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Continuing Challenges: Iran and Russia, State-Sponsored Terrorism and National Security

America is currently facing a greater and more difficult set of circumstances than it has seen since the end of World War II, including domestic and international problems that impact national and corporate security. The economy is stagnating, energy is becoming more expensive and less dependable, nuclear proliferation is a mounting danger, defense of the homeland against global terrorists is a constant pressure, wars continue in Iraq and Afghanistan and al Qaeda — particularly in Pakistan — remains a sizable threat. Meanwhile, Iran continues to present problems, and Russia is beginning to exhibit the type of Cold War behavior that has not been witnessed for almost 20 years. The days are gone when a single word such as “containment” could define United States foreign and defense policies, and traditional solutions relied on in the past can not and will not resolve the complexity and variety of today’s issues, nor will they confront the multiple players challenging America’s security. This issue of The Lipman Report® will focus on the many dimensions of today’s changing climate of threat, from new economic challenges and the growing menace of industrial espionage to escalating concerns over state-sponsored terrorism in Iran and Russia.

America’s spectacular economic growth in the late 19th century was fueled by cheap domestic oil. However, skyrocketing oil costs combined with unforeseen consumption and a heavy reliance on foreign import has dramatically altered this trend. The United States consumes more than 20 million barrels of oil a day, about 12 million of which are imported. With the price of oil recently quadruple what it was just four years ago, the greatest transfer of wealth in history from one set of nations to another is now occurring, estimated to be as high as \$700 billion a year. Over time, the wealth now accumulating in the producing nations will lead not only to greater economic muscle, but also to greater political and military power. Moreover, some of these producing nations have very different political agendas from those of the Western democracies and Japan. Given the current economic climate, it is a dangerous probability that oil-rich nations with goals and ideologies opposed to those of the United States and its European allies will become more powerful and act with greater aggression. Increased funds will become available to support dangerous non-state actors who seek to continue terrorist activities in the Middle East or to destabilize parts of Africa or Latin America — or even to plot fresh attacks on the United States. There is no doubt that the current assertiveness of

countries such as Iran, Russia and Venezuela flows from the economic boon derived from their growing petrodollar reserves.

Scattered jihadist insurgencies will continue to erode stability in areas of the Middle East and South Asia for some time to come. However, the possibility of a larger terrorism menace is looming on the horizon, one that poses a more lethal threat to Western interests across the globe: the potential revival of state-sponsored terrorism. Of particular concern today is Russia, especially after its recent behavior in the Republic of Georgia. Current and recent Russian activity in places such as Cuba, Venezuela, Nicaragua, Syria, Lebanon and the Horn of Africa invokes Cold War memories and does not portend well for the future. During the Cold War years, the Soviets backed numerous left-wing militant groups in third-party countries, including the Palestine Liberation Organization, Germany’s Red Army Faction, Italy’s Red Brigades, the Japanese Red Army, the Sandinista National Liberation Front, the Revolutionary Armed Forces of Colombia and the Popular Movement for the Liberation of Angola, among dozens of others. Training camps for militant groups were set up in such places as Libya, Iraq, Syria, Lebanon, East Germany, Bulgaria, Czechoslovakia and elsewhere. Though terrorism at this time was rampant primarily for targeted political reasons, it was still difficult to prove the Soviet hand or find a “smoking gun” in many of the terrorist groups. However, once Soviet funding finally dried up with the fall of the U.S.S.R., the majority of these left-wing militant movements crumbled, and terrorism remained low on the priority list for U.S. national security until the events of 9/11.

Plausible Denial

State sponsorship is capable of transforming a small, rather ineffective group into a serious threat. The Taliban in Afghanistan and al Qaeda, or Iran with Hezbollah and Hamas attest to this problem. State sponsorship can provide unlimited support: funding, training, logistics and even a sanctuary. In the case of Russia, the potential revival of its state-sponsored terrorism may still be in its embryonic and developing stages. Russia is no longer constrained by the need to wage an ideological war; instead, potential Russian covert activity in regions such as Latin America, the Middle East and Africa can focus more on generating chaos to keep the West preoccupied

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so that Russia can pursue its immediate goals.

Following the Cold War, the Russians were forced by their weak economy to recall their vast cadre of intelligence officers working around the world. Many of these officers were able to keep their ranks by taking positions in such newly formed Russian agencies as the Tax Police. Now, after almost 10 years of impressive growth and the marked increase in the prices of oil and gas — and the fact that a former intelligence officer has been running the government since 2000 — can there be any doubt that the Russian organs of security are back in place? Former and current intelligence officers have been tapped to fill positions in Russian big business, the Duma and other political posts. Ample funding has returned, and Russian intelligence officers reportedly receive four times the salary of their fellow countrymen in similar ranks. It can therefore be reasonably argued that Russia has become an “intelligence state.”

Furthermore, Russians are still resentful regarding the causes of their demise that reached its nadir in 1998, and there is no question that “the bear is back,” despite very recent economic reversals. To this end, disaffected Palestinian groups, Kurdist militants in Turkey, Bolivarian Leftist movements across Latin America and separatist movements in Africa are all fair game for the Russians. The Russians, who have long been deeply involved in the global arms trade, could conceivably turn a profit in promoting this chaos. Granted, this scenario is a worst-case one, but if the past is a mirror of the future, preparation on every level should be considered to counter this possible challenge.

Industrial Espionage

Foreign corporations have been very busy in Russia since the fall of the Soviet Union, when a window of opportunity opened allowing Western enterprises to scramble for market share in Russia’s massive natural resources. However, as growing Russian nationalism and tension with the West increases, Russian intelligence services will be allowed to invigorate their collection programs to assist both the Russian economy and its defense sector. Historically, the Russians have been pragmatic about infrastructure development and advanced weapons research, and it is cheaper to suborn technological advancement or buy the information at a fraction of the cost than it is to invest across the board for these systems. Russian collection and recruitment efforts

will not be confined to the United States or Russia, but will be present throughout the world — everywhere, in fact, where Americans are investing in foreign projects. Moreover, an increase in tensions will in all likelihood result in heightened scrutiny by Russians of the activities of foreign companies operating in Russia, along with a corresponding interest in both their expatriate and Russian employees.

A current review of the mainstream media attests to the recent assertiveness of Russian intelligence services. Such activities as the resurgence of Russian spies in the Czech Republic, which stirred public sentiment against a planned U.S. missile defense base; the increase in commercial and national espionage in Australia; allegations indicating Russia is transmitting intelligence data on Israel to Syria and Hezbollah from hi-tech eavesdropping stations; an arrest in Estonia of a high-ranking member of the Defense Ministry on espionage charges, allegedly in the service of Russia; and a recent report by the Finnish Security Police suggesting an increase in Russian intelligence activity are but a few examples of a recent upswing in Russian intelligence operations.

While Russia has been mentioned as an example to define this threat, it is not the only source of concern in the areas of espionage, industrial espionage, intellectual property theft and product counterfeiting. A classified listing of nations, both hostile and non-hostile, that have been involved in these activities has been in existence for decades. Along with greater opportunities, globalization has brought greater risk, and safeguarding technology and information has never been more critical. In today’s global marketplace, not only are traditional adversaries a concern, but allies, hackers and terrorists are trying harder than ever to steal information and property.

What Do They Want?

There are more funds expended on research and development by U.S. Government and industry than by any other country in the world, making U.S. contractors a prime target of other countries for espionage and collection of classified information, including commercial and proprietary technology. Our adversaries want our country’s most sensitive information — from military plans, to national security vulnerabilities, to trade secrets, to proprietary information important to our economy. These countries who seek our information

know that the information and technology garnered from U.S. sources will help them modernize their defenses and bolster their economies. The United States Intelligence Community estimates that every year, billions of dollars are lost to competitors who deliberately target economic intelligence in U.S. industries and technologies. Unclassified or sensitive information — especially information that can help further foreign economic interest — is often just as much in demand as classified or proprietary information.

To prevent this unauthorized transfer of technology and sensitive information to foreign governments, organizations and businesses, it is vital that firms and organizations have a security program that enlists the assistance and expertise of security professionals. These security professionals should both educate employees on proper security measures and create a culture of around-the-clock awareness to protect a firm's expensively acquired "jewels" from sophisticated forms of illegal acquisition by professional intelligence agencies. This awareness should extend to every employee at every level to make them alert for suspicious circumstances and to ensure that anything out of the ordinary is reported immediately to the security department and, if warranted, to the appropriate arms of the U.S. counterintelligence community.

State-Sponsored Terrorism — Iran

Although al Qaeda is clearly America's top nuclear threat, as it is the most likely to use nuclear weapons, the Islamic Republic of Iran's nuclear drive remains the focal point of international concern. Iranian President Mahmoud Ahmadinejad speaks of becoming a pan-regional, if not world, power and much of his defiance is based on unprecedented oil income. Mr. Ahmadinejad is also the chief spokesman for a regime that represses religious and ethnic minorities, women, students, labor groups and just about anyone who disagrees with the rigid position of the Islamic Republic. As the Islamic Revolution completes its third decade, the nuclear confrontation between the West and Iran has accelerated. Recent revelations regarding Iran's extensive assistance to militants and terrorists agitating for increased instability in Iraq have led to serious doubts about Iran's credibility and commitment to playing any kind of role in creating stability in the region. Meanwhile, Iran is edging closer to being armed with nuclear weapons, and it continues to develop ballistic-missile capability. In short, Iran's desire for nuclear

weapons is one of the most urgent issues facing the West today, because even the most conservative estimates indicate that Iran could have nuclear weapons soon.

A nuclear-armed Iran would likely destabilize an already dangerous region that includes Israel, Turkey, Iraq, Afghanistan, India and Pakistan, posing a direct threat to America's national security. Iran is a deadly and irresponsible world actor, employing terrorist organizations such as Hezbollah to undermine existing regimes and generate conflict. Were Iran to develop a nuclear weapon, the Islamic Republic would become more inclined to sponsor terror, threaten America's allies in the region and increase support to the most deadly elements in the Iraqi insurgency. Last but certainly not least, Iran is strategically located on a key choke point in the world's energy supply chain — the Strait of Hormuz. A nuclear Iran would be in a position to use its enhanced leverage to adversely affect oil prices, causing damage to Western economies already under the burden of rising oil prices.

Technology Transfer

The Kremlin recently confirmed that a key Russian scientist working on the Russian missile program has also helped Iran in its weapons development. Intelligence agents in Moscow and Tehran confirmed that this Russian rocket scientist helped Iran design advanced detonators whose "only possible use would be in a nuclear weapon." The evidence of the scientist's involvement was contained in a document obtained by deep-cover MI6 officers in Tehran. The documents clearly indicate that, with Russian help, Iran is in the advanced stages of building nuclear weapons. Furthermore, an Iranian-Canadian businessman who purportedly spied on Iran for Germany has been arrested in Frankfurt on suspicion of using his companies to support Iran's missile program. While feigning cooperation with the German authorities, this businessman was allegedly shipping machinery to an Iranian company involved in Iran's ballistic missile program. These are two classic examples of sophisticated and dangerous transfers of technology.

In addition to its endeavors in the arena of terrorism and nuclear proliferation, Iran has been active in its attempts to steal or illegally transfer Western technology to augment its aging military. The problem is as old as the founding of the Iranian regime three decades ago,

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because Iran has proven to be an aggressive suitor for American military goods — as a means of replacing the aging jets and weapons supplied by the United States before the fall of the Shah of Iran in 1979. The recent inventory of illegal technology exported to Iran reads like a Pentagon procurement order: replacement parts for American-made fighter jets, night vision goggles, submachine guns, rifle scopes, global positioning devices and even electronic circuit boards capable of detonating explosives remotely.

According to American officials, Iranian agents in Tehran, in dozens of purchases over the last two years, have exploited a global black market to obtain sophisticated equipment from the United States. American officials have pinpointed and charged over 70 individuals and companies for illegal exports to Iran during the past two years. Iranian citizens in Malaysia, Germany, the United Arab Emirates and elsewhere were charged with using unwitting American electronics manufacturers to route “dual-use” equipment to Iran, which can be used for either military or commercial purposes. The latest break, and one of the most significant, was the recent unsealing of a federal indictment in Miami charging 16 people and companies overseas with illegally shipping thousands of microchips and other sophisticated American-made electronics to Iran, in violation of a 1995 ban. Some of the parts were then used to build roadside bombs in Iraq.

The United States has been playing a complex game with Iran for years, threatening to attack while trying to negotiate. In this scenario the United States clearly needs Russian cooperation. Sanctions against Iran have no meaning without Russian participation, and the United States certainly does not want Russia selling advanced air defense systems to Iran. To compound matters, with the August 8, 2008, invasion of the Republic of Georgia, Russia invited the West to a “New World Order” that will make international cooperation on all fronts — from terrorism to nuclear proliferation — more difficult than ever before.

New Consensus On Terrorism

In the years immediately following September 11, 2001, terrorism was unchallenged as our premier national security issue. Now al Qaeda has established a sanctuary in Pakistan’s tribal areas, and it appears that this organization’s capacity for catastrophic attacks remains

intact. However, another school of thought argues that al Qaeda has evolved into a leaderless group of radicals preparing to continue asymmetrical terrorist warfare on the cell level as witnessed in the United Kingdom. No matter how we analyze the terrorism threat of al Qaeda, it is still a major concern.

Twenty-five years ago this month, Islamic terrorists began their war against the United States with the bombing of the U.S. Marine Corps barracks in Lebanon that resulted in the deaths of 251 American servicemen and women. This attack was carried out by an Iranian proxy, Hezbollah. At that time, the United States did not respond effectively to this terrorist attack, an attitude that continued toward the terrorist attacks of the 1990s: the World Trade Center attack of 1993, the attack on the Air Force troops in the Khobar Towers in Saudi Arabia in 1996, the strike against our embassies in Tanzania and Kenya in 1998 and the attack on the destroyer *Cole* in 2000. However, since 9/11, terrorism has become a national security priority, and the West has learned a great deal about the threat from radical Islam and how to defeat this scourge and protect the American infrastructure. This commitment must be sustained.

Unfortunately, the terrorist threat must now compete with a mosaic of international problems far more demanding than what the United States faced at the time of September 11, 2001. In the aftermath of 9/11, it was relatively easy for the United States to establish national security priorities, but it will be much harder in today’s world. A resurgent Russia, a rapidly maturing Iranian nuclear program and the unraveling of the international economy constitute a growing array of challenges, some of which could arguably pose even greater long-term threats to U.S. security interests. These threats must be met head on, with information, preparedness and action. The time for urgency is now®.



The Lipman Report Editors