramilitary

backstop to the ANA. The Afghan Minister of Interior recognizes the strain this dual role places on the ANP's already limited capacity and has pledged to begin shifting the organization's focus toward the law enforcement mission. The Afghan population holds the ANP in lower regard than the Army, chiefly owing to perceptions of ineffectiveness and corruption.

An emerging trend of concern is the recent rise of insider attacks within the Afghan security forces, which accounted for 12 percent of U.S. military casualties in 2012. Perpetrator motivations are known in only about half the attacks, with causation roughly split between personal acrimony and insurgent influence. Although the Afghan government has begun implementing a counter-intelligence plan for reducing infiltration, many of the causes behind these incidents are expected to persist absent systematic improvements in the quality of leadership within the security forces.

Over the course of 2013, the Afghan government will face several pivotal issues. Negotiations over a Bilateral Security Agreement with the U.S. will likely increase tension over issues related to Afghan sovereignty such as the footprint and activities of U.S. forces post 2014. Technical and political preparations for the 2014 presidential election will begin in earnest, potentially distracting from other governance initiatives and reforms. Persistent human capital shortages and weak institutions will continue to limit the reach of the central government, impede service delivery, and erode the government's connection to the population. These challenges will be especially pronounced as Kabul struggles to extend its writ in heavily contested and geographically remote areas of Afghanistan which are expected to transition next year. Corruption at all levels of the government is expected to persist, despite President Karzai's renewed focus on reforms, as powerbrokers strengthen their patronage networks in anticipation of an uncertain future post-2014.

Regarding Iranian influence in Afghanistan, Iran maintains a degree of economic leverage over Afghanistan, which it has attempted to use to extract political concessions from the Afghan government. Iran is a key trade partner, providing critical imports of fuel to Afghanistan. Iran also hosts approximately three million Afghan refugees and, in May of last year, threatened their expulsion if the Afghan parliament approved the U.S.-Afghan Strategic Partnership Agreement. Although the threat was unsuccessful in deterring the Agreement, a mass deportation from Iran would cause a significant humanitarian crisis inside Afghanistan.

Al-Qa'ida leaders continue to view participation in attacks against the Coalition as a key element showcasing Al-Qa'ida as the leader of the global jihad. However, the group's operational capacity in Afghanistan is limited. There is a small Al-Qa'ida presence in the northeastern mountains in addition to pockets of Al-Qa'ida fighters elsewhere in the country. Despite recent Taliban statements distancing the Taliban from international terrorism, we expect Al-Qa'ida to continue its limited support to the Afghan insurgency and to use media statements to hail the pending 2014 drawdown as a victory for jihadists.

#### TRANSNATIONAL TERRORIST THREAT

Transnational and regional terrorist threat organizations continue to impact governments and U.S. interests around the world, particularly Al-Qa'ida and its associated groups.

#### AL-QA'IDA

Several years of sustained counterterrorism pressure have degraded *Al-Qa'ida's Pakistan-based leadership*. Al-Qa'ida is now forced to rely on a limited cadre of

experienced leaders, who are restricted to operating primarily inside a Haqqani Taliban Network-facilitated safehaven in North Waziristan. This pressure has made it difficult for Al-Qa'ida to replenish its senior ranks with the experienced leaders, trainers, and attack planners it was able to promote in previous years. It has also limited the group's ability to mount sophisticated, complex attacks in the West similar to the attempted 2006 transatlantic airliner plot.

Despite these setbacks, Al-Qa'ida retains the intent, though not the robust capability, to plan and conduct terrorist attacks against the West, including the United States. Al-Qa'ida's leadership in Pakistan continues to inspire and guide its regional nodes, allies, and like-minded extremists to engage in terrorism against the West. Looking ahead, only sustained counterterrorism pressure against Al-Qa'ida in Pakistan and Afghanistan will diminish the group's operational capabilities in the long term.

In addition, Pakistan-based Al-Qa'ida will retain its leadership role, guiding the Al-Qa'ida-associated movement over the next six to 12 months. Even if continued counterterrorism pressure further diminishes the leadership, the remaining Al-Qa'ida senior leaders will retain at least a symbolic leadership role through public statements and strategic guidance to regional nodes.

*Yemen-based Al-Qa'ida in the Arabian Peninsula (AQAP)* remains resolute in targeting the United States Homeland, as well as U.S. and Western interests in Yemen and the Arabian Peninsula. However, ongoing counterterrorism efforts against the group's leaders are likely slowing progress of operational coordination. Over the next six months, the group will likely focus on attacks against U.S., Western, Yemeni, and Saudi interests in the Arabian Peninsula while simultaneously pursuing external plotting in the West.

*Al-Qa'ida in Iraq (AQI)* exhibits resilience through its sustained ability to conduct periodic coordinated and complex attacks throughout Iraq. The group directs the majority of its propaganda and attacks against Iraqi government, security, and Shia civilian targets hoping to destabilize the government and inflame sectarian tensions. Since the departure of U.S. forces, AQI has exploited the more permissive security environment to increase its operations and presence in many locations. AQI also has expanded into Syria, participating in the conflict there under the name of al-Nusrah Front. Since mid-2011, AQI has dispatched personnel, money, and materiel from Iraq to support the formation and development of al-Nusrah Front, and in December the State Department designated al-Nusrah Front as an alias for AQI.

*Al-Qa'ida in the Lands of the Islamic Maghreb (AQIM)* and its allies have proven resilient despite the French-led military intervention in northern Mali. Although these groups no longer control key strategic towns, we continue to judge they retain the capability to launch attacks within Mali and neighboring countries. Exploiting the permissive Libyan security environment, AQIM acquired new weapons including probably a small number of Man-portable Air Defense Systems. Further, AQIM will likely continue to bolster its ties to al-Qa'ida-associated terrorist groups, such as Boko Haram in Nigeria, throughout the region to influence and support attack planning.

#### OTHER TERRORIST GROUPS / AREAS OF CONCERN

In the Horn of Africa, *Al-Shabaab* remains resilient despite the Somali government, African Union Mission in Somalia, and Ethiopian National Defense Force's coalition ability to maintain pressure on the group. Despite its loss of territory, al-Shabaab will continue asymmetric and terrorist attacks in Somalia and Kenya during

2013. Concurrently, al-Shabaab-associated foreign fighters are expected to increasingly plot attacks regionally.

*Iran* supports and arms terrorist and militant groups in Afghanistan, Iraq, Yemen, and the Levant. The Iranian Islamic Revolutionary Guard Corps – Qods Force (IRGC-QF) trains and provides weapons and logistic support to Lebanese Hizballah. In turn, Lebanese Hizballah trains Iraqi Shia insurgents and terrorists in Iraq, Iran, Lebanon providing them with tactics and technology which pose a threat to U.S. interests. Iran's security forces, since mid-2012 have also provided training, advice, money, weapons and equipment for Jaysh al Sha'bi a Syrian pro-regime militia. This training, some of which has taken place in Iran at government facilities, has enabled Jaysh al Sha'bi to operate rifles, mortars and rocket propelled grenades. The October, 2011 plot to assassinate the Saudi ambassador to the United States, the disrupted attacks in Azerbaijan, Thailand, and Kenya, and the February 13, 2012 attacks in India and Georgia illustrate the terrorist threat posed by Tehran.

Since 2011, terrorist and militia groups with ties to al-Qa'ida have been exploiting *Libya's* security environment to establish a permanent presence and target U.S. and Western interests, as demonstrated by the June 6 and September 11 attacks against the U.S. mission in Benghazi. Since the revolution, they have established training camps, acquired weapons, and strengthened and thickened networks to support attacks throughout the region.

*Southeast Asia (SEA)* remains a facilitation hub for transnational terrorist groups. Transnational and regional Islamic terrorists and insurgents exploit porous borders and limited security cooperation between SEA nations, enabling movement of personnel and logistics throughout the region. Although authorities have arrested several terrorists with



ties to al-Qa'ida, al-Qa'ida remains interested in maintaining links to associated networks and persistent efforts by al-Qa'ida to reestablish a foothold in SEA remain a long-term threat.

In *Latin America*, Iran and Lebanese Hizballah are trying to expand influence and have regional networks that support global contingency planning. The fall 2011 Iranian plot to use Mexico as an operational platform to assassinate the Saudi ambassador to the United States illustrates the potential Iranian terrorist threat in the Western Hemisphere. Hizballah supporters and sympathizers exploit lax financial laws, widespread corruption, and porous borders throughout the Western Hemisphere. These individuals focus on cultivating relationships through cultural and religious organizations; expanding political agendas; and overtly increasing international support from sympathetic governments, Shia communities, and Lebanese expatriates. Some of these sympathizers and supporters are also active in criminal enterprises in the region, to include money laundering, document forgery, and the drug trade.

In *Colombia*, the Revolutionary Armed Forces of Colombia (FARC) poses the most significant continuing threat to U.S. personnel and interests in 2013. The FARC considers U.S. personnel and interests in Colombia as legitimate targets, and U.S. personnel collocated with host nation forces remain at risk. Separately, the National Liberation Army (ELN) will maintain its current limited operational tempo in Colombia, but we believe the group will present no direct terrorist threat to U.S. personnel in 2013. Both groups derive a large portion of their operational funding from the drug trade, though the ELN is less of a trafficking threat than the FARC, which remains Colombia's largest drug trafficking organization, and other purely criminal groups.

HOMEGROWN VIOLENT EXTREMIST AND INSIDER THREATS

Homegrown violent extremists (HVEs) are a growing threat to the DoD, as evidenced by numerous disrupted plots targeting DoD facilities, installations, and personnel since 2009. The majority of HVE plots are unsophisticated, use readily available weapons, and target nearby facilities. While they are less likely to generate spectacular, mass casualty attacks than transnational terror groups, HVE attacks are considerably more difficult for law enforcement and intelligence agencies to detect and disrupt.

Since 2009 a small number of individuals working for or with access to DoD personnel and facilities have acted on behalf of or have been inspired by terrorist groups. We anticipate terrorist groups and sympathetic extremists will seek to establish relationships with individuals associated with DoD to collect information and conduct attacks both inside and outside of the United States. This is why our counterintelligence efforts to thwart these types of attacks must maintain a robust and ready component of our overall force posture.

CYBER THREAT

Potential adversaries are increasingly more capable of conducting cyber operations. The continually increasing transnational threat of a cyber attack remains of vital interest to the security of the United States.

As the U.S., the DoD, and our interdependent defense systems and critical infrastructure continue to grow more reliant on the convergence of networks and the Internet, any uncertainty as to how state or non-state actors will use cyber warfare capabilities will threaten our ability to appropriately defend our critical defense systems

and infrastructure, as well as our ability to plan for military responses. The recent Aramco attacks in Saudi Arabia as well as the distributed denial of service against U.S. financial institutions highlight developing challenges in this area.

Some of the most advanced cyber state actors probably will not launch a devastating cyber attack against the United States absent a military conflict or other existential threat within the next two years, however, continued cyber reconnaissance and exploitation from a myriad of cyber actors will continue.

Another significant global cyber development is the role the Internet plays in political stability and regime change, as governments are trying to increase their content control in cyber space; several nations are advocating control policies and restrictive internet governance. The Arab Spring and recent online releases from Syria underscore the interconnected nature of our global society and the ease by which developing events can be portrayed and disseminated in near real time, significantly challenging oppressive governmental authority.

## NATIONS AND REGIONS OF INTEREST

### IRAN

Shifting focus to *Iran*, Tehran poses a major threat to U.S. interests through its regional ambitions, support to terrorist and militant groups, and improving military capabilities and nuclear ambitions. Iran continues efforts to gain regional power by countering Western influence, expanding ties with its neighbors, and advocating Islamic solidarity while supporting and arming groups in Afghanistan, Iraq, and the Levant.

Iran has threatened to temporarily restrict commercial and military vessels from accessing the Strait of Hormuz if it is attacked or in response to further sanctions on its oil exports. Iran has also threatened to launch missiles against U.S. targets and our regional allies in response to an attack. Tehran could also employ its terrorist surrogates worldwide in response to an attack or provocation. However, it is unlikely to initiate or intentionally provoke a conflict or launch a preemptive attack.

In its relationship to Iraq, Iran generally has strong relations with Baghdad, despite some points of friction. Tehran supports Prime Minister Maliki and wants to maintain a friendly, Shia Islamist-led government in Baghdad. Iran welcomed the U.S. drawdown, and Supreme Leader Khamenei and senior Iranian military officials view the U.S. military withdrawal as a strategic defeat for the United States. Over the long-term, Iran is concerned a strong Iraq could once again emerge as a regional rival, particularly given unresolved issues such as border demarcation.

Iran is attempting to expand its influence with new regional governments that Tehran perceives to be allies of the U.S. Tehran also continues to build ties with groups it perceives to be hostile to U.S. interests, particularly the Huthis in Yemen. Iran is seriously concerned by the conflict in Syria, a country which is essential to Tehran's strategy in the Levant. Iran's strategy in Syria includes providing variety of lethal and non-lethal support to the Syrian regime, led predominately by the Qods Force.

Iran is making steady improvement to its military capabilities. The navy, in particular, is developing faster, more lethal surface vessels, growing its submarine force, expanding its cruise missile defense strategy, and increasing its presence in the Gulf of Oman, the Persian Gulf, and the Caspian Sea. The navy continues to conduct out of area deployments, to include near continuous counter-piracy operations in the Gulf of Aden

and southern Red Sea as well as a deployment to the Mediterranean Sea in early 2012, and aspires to travel as far as the Atlantic Ocean.

Iran can strike targets throughout the region and into Eastern Europe. In addition to its growing missile and rocket inventories, Iran is seeking to enhance lethality and effectiveness of existing systems with improvements in accuracy and warhead designs. Iran is developing an anti-ship ballistic missile called Khalij Fars, which could threaten maritime activity throughout the Persian Gulf and Strait of Hormuz. Iran's Simorgh space launch vehicle shows the country's intent to develop Intercontinental Ballistic Missile (ICBM) technology.

Iran constitutes the most significant counterintelligence threat in the mid-east. Iran's highest priority intelligence targets are the U.S., Israel and internal opposition groups. Iran's intelligence services, the Ministry of Intelligence and Security (MOIS) and IRGC-QF, target DoD interests throughout the world, most markedly in Iraq, Afghanistan, and Gulf Cooperation Council states.

Iran's intelligence services also play a vital role projecting Iranian influence beyond its borders. The Qods Force plays a central – yet often hidden – role in formulating and implementing Iran's Foreign Policy, particularly in areas considered vital to Iran's national security interests, like Iraq and Afghanistan. Iran's intelligence services continue to improve their technical capabilities and expand Iran's influence into Latin American and Africa.

NORTH KOREA

Turning to East Asia nations, the *Democratic People's Republic of Korea's* (DPRK) primary national goals are preserving its current system of government, improving its poor economy, and building national support for its current leader, Kim Jong Un. North Korea's leadership is emphasizing policy continuity under Kim Jong Un, including continued pursuit of nuclear and missile capabilities for strategic deterrence, international prestige, and to gain economic and political concessions.

Kim Jong Un is firmly in control of the DPRK and he has assumed all significant senior Party and military positions, including Supreme Commander of the Korean Peoples' Army, First Secretary of the Korea Workers' Party Secretariat, and First Chairman of the National Defense Commission. The younger Kim possesses a charisma that his father did not and is depicted as a caring but firm leader, much in the image of his grandfather, Kim Il Sung. Kim Jong Un has asserted his authority by replacing and reassigning senior officials and by strengthening Party control over the Military.

We believe North Korea sees benefit in negotiations with the United States, but is no longer willing to negotiate over eliminating its nuclear and ballistic missile programs. Convinced of its need to possess nuclear weapons as a guarantor of its national security, North Korea is more likely now to push for negotiations over security guarantees, a peace treaty, and elimination of economic sanctions. In the process, North Korea will likely seek international recognition as a nuclear power and acceptance of its right to a space program.

In response to United Nations Security Council condemnation of its December Taepo-Dong-2 space launch and apparent nuclear test in February, North Korea has threatened additional coercive actions which may include long range ballistic missile

launches and more nuclear tests. While these actions leave North Korea more isolated economically and diplomatically, we believe North Korea's intent ultimately is to convince the United States of the futility of continued sanctions and force the U.S. back to negotiations on terms more favorable to North Korea.

North Korea's large, forward-positioned military can attack South Korea with little or no warning, but it suffers from logistic shortages, aging equipment, and poor training. Pyongyang likely 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, but has improved its capability to conduct military provocations, especially along the disputed maritime boundary in the Yellow Sea. Pyongyang is also making efforts to upgrade conventional weapons, including modernizing every aspect of its deployed missile forces.

The regime is pursuing a uranium enrichment capability for nuclear weapons. It also seeks ballistic missiles with nuclear capability and continues to develop the Taepo-Dong-2, as well as a road mobile ICBM, which it paraded in April 2012. North Korea has already taken some initial steps towards fielding this mobile system. It also used its Taepo-Dong-2 launch vehicle to put a satellite in orbit, thus demonstrating its long-range missile technology.

North Korea conducted Global Positioning System (GPS) jamming in April-May 2012 that reportedly interfered with maritime and aviation navigation.

#### CHINA

Turning to *China*, the People's Liberation Army (PLA) is building a modern military capable of defending China's "core interests" of protecting territorial integrity (which includes Taiwan and other territorial and maritime claims around China's border),

preserving China's political system and ensuring sustainable economic and social development. Preparation for a Taiwan conflict with U.S. intervention remains the primary driver of the PLA's evolving force structure, weapons development, operational planning and training.

China has spent as much as \$215 billion on military-related goods and services in 2012, in contrast to the \$107 billion Beijing reported in its official military budget. This budget omits major categories, but it does show spending increases for domestic military production and programs to improve professionalism and the quality of life for military personnel.

Even as the Chinese military plans for conflict and continues its build-up across from Taiwan, cross-Strait relations have remained good following Taiwan President Ma Ying-jeou's January, 2012 re-election. Both sides continue to strengthen economic and cultural engagement and have largely adhered to a diplomatic truce in the competition to persuade other countries to switch diplomatic recognition.

Disputed areas in the East and South China Seas remain flashpoints, with Chinese assertion of sovereignty frustrating Japan's and Southeast Asian claimants' determination to exploit their claimed exclusive economic zones. The tensions raise prospects for further incidents, although interest by all sides in avoiding serious conflict reduces chances for an escalation involving military force.

China's ground force is seeking to restructure itself into a mechanized, modular force that can respond to support joint operations anywhere along China's borders. This goal is currently taking shape with an emphasis on building and outfitting brigades as the main operational unit while upgrading their command staff's know-how in information technology and automated command systems.



The PLA navy is developing the JIN-class nuclear-powered ballistic missile submarine and JL-2 submarine-launched ballistic missile, which may reach initial operational capability around 2014. China's investment in naval weapons primarily focuses on anti-air and anti-surface capabilities to achieve periodic and local sea and air superiority within the first island chain. China's first aircraft carrier, which commissioned in late 2012, will not reach its full potential until it acquires an operational fixed-wing air regiment in several years.

China's air force is transforming from a force oriented solely on territorial defense into one capable of both offshore offensive and defensive roles, including strike, air and missile defense, and early warning and reconnaissance. It is also seeking to improve its strategic projection by increasing its long-range transport and logistical capabilities. Modernization efforts include investing in stealth technology, as evidenced by testing of a fifth generation fighter prototype in 2011 and the roll-out and testing of a smaller fifth generation fighter in 2012.

China's nuclear arsenal currently consists of approximately 50-75 ICBMs, including the silo-based CSS-4 (DF-5); the solid-fueled, road-mobile CSS-10 Mods 1 and 2 (DF-31 and DF-31A); and the more limited range CSS-3 (DF-3). Of these systems, less than 50 can range the continental United States. To modernize the nuclear missile force, China is adding more survivable road-mobile systems, enhancing its silo-based systems, and developing a sea-based nuclear deterrent. They are also augmenting the over 1,200 conventional short-range ballistic missiles deployed opposite Taiwan with a limited but growing number of conventionally armed, medium-range ballistic missiles, including the DF-21D anti-ship ballistic missile. China is also developing a tiered ballistic missile defense system and has successfully tested the upper-tier capability on two occasions.

*China's* space program enhances China's conventional military capabilities. China operates satellites for communications, navigation, earth resources, weather, and intelligence, surveillance, and reconnaissance, in addition to manned space and space exploration missions. China successfully tested a direct ascent anti-satellite weapon (ASAT) missile in 2007, and is developing other counterspace capabilities.

China poses a significant intelligence threat as well. It uses non-traditional collectors with no overt ties to the Chinese Government as well as its formal intelligence services to gather U.S. defense information, target civilian dual-use research, and obtain sensitive U.S. military technologies. Economic espionage, illicit procurement, and the theft of trade secrets and dual-use or military technology have revealed pervasive Chinese collection efforts, resulting in multiple indictments and convictions.

### PAKISTAN

In *Pakistan*, tension in the U.S.-Pakistan relationship eased with the July, 2012 re-opening of the U.S./NATO supply lines in Pakistan after an eight-month closure and an apparent decision by Pakistan to reset the relationship. Although dialogue has resumed, anti-U.S. sentiment and criticism of Pakistan's cooperation with the U.S. among the population remains high.

Islamabad is currently focused on the upcoming spring 2013 elections, which would represent the first transition of a civilian government to another democratically elected civilian government. Pakistan's Army chief Kayani is also scheduled to retire from his post in late 2013.

Approximately one-third of Pakistan's army and paramilitary forces are deployed in the Federally Administered Tribal Areas (FATA) and Khyber Pakhtunkhwa Province (KPP) to support combat operations at any given time. Over the past year, Pakistan conducted efforts to counter militants in the FATA and KPP which directly threaten Pakistan's internal security. Despite some success disrupting Pakistan-focused militant activity, Pakistan continues to struggle to maintain security due to its continued counter-insurgency fight and the extremely difficult terrain. Islamabad has stated its intention to conduct large-scale military operations against militants in North Waziristan, although it is unclear when these operations will commence.

Pakistan has taken steps to improve bilateral ties with Kabul over the past year. Tension with Kabul increased after Kabul implicated Islamabad in the 2011 assassination of Afghanistan's High Peace Council Chairman Burhanuddin Rabbani. After bilateral relations resumed in February 2012, Pakistan acquiesced to long-time Afghan requests by publicly calling on the Taliban to join reconciliation efforts and releasing some Taliban prisoners to energize the Afghan peace process. However, long-standing issues including cross-border shelling by Pakistan and alleged Afghan safe havens for anti-Pakistan militant groups continue to impede broader cooperation.

Pakistan and India continue to no progress on economic and trade issues, despite deeply held mistrust, but little progress has been made on territorial issues. A major terrorist attack against India linked to Pakistan, would result in renewed tension and potential for escalation.

## INDIA

While the *India*-Pakistan rivalry continues to overlay regional and military competition between the two nations, relations between New Delhi and Islamabad

improved in 2012. India and Pakistan agreed to expand trade, and continue to discuss implementation of Pakistan's decision to grant India Most Favored Nation trade status. They are expected to continue holding talks on nuclear and conventional confidence-building measures through the year.

New Delhi and Beijing continue to conduct military-to-military engagement and discuss their longstanding border dispute. India is concerned over Chinese logistical improvements and is taking steps to improve its own capabilities. India is raising additional ground forces, improving logistical capacity, and has based advanced fighter aircraft opposite China. India remains concerned over China's activity in South Asia and the Indian Ocean region, and seeks to ensure access to resources and maritime trade routes.

In 2012, India expanded its efforts to increase regional economic and military ties. India and Japan conducted their first bilateral naval exercise, and India and Vietnam increased their naval engagement. Additionally, in the summer of 2012 India requested full membership in the Shanghai Cooperation Organization (SCO), the focus of which now includes military cooperation, intelligence sharing, and counterterrorism.

India seeks a moderate government in Afghanistan that will deny anti-Indian militant groups the use of its territory from which to launch attacks on India. New Delhi has pledged economic and development assistance and provides limited training to Afghan National Security Force personnel at military institutions in India.

India is in the midst of a major military modernization effort – undertaken by all three military services – to address problems with its aging equipment and to posture itself to defend against Pakistan and to a lesser extent China. Military modernization is progressing slowly due to India's bureaucratic procurement process and a defense

industry, which fails to provide equipment to the services that meet requirements. Currently, India fulfills over 70 percent of its military service equipment requirements through foreign acquisitions; New Delhi would like to reverse this percentage, sourcing 70 percent of requirements from indigenous defense industries.

India conducts periodic tests of its nuclear-capable missiles to enhance and verify missile reliability and capabilities. India's delivery systems include nuclear-capable fighter aircraft and ballistic missiles. India is developing a nuclear-capable 6,000 km range intercontinental ballistic missile that will eventually carry multiple warheads. Its first flight test occurred in April, 2012 with a single warhead.

### ARAB SPRING

The *Arab Spring* unleashed powerful new populist forces in the Arab world – long suppressed by autocratic regimes – leading to a high degree of uncertainty. With the formation of new governments only now beginning across North Africa, the political and security outcomes remain unclear. Various forms of Islam will play more prominent roles in governments than in the past. However, new governments face the same significant economic challenges that hastened their predecessors' downfall, suggesting that these governments will struggle to satisfy newly emboldened electorates, making future unrest likely.

The outcome in countries still facing unrest, such as Syria, is similarly unclear. Syria remains a stalemate between a cohesive, but embattled regime, and a fractured opposition that appears to be gaining ground but has yet to either coalesce into a force capable of overthrowing the regime or convince the majority of the population they are a

viable alternative. The regime has lost enough legitimacy that its long term survival is unlikely, but when and how the stalemate will break is uncertain.

## LIBYA

The first free elections in over 40 years took place in *Libya* on July 7, 2012. Moderate parties with pro-Western leanings outperformed Islamists, but the ideological character of the interim government remains unclear. This government will write a new constitution and form a permanent government over the next year. It also faces issues left unresolved by its predecessor, including reintegrating militias, rebuilding security institutions, and allocating resources, including oil and fresh water.

Libya's national military has minimal capabilities following the revolution. The Government therefore relies on affiliated militias to help maintain order, but the continued existence of heavily armed militias established along ethnic, tribal and religious lines threatens stability. Attempts are under way to rein in these militias, mainly by absorption into an organization called Libya Shield under the Army Chief of Staff.

Libya, a State Party to the Chemical Weapons Convention (CWC) in February, 2004, previously declared a stockpile of bulk liquid sulfur mustard, jellified mustard heel, and liquid precursors. An equipment malfunction required a suspension of destruction activities in early February, 2011, just before the outbreak of hostilities. Libyan forces also discovered additional chemical weapons or material in Libya and the government has indicated that it intends to continue cooperation with the international community regarding existing CW stockpiles. Tripoli is consulting regularly with the Organization for the Prohibition of Chemical Weapons (OPCW) regarding resumption of destruction activities and will probably complete destruction of the stockpiles.

SYRIA

After two years of unrest, *Syrian* President Asad's hold on power is becoming tenuous, due to the improved effectiveness of Syria's internal armed opposition and deteriorating security situation in the country. Asad's inner circle appears to be largely cohesive. The Syrian military, despite casualties, desertions and defections, remains largely cohesive, but is likely stretched thin by constant operations. The military has not been able to quash opposition activity in the vital cities of Damascus and Aleppo – despite employing increasingly lethal tactics – and appears to be straining to maintain operations in other parts of the country.

The Syrian regime maintains the military advantage – particularly in firepower and air superiority – but continues to struggle with defections, morale problems, and an overall inability to decisively defeat the opposition. Opposition fighters have gained control of territory in the east and along the strategic northern border with Turkey, which serves as the insurgents' primary supply line. Coordination has improved among some internal armed opposition groups; however, ties with external groups, including nominal Free Syrian Army (FSA) leaders in Turkey, are increasingly strained.

Syria's most prominent external political opposition group, the Syrian Opposition Coalition (SOC), is attempting to gain internal legitimacy, but no group has been able to unite the diverse groups behind a strategy for replacing the regime. Regional pressure has increased as the Arab League (AL) continues calling on the regime to end violence while other states provide increased amounts of lethal and non-lethal support to opposition forces.

Damascus continues its strategic partnership with Hizballah and perceives it as an extension of its defense against Israel and internal opposition. Since early 2011, Hizballah has provided training, advice, and extensive logistic support to the Syrian government and its supporters. Hizballah has directly trained Syrian government personnel inside Syria and has facilitated IRGC-QF training of some Syrian forces. Hizballah also has played a substantial role in efforts to expel Syrian opposition forces from areas within Syria. Iran also has actively supported the Syrian regime in its fight against the opposition.

Syria, not a state party to the CWC, maintains an advanced Chemical Weapons (CW) program and has a stockpile that includes either complete or binary components of sarin, mustard, and VX. During the past several years, Damascus has continued to seek CW-related precursors and technology from foreign sources. Syria has signed, but did not ratify the Biological Weapons (BW) Convention. We do not believe Syria has achieved a capability to use biological agents as effective mass-casualty weapons. We also remain concerned terrorists, including al-Qa'ida in Iraq's Syria-based group al-Nusrah Front, will seek to obtain Syrian Weapons of Mass Destruction (WMD) should security fail in the wake of the unrest, as Al-Qa'ida and its regional node Al-Qa'ida in Iraq have aspired to obtain WMD in the past.

Syria has several hundred SCUD-B, -C, and -D, and SS-21 SRBMs and may have chemical warheads available for a portion of its SCUD missiles. Syria also has a domestic version of the Iranian 600 mm Fateh-110 SRBM. All of Syria's missiles are mobile and can reach much of Israel and large portions of Iraq, Jordan, and Turkey from launch sites well within the country. Damascus relies on foreign help, mainly from Iran, to advance its solid-propellant rocket and missile development and production capability.



Syria's liquid-propellant missile program depends on essential foreign equipment and assistance, primarily from North Korean entities.

## EGYPT

Turning to *Egypt*, civil-military relations are in flux after President Mohamed Mursi – the Muslim Brotherhood's Freedom and Justice (FJP) candidate elected in June – retired Egypt's military leadership. The military is now under the leadership of Defense Minister General 'Abd al-Fatah el-Sisi, who appears responsive to Mursi. Islamist/secular tension remains high following the referendum that approved Egypt's new constitution. President Mursi's November 22 declaration expanded his executive powers and removed the majority of judicial oversight of the president; the subsequent and ongoing violent protests throughout the country underscore the growing divide within Egyptian society over the future of the revolution. Domestic security and terrorist threats, especially in the Sinai, continue to challenge the government as it concurrently focuses resources on reforming the Ministry of Interior and tackling Egypt's economic crisis.

Domestic security remains a challenge for the Mursi government, as the police are alienated from the public following their role in tamping down protests during the 2011 revolution. Nearly two years following the revolution, the military continues to fulfill some domestic security functions as police and security forces attempt to regain their capabilities and legitimacy. For example, Egyptian security forces struggled to control protests at the U.S. Embassy in Cairo in mid-September, resulting in perimeter breaches. Meanwhile, the Sinai security situation continues to deteriorate and terrorist networks build their capabilities amid the security vacuum.

REMAINING LEVANT

In *Israel*, there is increasing concern that regional instability will increase threats and undermine long-standing peace agreements. Israel and *Jordan* are particularly concerned about the prospects for chaos and long-term instability in Syria. The primary worry is the security of Syria's chemical and biological weapons, but Jordan's fragile economy is stressed by a growing number of Syrian refugees and the need for military vigilance on its border with Syria. Unrest in Syria has heightened sectarian tensions in *Lebanon* and sporadic violence is likely in the coming year, especially as the spring parliamentary elections approach. Israel-Egypt military relationships are intact, despite increasing tension at senior levels over the past several months related to increased weapons smuggling and terrorism from Sinai.

The Gaza Strip, since the mid-November conflict, has been the quietest it has been for years, with virtually no rocket or mortar attacks on Israel. HAMAS remains preoccupied with internal Palestinian issues but is attempting to obtain more advanced weapons from Iran and Libya. The Palestinian Popular Resistance Committees and al-Qa'ida-associated terrorists are exploiting the post-revolutionary environment in the Sinai to expand their operational capabilities. Increased international cooperation against HAMAS and Iranian arms smuggling could hamper HAMAS' access to weapons, but will not affect its ability to control the Gaza Strip.

Hizballah is focused on internal Lebanese political issues and improving its paramilitary capabilities. Israel and Hizballah are preparing for another round of fighting, but Hizballah currently appears to have no interest in renewing the conflict. Hizballah's attack against an Israeli tour bus in Bulgaria on July 18, which killed five Israelis, reflects the group's aggressive posture and ability to maintain plausible deniability. Israel's next

battle with Hizballah is likely to involve more ground forces early in the conflict and may extend much deeper into Lebanon.

### IRAQ

Since formally ending the *Iraq* mission in December, 2011, the Iraqi Security Forces (ISF) have demonstrated progress in providing security and will probably be able to maintain internal security over the next year. While sectarian tensions have increased due to the government's unwillingness to share power and the growing crisis in Syria, the violence in Iraq is expected to remain consistent with levels observed since late 2009 as long as the Syrian regime stays in power and the spillover of violence is limited. The ISF is becoming more capable having led Iraqi security operations since late 2010, but can quickly become overwhelmed as they still require training and assistance in a number of areas including logistics, intelligence, and employment of newly acquired equipment. The ISF have demonstrated an ability to put forces on the street, conduct static security of high-profile sites, and operate checkpoints. However, numerous security vulnerabilities remain due to manning shortages, logistical shortfalls, and overly centralized command and control. The ISF are still unable to defend against external threats especially from the air, having no ability to defend their airspace.

Although Interior Ministry police forces have taken the lead for internal security in some locations, they are not prepared to take overall responsibility from the Iraqi Army. Outside of select Iraqi counterterrorism units, Iraqi police forces are understaffed, ill-equipped, and vulnerable to terrorist attack, infiltration, and corruption.

Iraq's Sunni population is increasingly distraught over its fortunes in Iraq and continued targeting by the Shia-led government in Baghdad. The arrest of Sunni Finance

Minister Rafi al-Issawi's security team only a year after a similar action against former Sunni Vice President Tariq al-Hashimi set off large-scale demonstrations in Iraq's three major Sunni provinces. Although the demonstrations thus far have been mostly peaceful, if Sunnis do not see progress through the political process or concessions from the Iraqi government, some may seek change through force rather than the ballot box.

Sunni insurgent groups will remain persistent security challenges for the Iraqi government and remaining U.S. personnel, but they are unlikely to threaten the existence of the Iraqi government over the next year. Nationalist insurgent Sunni groups have downsize as members motivated by opposition to the U.S. presence have ceased operations and moved to support Sunni groups in Syria, however a core of fighters remain committed to attacking the Iraqi government. Additionally former Sunni insurgent, tribal, and political leaders are uniting under a peaceful movement that some have labeled the "Sunni Spring" in a bid to secure more political power from Baghdad. While the Sunni movement is peaceful now, it could quickly spiral into violent movement if the ISF overreacts, the Sunnis fail to gain concessions from Baghdad, or the Sunnis begin to fracture into move violent groups. While Shia armed groups have not conducted attacks this year, likely because they perceive attacks against the U.S. are not currently in their interest – however, they remain capable of resuming violence and are preparing for any spill over of violence from Syria that could embolden a renewed Sunni insurgency.

Iraq recently has pursued numerous foreign military sales contracts to overcome equipment shortfalls. However, we expect it will take several years for the new acquisitions to improve Iraqi military capabilities. In October, 2012, Iraq negotiated preliminary arms deals worth over \$4 billion with Russia that included attack helicopters and air defense systems, they will probably sign those contracts in 2013.

Iraq will attempt to balance its relationship with the Sunni Arab states, Iran, Turkey, and the U.S. over the coming year. Iraq advocates a negotiated transition for the Syrian government to restore stability and prevent a spillover of violence in Iraq. Iran will continue to broaden its diplomatic, security and economic ties with Iraq while Sunni Arab states will remain suspicious of Baghdad's Shia-led government and its ties to Tehran. We expect Baghdad will support policies Iraqi leaders perceive are consistent with their strategic goal of ensuring a stable, Shia-dominated Iraq.

### ARABIAN GULF

The security situation throughout *Yemen* remains tenuous, with government security forces focused either on providing security in Sanaa or working to counter AQAP. Iranian meddling in Yemen's domestic affairs – including support to the Huthi movement in the North and secessionists in the South – presents an additional security risk. The political transition and military reorganization are positive improvements, but both are proceeding extremely slowly. Yemen's failing economy, dwindling water resources, and food insecurity will further complicate efforts to stabilize the country.

*Bahrain* and *Saudi Arabia* continue to experience opposition protests, however they do not pose existential threats to the regimes. In Bahrain, low-level street violence has become the norm, with radical youth groups regularly using Molotov cocktails, IEDs and other homemade weapons to attack police patrols. There were a number of violent clashes and protests in Bahrain leading up to February 14<sup>th</sup>, the two-year anniversary of the Shia uprising; however, Bahraini security forces consistently use less-than-lethal measures to disperse these protests. Shia in Saudi Arabia's Eastern Province also conduct

sporadic protests. While the Saudi government has generally practiced restraint, a few Shia have died during clashes.

## RUSSIA

Moscow has serious concerns about missile defense plans in Europe and is using diplomacy and public relations to try to shape implementation of the European Phased Adaptive Approach - the U.S. contribution to a North Atlantic Treaty Organization missile defense system. Moscow insists on legal guarantees that missile defense systems would not target Russia's strategic capabilities. Russian leaders have threatened to take military countermeasures if the impasse in missile defense negotiations persists.

Russia continues to cooperate in Afghanistan with the United States and NATO. Russia's Afghanistan policy reflects an uneasy balance between Moscow's wish for stability in Afghanistan and its suspicion that Washington is pursuing anti-Russian geopolitical objectives in Central Asia. With the drawdown of U.S. forces set for 2014, Russia is increasingly worried about security threats flowing from Afghanistan. Moscow will likely continue to allow supplies to pass through Russia, but will resist a long-term U.S. military presence in Central Asia. Russia also will likely reach out to countries in the region, such as Pakistan, in an attempt to shape the security environment leading up to and after the planned withdrawal.

Moscow's ten-year rearmament plan is a top priority for the armed forces, but it faces funding and implementation risks owing in part to a potential decline in oil and gas revenues, spending inefficiencies, an aging industrial base, and corruption. Russia spent an announced \$63.2 billion on its armed forces this year, and the current budget plan calls for a 9.8 percent inflation-adjusted increase in 2013. Multiple demands on the Russia budget, including President Putin's insistence the current budget fund his social spending

decreases, have caused the defense budget to grow at a slower pace than Moscow originally intended.

The general purpose forces -to include dual-use nonstrategic nuclear forces- will continue to acquire new equipment for the near-term, but deliveries will be small and largely consist of modernized Soviet-era weapons. Russia is also planning to buy select foreign systems, such as France's Mistral amphibious assault ship and Italian light armored vehicles. Russia will field more SS-26 short-range ballistic missiles. The development of the PAK-FA, Russia's new fifth-generation fighter, will continue, though deployment will not occur for several years.

Priorities for the strategic nuclear forces include force modernization and underground command and control facilities upgrades. Russia will field more road-mobile SS-27 Mod-2 ICBMs with multiple independently targetable reentry vehicles. It also will continue development of the Dolgorukiy/SS-NX-32 Bulava fleet ballistic missile submarine/submarine-launched ballistic missile and next-generation air-launched cruise missiles.

Russia recognizes the strategic value of space. Russia has significant space capabilities and is improving its navigation, communications, ballistic missile launch detection, and intelligence-gathering satellites. Russia is also researching and developing capabilities that could target satellites.

Russia's space sector has experienced a series of failures in recent years but is taking steps to correct quality control problems within its satellite and space launch vehicle industries. In the past year, Russia completed population of its GLONASS navigation satellite constellation and is making gradual improvements to its communications, ballistic missile launch detection, and intelligence-gathering satellites.

Moscow has extensive space surveillance and tracking assets, a prerequisite for performing a full range of space activities, and is on track to modernize and expand these capabilities by 2020.

Russia continues to destroy chemical agent stockpiles in accordance with the CWC, although continued funding shortfalls, safety incidents, and technical challenges will delay completion by several years past its announced date of December 31, 2015. Russian entities remain engaged in some dual-use, biological activities. It is unclear whether these activities are inconsistent with the BWC.

### AFRICA

*Africa* faces a myriad of challenges that will require continued U.S. attention. Although slight progress in Somalia has been gradual, resulting from territorial gains by nascent government forces supported by the African Union and Ethiopia, governments in the Sahel and West Africa are stressed by instability and insufficient government control, conditions that encourage the growth of terrorism. Mali, in particular, was plunged into turmoil after a northern insurgency begun in early 2012 seized control of the country's north; a decline in government influence that was exacerbated by a March, 2012 coup. In the weeks following a January, 2013 French-led intervention in Mali, extremist forces have been driven from main northern population centers; however, Malian security capacity and governance remain weak, and the country is likely to remain dependent on external support to consolidate security gains and facilitate the return of a democratically-elected government in Bamako. Instability persists in Africa's Great Lakes Region, where proxy militia forces threaten stability within border areas of the Democratic Republic of the Congo, Rwanda, South Sudan, and Uganda. The most notorious, the Lord's Resistance Army, has been pursued by a regional coalition that relies on U.S.



support. Longstanding Chinese influence and growing Iranian involvement pose additional challenges to U.S. interests.

### LATIN AMERICA

Turning to *Latin America*, *Mexico* elected Enrique Pena Nieto from the opposition Institutional Revolutionary Party. He is expected to build upon former President Felipe Calderon's security efforts; his strategy will be to mitigate transnational organized crime and violence by designing security policies to reduce kidnapping, homicides, and extortion, in addition to conducting anti-cartel operations. Pena Nieto's proposals include nationwide police reform, strengthening judicial institutions, and enhancing bilateral relationship with the United States based not only on security issues, but also on increasing trade, commerce, and economic relations. Pena Nieto will continue Calderon's policy of using the military as the lead public security element to combat drug trafficking and violence until the police are able to adequately assume the responsibilities.

As of February, 2013, security forces – the Army, Navy and police – had captured or killed 23 of Mexico's 37 most wanted traffickers in operations since March, 2009, causing cartels to fracture, but also spurring violence in key areas. Two other were killed in internal purges. Approximately 60,000 people have died in drug-related violence since Calderon took office in December, 2006; however, 2012 experienced the first yearly decrease in drug murders during his administration.

The proliferation of drug cartels and violence in *Central America* is prompting leaders in countries such as Honduras and Guatemala to continue to use the military to combat drug trafficking and perform traditional law enforcement functions.

*Venezuela* peacefully transitioned to an interim government in the aftermath of President Hugo Chavez's death on 5 March. Acting President Nicolas Maduro – Chavez's designated successor – narrowly won the April 14 special presidential election. The opposition has refused to concede and called for a full recount. Election day mostly was peaceful and the military safeguarded the voting, a duty it has performed since 1958. The military continues to modernize and will receive additional Chinese and Russian equipment deliveries; Caracas took possession of two Chinese medium transport aircraft in November and Russian surface-to-air missile systems in April.

*Brazil* postponed its decision on the purchase of a new fighter aircraft and likely will choose the aircraft that offers the most favorable technology transfer package that it can utilize in its own defense industry. A decision is likely no earlier than June, 2013.

In *Cuba*, President Raul Castro's reform efforts, including his recent announcement to step down upon completion of his term in 2018, are unlikely to loosen the regime's grip on power. The government continues to exert control of the populace through a security apparatus that is capable of maintaining and quelling internal unrest. The Cuban intelligence services have proven very capable of penetrating key U.S. and DoD targets, and will remain a major threat for the foreseeable future. Despite Havana's recent relaxation on migration rules, a mass migration from Cuba is unlikely.

OTHER TRANSNATIONAL ISSUES OF CONCERNWMD AND DELIVERY SYSTEM PROLIFERATION

The *proliferation* and potential for use of *WMD* and ballistic missiles remains a grave and enduring threat. Securing nuclear weapons and materials is a worldwide imperative to prevent accidents and the potential diversion of fissile or radiological materials. Chemical and biological weapons are becoming more technically sophisticated as technology proliferates. Al-Qa'ida and other terrorist organizations are working to acquire and employ chemical, biological, and nuclear materials. They are most likely to use low-level Chemical, Biological, Radiological, or Nuclear (CBRN) agents, such as ricin, botulinum toxin, radiological dispersal devices, and toxic industrial chemicals like cyanide and chlorine as low cost alternatives.

We are concerned about the potential for terrorists to acquire Syrian WMD materials. While Syria's chemical and biological weapons stockpiles are currently under the control of the regime, al-Qa'ida and its regional node, al-Qa'ida in Iraq, could seek to obtain Syrian stockpiles should security fail.

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

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

### THEATER BALLISTIC MISSILES

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

### GLOBAL NARCOTICS

The multi-billion dollar *global narcotics trade* is a major and growing source of crime, violence, and political instability in Latin America, Europe, Africa, and Asia undermining the rule of law, sapping legitimate economic development, and inflicting high socio-economic costs. The production and trafficking of the two drugs most associated with conflict, insurgency, and insecurity are cocaine and heroin. The total retail market value of these two drugs alone exceeds \$150 billion while the overall value of the global illicit drug market is over \$320 billion. Traffickers often bribe officials and

buy military-grade weapons and sophisticated communications equipment that give them state-like intelligence and security capabilities. As drug consumption expands in the developing world, anti-government groups will increasingly exploit growing drug market opportunities to supplement other sources of funding.

### FOREIGN INTELLIGENCE THREATS

In addition to the transnational threats discussed above, the U.S. and DoD face a persistent and significant *intelligence threat* posed by numerous countries and a few sub-national actors. Effective counterintelligence is a significant priority for the DIA, the military services, other defense agencies, and the DoD. Foreign intelligence services conduct a wide range of intelligence activities to degrade our national security interests worldwide. They target our armed forces, our military and commercial research, development and acquisition activities, our national intelligence system, and our government's perceptions and decision processes. A few transnational terrorist groups have developed their own intelligence collection and counterintelligence capabilities. An emerging threat that concerns the department involves the potential for compromise of our supply chain by inserting malicious code into or otherwise corrupting key components bound for important warfighting systems.

### HARD, DEEP, BURIED TARGETS/UNDERGROUND FACILITIES

The use of *underground facilities* (UGFs) to conceal and protect critical military and civilian assets and functions is widespread and expanding. China, North Korea, Iran, Syria, Russia, Pakistan, and Lebanese Hezbollah have active underground programs. UGFs conceal and increase the survivability of strategic command and control, leadership protection and relocation, military research and development, industrial production, and strategic military assets. A significant trend of concern is the basing of ballistic and cruise

missiles and other systems designed for anti-access/area denial weapons directly within UGFs.

In addition, Russia, China, Iran, and North Korea operate national-level military denial and deception programs. These programs are designed to counter U.S. technical reconnaissance, conceal military research and development, misrepresent major weapon systems and capabilities designed for use against the United States or U.S. allies, and degrade U.S. kinetic targeting. These four countries, and others, plan and execute military denial and deception based on knowledge of U.S. reconnaissance capabilities and intelligence sources and methods derived from espionage, space surveillance, unauthorized disclosures and open source materials.

#### ADVANCED CONVENTIONAL MUNITION PROLIFERATION

Another transnational military issue is the proliferation of *advanced conventional weapons*, especially air defense systems and anti-ship cruise missiles. We remain concerned especially with Russia's exports of these arms, including the SA-17, SA-22 and SA-20 surface-to-air missile systems, as well as the supersonic Yakhont anti-ship cruise missile. Russia has exported several of these systems to countries of concern, including the SA-17 to Venezuela, and the SA-17, SA-22 and Yakhont to Syria. The 300-km range Yakhont poses a major threat to naval operations particularly in the eastern Mediterranean. In terms of weapons in development, Russia continues testing the Club-K cruise missile system, a family of weapons deployed inside standardized shipping containers similar to those found on merchant vessels, freight rail trains and road vehicles. The covert nature of this weapon would render identifying threat platforms very difficult and reduce warning of an attack.

GLOBAL HEALTH SECURITY

Our ability to mitigate and control *health threats* before they impact U.S. interests relies on early warning, despite the absence of precise indicators of when and where new diseases will emerge or chemical incidents will occur. In less well-governed regions, naturally occurring disease-causing organisms and insecure chemical stockpiles present low-cost, low-risk, low-complexity alternatives for non-state actor acquisition, vice obtaining such agents from secured facilities.

Less than fully transparent foreign government vulnerabilities in health preparedness, consequence management, and resilience impact U.S. national security interests through second-, third-, and fourth-order effects, during natural disasters, worldwide events such as the Olympics and G8 Summits, and catastrophic human disease outbreaks.

Governments utilize health care delivery to advance diplomatic intentions abroad. Non-state actors and extremists take advantage of governments' inability to meet the needs of their populations by providing health services to increase influence, internally and internationally.

POTENTIAL FOR STRATEGIC SURPRISE (WARNING)

The enduring impact of the Arab Spring, the ongoing turmoil in Syria, persistent territorial disputes globally, and emerging challenges underscore the need for effective *strategic warning* and long-range foresight to prevent strategic surprise.

Strategic problems such as proliferation of weapons of mass destruction, state-on-state conflict, instability, resource scarcity, and terrorism remain at the forefront of U.S. warning concerns. However, strategic surprise, not only as a goal of the deliberate deception efforts by our adversaries, but now also often stemming from human and social dynamics – those small and varied interactions with seemingly no immediate relevance to the DoD – can rapidly evolve and radically alter U.S. policy. To uncover these challenges DIA, in partnership with the IC and combatant commands, monitors the interactions between military, political, technological, economic, and social developments. We place the events in the context of history, culture, religion, and physical and human geography. Our ability to understand these interactions provides decision-advantage in the face of unforeseen events to anticipate surprise.

Technological change has the potential to create surprise. Less-developed countries and non-state actors may surge with innovative capabilities that could challenge or counter some U.S. military capabilities. Proliferation of advanced technology and the rapid improvements in commercial off-the-shelf technology will aid development of new commercially enabled asymmetric threats. Improvements in communications will speed the proliferation of advanced and commercially available technologies.

#### INVESTMENT STRATEGY for S&TI ANALYSIS and COLLECTION

Scientific and Technical Intelligence (S&TI) is foundational to all aspects of DIA's mission. DIA's efforts in the area of S&TI are intended to anticipate development of foreign advanced weapons, provide characteristics and performance of foreign systems, deliver onboard intelligence mission data to maximize the effectiveness of our military systems, characterize advances in denial and deception, and generate warning of the disruptive use of existing and emerging technologies by both state and non-actors. In recent years we have noted, for example, the appearance of sophisticated threats to our



naval forces, efforts to counter our advantages in precision guidance and low-observable systems and the ability of terrorist groups and insurgents to rapidly adapt improvised explosive devices to newly introduced countermeasures. We have also seen the appearance on the horizon of technologies such as quantum computing or electromagnetic weapons that may eventually pose a threat to our information security, computer capabilities, and communications backbone.

In order to meet these challenges DIA, as the functional manager for all-source analysis within the Defense Intelligence Enterprise, has undertaken several initiatives intended to increase the effectiveness and efficiency of DIA and Defense Intelligence Enterprise S&TI efforts. The Defense Technology and Long-Range Analysis Office (formerly the Defense Warning Office) established the Defense Intelligence Disruptive Technologies Analysis Committee (DIDTAC). Since its origin, the DIDTAC has refined collaborative procedures for tasking and synchronization, is being integrated into an advanced Warning construct, and is addressing a complex analytic issue associated with autonomy and autonomous systems. We have also launched a Technology Targeting capability to identify methods that key U.S. defense technology is being acquired by foreign countries. DIA has established an S&TI framework to better support the needs of the acquisition, policy, and war-fighter communities. As part of this framework, we have established the Defense Intelligence Officer for S&TI to integrate intelligence functions (collection, analysis, international partnerships, etc.) across the Defense Intelligence Enterprise. In addition, through the S&TI framework we are working towards better integration of the DoD and National Laboratories to better leverage U.S. capabilities.

### CONCLUSION

Today's focus on combat operations against insurgents and transnational terrorists does not preclude the potential that other threats will come to the fore, including conflicts

17 April 2013

among major countries that could intersect vital U.S. interests. Defense intelligence must be able to provide timely and actionable intelligence across the entire threat spectrum.

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

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

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