

TRANSCRIPT

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Q: Reading some of your testimony of about a month ago I saw that you said that one of the important parts of [inaudible] is [inaudible] trying to eliminate safe havens [inaudible] terrorist organizations. It looks at the moment that rather than shrinking those areas might actually be growing [inaudible] happening with the Taliban and in Afghanistan and Pakistan, what's happening in Hezbollah. [Inaudible] a counter trend to that might be what's going on in Southern Lebanon. Israel [inaudible] concerted effort to [inaudible].

Could you talk to us a little bit about your assessment of what's going on right there at the moment, what success Israel might be having in dealing with Hezbollah. Are they succeeding? Are they onto a brick wall? What's your assessment? And what's the implication of what's going on there for the wider counter-terrorism [inaudible]?

A: We could take the whole hour to talk about that. Let me make a general comment first about Southern Lebanon.

I think if you look at the objectives, this global counter-terrorism effort really is analogous to global counter-insurgency. If you look at three key theories, one is [inaudible] leadership, one is safe haven, and then of course [inaudible] that can be exploited. Safe havens [inaudible], that's usually where you find the leadership and it's also where the conditions are most ripe for exploitation.

Southern Lebanon specifically has been a safe haven for Hezbollah for years. They've been able to coalesce, train and bring in very sophisticated weapon systems, long range weapon systems,

which is [inaudible]. I think that's what makes the situation [inaudible].

The impact of the Israeli response to the kidnapping of their soldiers and [inaudible] by Hezbollah is I think, in some ways it's just an [inaudible] start of a long [inaudible]. The Israelis [get] stiff resistance when they've gone into Lebanon historically, and is the case right now. They are making progress in some areas in terms of trying to secure some of the villages but Hezbollah, because it has been a safe haven for so long, they have [inaudible] stalwart defenses, pretty elaborate bunker systems, and they're fighting hard right now. It's going to take a while, I think, before the Israelis can get in there and deny that space to Lebanon.

The broader implications, I think that it's not only about Israel and Hezbollah but [clearly] it's about the future of Lebanon [as a major] state. We have got to make sure the Lebanese government comes out of this stronger [inaudible] the immediate aftermath of [inaudible] of course is paramount right now. We have to address [inaudible] longer term [inaudible] Lebanese people build a viable state that preserves sovereignty within its borders, which has not been the case.

This goes back to the [inaudible] of 1989. The 15 year civil war, [inaudible], and of course the UN Security Council Resolution 1559 [inaudible] to disarm . Then there are even broader implications. [Inaudible].

The Iranians I think encouraged Hezbollah [inaudible] for a long time. Obviously [inaudible]. [Inaudible] state sponsored terrorism. We cannot allow them to [inaudible] longer term [inaudible].

Q: What's the danger if Israel's falters?

A: I don't think that Israel will falter. I think the US, [inaudible], have got to protect the sovereign rights of Israel to exist, and that's what's at stake. Currently Hezbollah [inaudible] about one-third of the [inaudible] territory [inaudible]. They're dropping in scores of missiles each day. That [inaudible]. I think the international [inaudible]. We've got to help the Israelis and the Lebanese resolve this in some way. That's why Secretary Rice is making this trip [inaudible].

Q: I wanted to ask about the state sponsored terrorism [inaudible]. President Bush has said [inaudible]. [Inaudible] this relationship [inaudible] pick up the phone and call Hezbollah and make this whole thing stop? And given the fact that Syria [inaudible], why is there this sort of [inaudible] to discussions about [inaudible] Syria [inaudible] evidence [inaudible] Syria, the Syrian support of Hezbollah [inaudible]?

A: What they're trying to do, Tom, is diplomatic relations [inaudible]. They have discussions about [inaudible] of topics. Of course Iraq has been [inaudible] the Syrians for a long time. We withdrew our Ambassador after the Hariri assassination last year, but our embassy is still there

and our charge d'affairs and others [inaudible].

But their role in Lebanon [inaudible]. With the support they provide, the refuge they provide, and importantly the transit points for the weapons and other technical support the Iranians provide Hezbollah. To the best of our knowledge almost all that goes right [inaudible] to Syria [inaudible] by air and by sea and then transported overland into Lebanon.

They've got a key role to play. They need to act more responsibly. We with our partners in the region, including the Jordanians, Egyptians, Saudis and others, are going to encourage [inaudible] toward that end.

Q: Israel has claimed on a number of occasions [inaudible]. [Inaudible] 12,000, 13,000. Do you believe those claims? Are they credible? What can you tell us about how Hezbollah is able to [inaudible].

A: I haven't heard the claim that they've destroyed half. In fact [inaudible] heard are lower, I think [inaudible] lower. I hear the same estimates in terms of the 10,000 to 15,000 [inaudible]. They probably have [inaudible]. They haven't fired it yet to our knowledge, but that's a concern.

I can't give you an estimate of how many they've destroyed. I know they're making progress in terms of [inaudible] their infrastructure. It's not just about the missiles and the launchers, it's about the roads and transport stability, [inaudible], all that [inaudible]. But it's going to take a long time. I don't believe it's going to be over in the next couple of days.

Q: [Inaudible]?

A: [Inaudible]. I think as part of their [inaudible]. I believe in terms of small arms [inaudible].

Q: Any evidence [inaudible]?

A: No, I haven't seen [inaudible].

Q: [Inaudible] security [inaudible]? [Inaudible] never been active in those [inaudible] or [inaudible]? [Inaudible] change its tactics [inaudible]? Or the evacuees [inaudible] seeking [inaudible]?

A: I think that there is [inaudible], especially if Hezbollah is on the verge of destruction and they become desperate, what will they do. I would not rule out a strike at American interests anywhere in the world, and I can't rule out in the homeland either. We don't have [inaudible] to do so right now, but I think that [inaudible] response would be swift and [inaudible]. But I think [inaudible], especially [inaudible].

When you talk about Hezbollah you have to talk about Iran. There is a history of continuous [inaudible] if you [inaudible] Hezbollah [inaudible] sponsors or [inaudible]. They will have pretty sophisticated intelligence collection efforts. They will have [inaudible] in terms of [inaudible]. It's not something [inaudible] develop. The Iranians have been [inaudible] for a long time. So [inaudible].

Q: Are the evacuees a concern [inaudible]?

A: These are all US persons. We're very confident that [inaudible]. That's a remarkable effort. Almost [inaudible] thousand [inaudible]. I think another thousand plus, 1,000 to 1,500 [inaudible]. We're encouraging American citizens to [inaudible]. We're going to keep [inaudible] in place to help those [inaudible].

Q: How do you know that Lebanese-Americans [inaudible]? How can we [inaudible] aren't supporting Hezbollah [inaudible]?

A: [Inaudible] American citizens, American [inaudible]. We obviously want to [inaudible] back here. [Inaudible] illegal activity, then they'll have to face the consequences. That really hasn't been a major concern so I don't see it as a kind of [fifth column] threat that you might be inferring. In fact the Arab-American citizens are really a key ally and we need to work with them and understand their perspectives and not just in Lebanon, but worldwide. I think it's an important community that we need to work closely with. That's my perception.

Q: Good morning. Could you tell me if there are any indications that the situation in Lebanon is drawing fighters and easing pressure in Iraq and Afghanistan? Are people moving in that direction to support Hezbollah? And is there pressure on US and Iraqi and Afghan standing armies? And also I wonder if there is an indication that people have moved [inaudible] traditional areas in South America where Hezbollah does R&R and other [activities]?

A: To answer your first question, no. We've seen no movement of fighters from Iraq or Afghanistan to Lebanon. I did see a press report where I think some Shia militants in Iraq talked about sending some of their people to Lebanon. That's the only thing that I've seen. But no, I haven't seen that at all and I don't really expect it, certainly not from Afghanistan.

You do have Iranian involvement inside Iraq and you've got some not only technical assistance but more. I wouldn't rule out the possibility of IRGC or KudsForce from Iraq going to Lebanon. I'm confident that Iranian operatives are inside Lebanon right now with Hezbollah. I'm very confident of that.

The other question about Latin America, no. We haven't seen any kind of impact there in terms of people moving.

Q: Barry, did you have a follow-up?

Q: Yes, please. I wasn't sure I heard you completely. You were asked if missiles were still moving from Syria to the Hezbollah in Lebanon and you said there's no evidence of that? Did I mis-hear you?

A: We haven't seen anything in the last few days of missiles coming from Syria across the border into Southern Lebanon. Right now it's very difficult for any kind of movement into Southern Lebanon because of the Israeli efforts right now, and we're being very careful.

Just in terms of evacuation of Americans, we're coordinating with the Lebanese government, of course, but also the Israelis so we don't suffer any casualties.

I think that flow has been slowed if not completely stopped right now of the large missile systems.

Q: Completely stopped? The live missiles have--

A: From our knowledge that's where we are. We hope so, anyway.

Q: I guess you can't be mind readers, but has it completely stopped because of the circumstances, or do you think Syria has had a change of heart or has gone for a pause or something?

A: No, I think because of circumstances, because the Israelis are attacking any kind of military convoys moving into Southern Lebanon. That's not a guarantee, and I say completely stopped, and I don't want to say a hundred percent because there's no hundred percent in this kind of fluid environment.

Q: To follow the point you said about Iranian operatives. What are they specifically doing in Lebanon?

And in Afghanistan, given the resurgence of the Taliban there, do you see [inaudible] Pakistan's ISI intelligence service?

A: The Iranians have been in Lebanon for a long time. We know that. They have been training in the Becca Valley and in the South. They've been providing technical assistance. And I can't rule out the possibility that some of them might be engaged in the conflict. I can't say that, but I wouldn't rule it out in terms of operating some of these weapon systems. That's a possibility.

In terms of Afghanistan, I think there are three reasons you've seen an increase in the fighting there in the South. One is that the Taliban and al-Qaida have been able to maintain safe haven along that border. Going back to the point I made earlier, you have got to deny the enemy safe

haven otherwise they're going to keep coming at you.

Secondly, we have not addressed those local conditions the enemy's exploiting, specifically the growth of poppies. The Taliban have linked in to the narco traffickers, therefore they have money, therefore they're able to buy influence and rearm themselves.

The third reason I think is that you've got locals in Afghanistan that have not been given alternatives. Some of these smaller tribes in particular in Hillman and Kandahar Province, they need roads, they need wells, they need viable economic opportunities and right now you don't have them. So when you have pressure from narco traffickers and Taliban they're susceptible to that pressure. We've got to work with the Afghan government and the Pakistanis to resolve that.

Q: But is the intelligence, the ISI helping them [inaudible]?

A: We have talked to Musharraf and we've talked to the ISI Director. I have personally. I was there just a couple of months ago. We do not see them actively involved in resupply.

Now there may be elements of the ISI individuals with some historical ties there. We can't rule that out. We've talked to the Pakistanis about this. We've encouraged them. In fact what the Pakistanis have done recently in Quetta and along not just the Fattah but south into Baluchistan, I'm confident that will have some kind of impact.

And bear in mind the Pakistanis have got growing concern, if anything, about the Taliban. It's not only a threat to Afghanistan, it's increasingly a potential threat to Pakistan. And not just in those tribal areas but looking back toward Pakistan.

I talked to Minister of Interior [Shakaro] about this and about the need to work with the Pakistanis to support them. So I think there's a growing perception there. But again, I can't rule out individual ISI commanders or former ISI commanders. There's a lot on that border that we don't know about.

Q: After 9/11 the President said very clearly that if you house a terrorist you're a terrorist; if you support terrorists you're a terrorist; we can't allow this nexus of terrorism, weapons of mass destruction to abide. Since that time we've learned from the 9/11 Commission that Iran allowed [inaudible] 10 of those 19 hijackers on 9/11. Administration officials have said there are still al-Qaida people in Iran. They're meddling in Iraq, they're meddling in Lebanon. Why have we been unable to get Iran off the dime? Can you tell us why we've not been able to build any international sanction against them to get them off the terrorist [inaudible]?

A: We're working on it. [Laughter].

You look at Iran since '79, since they took our diplomats hostage and held them for 444 days,

and you look at their sponsorship of Hezbollah and what Hezbollah has done to not just US interests but really interests of the civilized nations. It's a long, pretty ugly history of terrorism. We have got to take this on either now or later. I think we're going to have to take it on now. And because of what I see as a growing evolution of warfare and a growing threat, whether it's these Katushas that Hezbollah has, whether it's the Shahab-3 missile that Iran has developed that can reach Israel, whether it's their nuclear weapons which I think they're intent on acquiring, I think the threat is growing and I believe that the understanding of the threat is growing. If there's any progress, it's in that regard, with some of the Europeans and with some of our Arab partners. You look at what the Saudis and Egyptians have said recently about Hezbollah and about Iran. They're worried, and I think there's going to be a growing consensus so we can bring some diplomatic pressure to bear. I wish Russia and China would do more. We're continuing to talk with them about that.

That's an incomplete answer because it's a pretty complex topic, but are you satisfied with that?

Q: Yes, just one quick follow-up. In 2003 Iran opened, after we toppled the Taliban and quickly toppled Saddam Hussein, they opened up apparently negotiations with us, looked more accommodating for a while. Everyone that I've talked to seems to think that they feel a freedom of movement, we've gotten rid of their rivalries, the Taliban; we've gotten rid of their balancer in Iraq; they sense a sort of strategic weakness in us because we're tied down in Iraq and they can influence [inaudible] a bit in Iraq.

Do you think that's part of this equation, that they sense that we are kind of not in a position really to threaten them so they're getting more active?

A: I've heard that. There's a different perspective. Again I'm not a mind reader of the Iranian leadership, I wish I was. Or maybe I don't want to. Maybe--[Laughter].

The counter point of view is that the Iranians are under so much pressure. You look at the growing consensus against their nuclear program in the United Nations. They're really pretty jammed up on that. You look at their internal problems. Forty percent of their population is under stress, I think. A lot of these are non-Persians. A lot of them are in poverty. Iran is not some monolithic state. We liked to categorize it as that, but there's a lot of internal stress in Iran, I think. That plus international pressure on the nuclear question. You have to ask yourself, are they feeling not confident but perhaps a little more desperate? Or maybe a mix. I'm not sure, but I do know they can't continue this kind of behavior. It's in the long term unacceptable, not just to us, but to all the countries in the region. The Saudis and Gulf States, I was there recently and talked with them and they're justifiably concerned with some of the Shia populations there and signs of Iranian meddling among some of the Shia there. That's a big issue.

Q: Are we better off with a desperate Iran than with a confident Iran?

A: I think we're better off with neither. We're better off with an Iranian government that is responsible to its people and takes care of its constituents and abandons this notion of an exported revolution, abandons this notion of trying to assert their authority in ways that are not congruent with international law, with international norms.

You look at United Nations Security Council Resolutions, Chapter 7, legally binding. The Iranians have repeatedly rejected these resolutions. 1559 says Hezbollah must disarm. Well Iran has done just the opposite. They've spent hundreds of millions of dollars arming Hezbollah and supporting them. That's another question being raised inside Iran. Some of the Iranian citizens are asking why is my government spending all this money on Hezbollah when we don't have schools here, we don't have opportunities in Iran? And despite oil being at record prices, you look at the infrastructure of energy production inside Iran, it's not improving. In fact you could argue it's more difficult now just because they have been so corrupt and they're facing some problems inside.

Q: I want to ask a question that's probably a little bit off the radar this week, nonetheless coming back to safe havens. You've talked before about safe havens and [inaudible] in Africa. Can you talk about how well you think the US is equipped to fight terrorism in that area? But also your reaction to the report in the New York Times the other day about the administration's reluctance to enter into the international court and allow troops to be subject to that court. A by-product of that could mean that there's reduced funding for fighting terrorism [inaudible]. Can you talk about those?

A: Let me deal with that first one. That's a huge question, how well equipped is the US to engage in counter-terrorism in safe havens around the world?

Q: Well, specifically in Africa.

A: In Africa, in the trans-Saharan area? We've made a lot of progress with the trans-Saharan counter-terrorism initiative, working closely with DoD, EUCOM in particular. In our embassies there we've got excellent regional perspective which I think is critical in this. We've made progress in looking at areas in a regional context. You think well, why didn't you look at that before, but you look at the traditions of our bilateral relations, nation to nation state, that's the way we're organized, that's the way we're trained, that's the way we think. But the enemy doesn't think that way if you look at al-Qaida and their affiliates. They really are a trans-national threat and we have to organize that way in order to respond.

So the TSCTI is a great example of that, and pulling together these various nations in Northern Africa to have joint policy discussions, joint training, and try to rationalize, to complement each other's counter-terrorism policies.

However, there's a long way to go if you look at that piece of territory. It is massive, it is



desolate, and we're challenged on many levels. Not only there, but in a lot of these safe havens, these gray areas of the world. We're challenged, number one, in intelligence collection. How do you get operatives or sources into these areas, into these remote villages where everybody's related and where tribal loyalties are so intense that it provides a much better defense to the enemy than any kind of terrain? That's the problem we have on the border with Afghanistan and Pakistan. People talk about well, it's tough because of the geography, it's tough because of the 1947 constitution that Pakistan has, but the real reason it's tough is because of this cultural terrain. So collection of intelligence is really difficult in these areas.

The second part is how do you engage? Especially with non-state actors. Often the governing authorities there are not the nation states like in Southern Lebanon. It's Hezbollah. Hezbollah is one of the largest employers in Lebanon. They provide social services. If you go to some of these tribal communities in Northern Africa, they really serve the same kind of function. So how do you engage with them? That's a challenge for us.

Another area in terms of law, how do you work in these areas where you recognize a sovereign state but they might be unwilling or unable to take care of the problem, then how do we engage with them, without them, especially in a regional context?

Another area, and this is probably the most difficult, this is probably more than you want to hear, but in terms of our morality, our philosophy of war. How do we fight these small enemy forces? I refer to them as micro actors, micro targets. Increasingly with macro impact. This is a fundamental shift in how we wage war and a lot of people have written about it. Martin Van Cleveld years ago wrote about it. The 4th generation of warfare or post-industrial warfare, lots of different terms for it, but I think we've crossed that threshold, and whether it's in the trans-Sahara area or elsewhere, it's not just a challenge for the US, it's for the global community in all those areas I've talked about. We're making some progress, but I think we've got a long way to go in understanding this and then working together. But the key will be, in all cases, the key will be in interdependence. Not just deconfliction or coordination, but where you see great counter-terrorism success it's because of deep interdependence with local actors. Afghanistan '01-'02, I think that's a good example.

On the second question about international court--

Q: And the potential to [inaudible].

A: Right. The international court part, I'm not sure I'm tied into the link about reducing funding. I have not read the article, I'm sorry.

Q: The story indicated that because of the Bush administration's reluctance to go into [inaudible] court, IMET funds would be eventually reduced, and particularly [inaudible] continue train and equip missions and do some of the stuff that [inaudible].

A: I'm still not sure of the link. But the international court poses a problem because of some of the constraints it could pose some legal challenges.

In terms of funding, I've talked to DoD about that, and I've talked to Congress about it, and I don't have the exact figures but there's going to probably be a dip coming for some other reasons, but longer term, I think this is going to resume. I'm very confident about that.

Q: Why is it forthcoming?

A: Budget constraints like in Iraq, Afghanistan, some of the other things, and some of the mechanics which are frankly lost on me. Someone explained it to me and I couldn't follow it. [Laughter]. Sorry. I couldn't quite get all the nuances of it.

Q: If you couldn't follow it, we definitely couldn't. [Laughter].

A: But I'm confident in the long term that's going to continue. And not only in trans-Sahara but also in the Horn. There's a great initiative there working with our partners because of Somalia.

We cannot afford to ignore these ungoverned spaces. And not just the US international community. It's going to take more money, it's going to take I really think a new paradigm of how we see the world, how we organize ourselves.

One example of this is the SCRS, this group the department has formed really to serve as, right now it serves as a policy piece but it's going to evolve I think into really an expeditionary force into some of these ungoverned spaces, and not just US but international. Lebanon, of course, is the immediate example, but I think there are going to be other examples of that, and we've done it ad hoc all along, the US government. If there's a problem we'll rally together the right kind of teams and we'll throw them out there, but I think in terms of our training, our organization, I think we're going to have to move in that direction in concert with a whole range of partners, state and non-state. That's going to be hard, too.

Q: That will inevitably bring us back to Lavante. In the bilateral US-Israeli relationship, not to again cite Tom's fine newspaper, but there was a report over the weekend about the US hoping to speed up the supply of precision munitions to the Israelis during the current conflict. Can you talk more broadly? After the first Gulf War there was a lot of talk and discussions and agreements on helping Israel with anti-missile technologies on the Arrow system, certainly, but even more strategic assets in terms of satellites and early warning satellites and intel and what not.

I'm curious what you can say about that cooperation now, whether those kind of [investments] are useful, obviously against the shorter range, Katusha type rockets probably not so much, but

against rockets that are of longer range, the Haifa, and what not. To what extent is the US helping out the Israelis with some of that information you might be gathering from satellite assets?

A: You're right, I can't talk about it. [Laughter]. I will say our cooperation is very close in terms of intelligence collection, in terms of working with the Israelis. The visits I've had there have been very productive. We're not only helping them, they're helping us. That's the other point I can make in terms of our intelligence cooperation.

Q: Another try from a different angle. I guess it was two years ago there was a bit of a chilling relationship because of the Chinese, the Falcon program and the UAV sales and what not. These relationships tend to be a bit of a roller coaster, but it seemed to be a bit of a [inaudible]. I'm curious whether there was any residual, bad feeling may be the wrong word, but any hurdles that may still be there because of the recent feeling of unease between the two countries.

A: In this current context?

Q: Particularly when it comes to intelligence gathering. If we're concerned that the Israelis are passing military technology onto the Chinese, does that affect our intelligence relationship or any other relationship, particularly with regard to what's going on now?

A: I have not seen that right now, given the dire situation that we collectively are in. We always factor into the ramifications of what we share whether it's intelligence or technology, but I haven't had that discussion in the last week since Hezbollah provoked this violence.

Q: Prior to the Israeli strikes was the Lebanese government unwilling or unable to stamp out Hezbollah? And how do the other governments in the region view the problem of safe havens in the region?

A: The challenge there is the Lebanese government is not a unified government, and that's putting it politely.

[Laughter].

A: Given the confessional system that they have, the architecture of the government. So they have been, I should rephrase this. Many of the Lebanese leaders have been willing, have been eager, in fact, to see Hezbollah disarmed. They want to reclaim their country and to exert sovereign control but they have been unable. I must say, some of the leaders in Lebanon, and I met with them recently in Beirut, these are some remarkably courageous people. A couple of people I met with have been blown up and been pieced back together, still in great pain. Their concern for the Lebanese people, their concern for the nation state, it's remarkable and it's inspiring when you talk with them and you see their determination and their desire to reclaim

their land. After pushing the Syrians out last year and now having to deal with Hezbollah.

So with those kind of people I hope in the long term with the support of the national community they can reclaim the Lebanese state and make it safe for their constituents, for their citizens, and also for Israel and the region.

Q: The other governments [inaudible] like Egypt that are obviously [inaudible] affected by [inaudible]. What's the middle ground in terms of opposition to the terrorism [inaudible]?

A: We're strong allies with Egypt in terms of counter-terrorism. They've been very productive. We've had an exchange of delegations. We've talked about a range of different things we can do to help each other and to help the region.

The Saudis in Lebanon have been particularly helpful and generous and I think you'll see that continue in the coming days and weeks. Obviously the Saudis are very close to Hariri and the Hariri family, they still are. And I think the Jordanians, for them it's a matter of the viability of the Jordanian state to work and make Lebanon and that region secure, so they're deeply committed to this. That's expressed in some of their public commentaries.

Q: [Inaudible] almost persuasive [inaudible] yesterday questioning that Syria, even if it wanted to, couldn't control Hezbollah. That it may not just be able to. How do you feel about that? [Inaudible] described at times like the description of Hamas, that the Hezbollah is very active in Lebanon, provides all sorts of services to people. Can Syria [inaudible] if it wanted to?

A: Yes. Syria can stop the flow of weapons, materiel, people into Lebanon. Yes, they could take a lot of action that they haven't. In terms of them controlling Hezbollah, no.

Q: Putting them out of business.

A: They cannot put Hezbollah out of business. They don't control Hezbollah. Iran, I think, has more influence in that regard but even there I think that although Iran is a paymaster they're clearly directing a lot of Hezbollah actions. Hezbollah asks their permission to do things, especially if it has broader international implications. But even there Iran doesn't completely own Hezbollah. But Hezbollah's got to make a decision, Barry, at some point. Are they going to be a terrorist organization or are they going to be leaders and take care of their constituents in southern Lebanon? Right now they're making the wrong choice.

Q: You said in your three conditions of terrorism, you talked about local conditions. I haven't seen much of a program in this administration on addressing those. The President emphasized the spread of democracy, [inaudible] and education base. What is the administration program on a widespread basis to try to address the local issues, problems, that become feeding grounds for terrorism?

A: There are a couple of examples. But again, as I noted earlier, we collectively have got a long way to go in reaching out into these local areas. But the examples are the provincial reconstruction teams, the PRTs in Afghanistan and in Iraq, and also in terms of how the Department of State is shifting some of its people, particularly out of Europe into Asia, into Africa, and not just into embassies but into some of these smaller cities to have even singleton diplomats set up residence in some of these places. I think we'll have to do more of that to take advantage.

Also, it's not just about a US official planting a flag. In fact sometimes it can be more effective by working through partners, especially non-state partners. You look at the programs USAID is doing in some of the hinterlands and some of their relationships with NGOs, some of those have been very effective. I'm pleased that when we have these regional sessions, we refer to this as the regional strategic initiative, RSI, and we brought ambassadors together from these various regions. The interagency goes to these ambassadors in the field and it includes USAID, Joint Special Operations Command, SOCOM, and everybody in between. Those are always great meetings when you've got AID and JSOC in the same room. And a variety of other people from the US government contributing.

Our discussions are often focused on this, how do we deal with these local areas.

I think of it in four tiers, as a global war on terrorism. Conceptually we can sort of wrap our mind around that. It's big, but we can do it. Regionally, we're trying to move toward that area, whether it's the trans-Sahara or some of these RSIs. That's why we're doing this because we need to do more. Nation to nation bilaterally is the third level. We can do that pretty well because we've been doing it for 200-plus years. Then local. You've got to be able to work on all four planes and you've got to be fast, you've got to be precise, and you've got to be responsive, and that's tough.

Q: [Inaudible] funding, all this money's coming in Iraq, Afghanistan. Foreign aid has never been a favorite of Congress, particularly in a Republican Congress. Is there a lot of money shortfalls to these programs?

A: There is a question of resources given the budget deficit. Of course we're all having to be real cognizant of that. But no, it hasn't inhibited us. In fact I think the bigger challenge is in terms of our own training and thinking and organization, how we deploy to these areas.

One thing we've done at Department of State, the Foreign Service Institute, is we have got counter-terrorism policy courses for entry level, mid level and for ambassadors. I'm meeting with ambassadors I think in two days as part of their training course to talk to them about their responsibilities and how they have to look far beyond that capital to which they're assigned and look into some of these local areas, and how do you engage, and who do you engage in these

local areas? Often, again, it's not a government official, it's a non-state actor.

Q: A couple of related things. One, the Israelis have suggested that that [inaudible] shipment [inaudible] fairly early [inaudible] carried out by Iran and [inaudible]. If you could shed any light on that, if that's credible [inaudible].

Also if you could expand on the Iranian, how Iran is helping the Shiite militias in Iran. And the extent to which Iran, this may be both [inaudible] part of an Iranian strategy as opposed to just an [inaudible] Hezbollah action.

A: On the first question, I can't offer you specifics but I certainly wouldn't rule that out. That being there are Iranian specialist operatives in--Historically there have been IRGC there training. I think it would be a reasonable assumption to think that they're still there cooperating with Hezbollah.

Q: Would a weapon like that, for instance, be the kind of thing that they would turn over to Hezbollah, or is that something they would want to operate, have control of themselves?

A: I can't give you a categorical answer on that. I wouldn't rule it out in them turning it over to Hezbollah or them operating it in concert. They are very close. I can't emphasize how close they are in terms of their training, their technical assistance, the money flows. A lot of these forces are truly integrated. So it's almost one and the same if you're talking about [Mudniyah's] IJO and the Iranian special forces, IRGC and others.

The other question, how Iran helps Shia militias in Iraq. A variety of ways. In terms of some of the technical support, we have seen some of the IEDs and the technical signature. There's no doubt in our mind it comes from, the origins are Iranian.

In terms of the training of some of the Shia militia, we've seen that.

Q: Inside Iran or out?

A: We've seen them inside Iran train some of these people and also we've seen some of the Iranian operatives that are inside Iraq.

Q: Training?

A: Right. Again, you have a pretty close relationship.

The Iraqi government is concerned with this. They've raised it with the Iranians and we, of course, are encouraging that.

Q: [Inaudible]?

A: Again, I can't go into any kind of details, I'm sorry. They're there and it's a concern, especially given the sectarian violence we see brewing inside Iraq right now.

In terms of Iranian strategy, I again cannot rule that out. If you look at the international pressure on Iran and the timing of this, in Hezbollah kidnaps these Israelis. Did Iran direct Hezbollah to do that? I don't know, but again I can't rule that out given the timing.

Historically, not just Iran but other countries, if they're under pressure they tend to create a problem somewhere else to deflect attention and in this case I think to put obviously better pressure on Israel.

So is it part of an Iranian strategy? Maybe. It's a good question.

Q: Sticking with that point, would part of the strategy be geared not towards Israel since there's clearly no chance militarily with the forces that are present of tipping the balance against Israel, would it be to radicalize Lebanon? Would that be a principal goal?

Then I have another unrelated part of an unwieldy two-part question, but I'll stick with the strategy point first, if you could.

A: I don't know if Iran has a goal of radicalizing Lebanon, but clearly Iran has a goal of strengthening Hezbollah and gaining greater influence. Not just in Lebanon but with some of the Palestinian rejectionists and other groups in [Lebat]. I think they see this as a means to do so.

Also, I guess a little bit academic but I think for Iran and Hezbollah, this warfare gives them an opportunity to reaffirm their identity. This often defines who they are. It's not just about geopolitical strategy, but for some it's visceral. If you take away terrorism or combat from Hezbollah you're got some organizations that provide social services but it really takes away their identity.

That's certainly the case with al-Qaida. You take terrorism as a tactic away from al-Qaida, you have absolutely nothing left, zero.

So it's not just about geopolitics and strategy. There is a deeper visceral motivation sometimes which is hard for us to figure out sitting back here in our conference rooms looking at maps saying why are they doing this?

Q: The other question I wanted to ask you, you mentioned the longstanding use by Iran of proxies going back to the hostage crisis. You also separately mentioned the nuclear issue. Do you see any connection between the two in the long term? In other words the idea that there

might be some willingness to share that kind of technology with proxies to avoid the consequences of using it themselves?

A: Yes, and the President has underscored this threat. If you look at the nexus of terrorism and weapons of mass destruction, whether it's through a state sponsor like Iran or through some other means, yes, it is a critical threat. It doesn't have to be sophisticated missile systems. It can be a radiological device carried by a single operative, Hezbollah operative or otherwise; al-Qaida operative into an American city. That technology could flow from Iran.

The other point is it's not only whether it's intentional, but through corruption or some other means these organizations could acquire that technology, those weapons.

It goes back to my point of describing this threat really as micro actors with macro impact. This is a fundamental shift in how we think about warfare and how we deal with this threat. I can't underscore that enough.

People criticize US policy and other policies. Well, we have again, at the risk of repetition, have crossed a threshold and we have to think of it differently, we have to work together. I think it's important that we find bipartisan, nonpartisan reference points when we move forward. We've got a ways to go there also, I think.

Q: I think you were next, then Sebastian. Go ahead.

Q: I had a question, I'd like to shift the focus over to DOD for a moment. Do you mind?

What's your assessment of how the military is doing? How are they [inaudible]? It seems to be a key point and I'm curious how you read that.

A: I'll make a general point that applies to DOD but to the US government and I guess to a lot of entities.

The further you're away from the headquarters, the center, the Beltway, the better it works in terms of integration, in terms of intelligence collection and how DOD is operating.

If you go to Afghanistan or Iraq or Southeast Asia in the Philippines or you pick it, it is remarkable the degree of integration between DOD, the CIA, other intelligence components and the things they're doing together in the field; some of the tactics, some of the operations that are evolving. It is remarkable and inspiring.

You move it further back here to Washington and then you bump up not just to the normal political concerns or the discussion over budgets resources, authorities, what makes it more complex is all these challenges we face in this new type of warfare and how do we organize



ourselves and who's got responsibility? It's going to take years, I think, for us to work through some of this but in the field I am extraordinarily confident and encouraged by what I'm seeing in terms of the cooperation. In terms of also the investment in intellectual capital. DOD's very good about that, their training. And you've got some great individuals out there doing some great work. We work very closely.

In fact if you look at my office and how my office is organized, it's pretty small, but you've got one operational directorate and the majority of them are from DOD, from the special operations community. Active duty and reserve. I couldn't be happier with the work that they're doing.

Q: There's obviously room for improvement, especially in the global war on terror. I'm just wondering in Iraq and Afghanistan where can the military [inaudible]? How can they [inaudible] intelligence [inaudible]?

A: The importance of intelligence is going to continue to rise because it's not only about finding the enemy and engaging the enemy, it's about that cultural terrain I talked about earlier. You have to map that political, social cultural terrain and understand that environment.

Again, historically we want to have combatants against combatants. Armies against armies, and we want the non-combatants out of the way. In this type of fight trying to find these micro targets, bury into these societies, you have to understand who the enemy is, where the enemy is, and then that environment and what's the impact of your actions? So it's not only about intelligence of the enemy, it's what's going to happen when you do have a strike? When you do engage with lethal force. What are the implications, what are the strategic implications? This is another piece of it, going back to my four levels of the battlefield. You can have a very local action but because of technology and the media and global coverage, it can have a strategic global impact.

You think of some of the images captured and now disseminated on the worldwide web on a local action, a tactical operation that went wrong and civilians were killed. That has strategic consequences.

So it's about better intelligence, precise intelligence, against the enemy and the environment. And also we have to understand our allies and potential allies. That's a huge part of this. I talk to the intelligence community as a customer now and this is a new twist. [Laughter]. In the intelligence business you always question the policies, and now on the policy side I'm always going how is that intelligence--[Laughter].

But in my recent discussions it's really about not only the enemy but the environment, the impact of our actions, and how can we best engage diplomatically or with military force or with law enforcement. That's probably a broader response than you wanted.

Q: Sir, you talked about the Provincial Reconstruction Teams as a tool to create conditions in which terrorism can [inaudible]. We're seeing with the resurgence of violence [inaudible] in Afghanistan. Has this [inaudible]?

A: I think the concept is working in some areas and in areas where it's not working we haven't provided, not just the US government, I'm talking about the international community, have not provided the type of response required. If you deny safe haven--Think of it this way. When you employ military force or law enforcement you stop the enemy from killing us. You've got to do that. You buy space and time. You can push the enemy out of a safe haven. But then you have to backfill it. You have to provide something constructive. We collectively haven't done that in Afghanistan, especially Helmand, Kandahar Province, a lot of these areas. So you can't put a small team out there without a deeper economic investment. In some respects it's taking far too long, but the debt has been forgiven for Afghanistan now so 92 percent of their debt is gone and I think you're going to have more attention to development and to economic investment.

If you are a farmer in Helmand Provide right now, you're from a small tribe, and you can get ten times the market price for poppies than you can some cereal, and you've got six kids to feed, what's your choice? You've got to address that at a very local level otherwise the enemy will continue to exploit that farmer, that family, that village.

Q: So do we still need [inaudible]?

A: Yes. The PRTs need to be a part of this. You need to get not only aid but eventually private investment.

It's tough. In Afghanistan only six percent of the population are tied into the electric grid. Six percent. Ethiopia I think is three percent. There are some monumental development challenges out there, and you can't separate counter-terrorism from development. Too often we do that. We have two brains sometimes as a government and as a nation. We think about development over here and then counter-terrorism over here. You can't separate military law enforcement from these aspects of it.

Again, to use the counter-insurgency parallel, roughly 80 percent of an effective counter-insurgency strategy is going to be non-military. If you look at counter-terrorism in a global context, I think we needed to have those same kind of reference points.

Q: I wonder if I can ask you one more quick question. We're almost out of time. Somalia. Size that up for us. Is that turning into another Afghanistan pre-2001?

A: No. I don't see it as another Afghanistan. Somalia has not been a functioning nation state for years and you've got a variety of different conflicts among clans there. Some clans to varying degrees are wrapping themselves in a radical Muslim cloak. But this is really more about clan

competition and warfare among some of these Somali clans.

We're concerned about al-Qaida and others having influence and operating a cell there for a long time. We know al-Qaida's had a very dangerous cell in Somalia responsible for the attacks in Kenya. That's an immediate concern for us, the threat it poses to US interests in Kenya and the region. But Somalia itself, I think the answer there will be with the international community and I hope with some of the Somalia leaders. This transitional government in Bidoah to date has been fairly weak and we need to find a way to strengthen them, to empower them. We need the Ethiopians to help us, we need the Yemenis and others to work with us there.

Again, another example of a regional problem. A nation state one day might emerge, but also again, very local clan conditions that you have to understand, you have to work with.

Q: We're out of time. We'll leave it there.

A: Thank you.

END TEXT

