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CURRENT AND FUTURE WORLDWIDE THREATS TO THE NATIONAL SECURITY OF THE UNITED STATES

HEARING

BEFORE THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

FEBRUARY 16, 2012

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CURRENT AND FUTURE WORLDWIDE THREATS TO THE NATIONAL SECURITY OF THE UNITED STATES

THURSDAY, FEBRUARY 16, 2012

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

The committee met, pursuant to notice, at 9:35 a.m. in room SD–G50, Dirksen Senate Office Building, Senator Carl Levin (chairman) presiding.

Committee members present: Senators Levin, Lieberman, Webb, Udall, Hagan, Manchin, Shaheen, Blumenthal, McCain, Inhofe, Wicker, Brown, Portman, Ayotte, Graham, and Cornyn.

Committee staff members present: Richard D. DeBobes, staff director; and Leah C. Brewer, nominations and hearings clerk.

Majority staff members present: Jonathan S. Epstein, counsel; Richard W. Fieldhouse, professional staff member; Jessica L. Kingston, research assistant; Michael J. Kuiken, professional staff member; Gerald J. Leeling, counsel; Thomas K. McConnell, professional staff member; William G.P. Monahan, Counsel; Michael J. Noblet, professional staff member; Roy F. Phillips, professional staff member; Russell L. Shaffer, counsel; and William K. Sutey, professional staff member.

Minority staff members present: Adam J. Barker, professional staff member; Christian D. Brose, professional staff member; Pablo E. Carrillo, minority general counsel; John W. Heath, Jr., minority investigative counsel; Paul C. Hutton IV, professional staff member; Daniel A. Lerner, professional staff member; Lucian L. Niemeyer, professional staff member; Michael J. Sistak, research assistant; and Richard F. Walsh, minority counsel.

Staff assistants present: Kathleen A. Kulenkampff, Hannah I. Lloyd, and Bradley S. Watson.

Committee members' assistants present: Bryon Manna, assistant to Senator Lieberman; Nick Ikeda, assistant to Senator Akaka; Ann Premer, assistant to Senator Nelson; Gordon Peterson, assistant to Senator Webb; Casey Howard, assistant to Senator Udall; Mara Boggs, assistant to Senator Manchin; Chad Kreikemeier, assistant to Senator Shaheen; Ethan Saxon, assistant to Senator Blumenthal; Anthony Lazarski, assistant to Senator Inhofe; Lenwood Landrum, assistant to Senator Sessions; Joseph Lai, assistant to Senator Wicker; Charles Prosch, assistant to Senator Brown; Brad Bowman, assistant to Senator Ayotte; Sergio Sarkany,

assistant to Senator Graham; and Dave Hanke, assistant to Senator Cornyn.

OPENING STATEMENT OF SENATOR CARL LEVIN, CHAIRMAN

Chairman LEVIN. Good morning, everybody. Let me start by welcoming our witnesses for today's hearing on current and longer-term threats and challenges around the world. We are glad to have the Director of National Intelligence (DNI), James R. Clapper, Jr., and the Director of the Defense Intelligence Agency (DIA), Lieutenant General Ronald L. Burgess, Jr., USA, as our witnesses. We thank you both for your long and continued service to our Nation on behalf of our troops to whom we all owe so much.

This committee has a special responsibility to the men and women of our Armed Forces to be vigilant about intelligence programs because the safety of our troops, decisions on whether or not to use military force, and the planning for military operations depend so heavily on intelligence.

The security situation in Afghanistan remains one of our highest priority threats for our Intelligence Community. In the last year, there are clear signs of progress. Afghan National Security Forces (ANSF) are in the lead in providing security in Kabul, including during the gathering of over 2,000 Afghan leaders for their recent loya jirga last November. The Afghan National Army (ANA) and Afghan National Police (ANP) are in charge of security in former Taliban strongholds in southern Afghanistan. In addition, Ministry of Interior and Ministry of Defense planners have developed a plan for the ministries' combined team operations for 2012 and 2013. The ANA is widely respected, and even the ANP, traditionally lagging far behind in that virtue, are gaining increasing respect among the Afghan people. Nevertheless, security remains fragile.

A key to progress on security in Afghanistan is the process of transitioning the lead for securing the Afghan people from coalition forces to the Afghan security forces. The transition process is underway and continues apace, with the Afghan army and police assuming the security lead in more and more areas throughout the country. We heard on Tuesday from the Chairman of the Joint Chiefs of Staff, General Dempsey, that the transition process is on track to meet the goal of having the ANSF take the lead throughout Afghanistan by 2014.

Successful transition is going to depend on a number of factors, including the growth in the capabilities of the ANA and ANP and their readiness to take the security lead; the nature of the insurgency; and progress on reconciliation talks. We would be interested in hearing our witnesses' assessment of the current security situation in Afghanistan and their views on the progress both in terms of providing security and of transition and the possibilities for reconciliation with the Taliban.

I am concerned by recent news reports that the latest National Intelligence Estimate (NIE) reflects a difference of views between the Intelligence Community and our military commanders over the security situation in Afghanistan. According to these news reports, the NIE contains a set of additional comments endorsed by coalition commander General Allen, Ambassador Crocker, U.S. Central Command Commander General Mattis, and U.S. European Com-

mand Commander Admiral Stavridis, disagreeing with the NIE's assessment relative to the sustainability of security gains particularly in the south. I hope our witnesses will address this alleged difference of views in the recent NIE.

Security in Afghanistan is going to remain in jeopardy so long as there continues to be sanctuary in Pakistan for insurgents conducting cross-border attacks against U.S., coalition, and Afghan forces, and against the Afghan people. Pakistan's refusal to go after the safe havens of the Haqqani network in North Waziristan and of the Afghan Taliban Shura in Quetta belies Pakistan's assertions that it is committed to peace and security in the region. Pakistan's support for the Haqqani network, which former Chairman of the Joint Chiefs of Staff Admiral Mullen called a "veritable arm" of the Inter-Services Intelligence (ISI) of Pakistan, Pakistan's intelligence agency, is a major cause for U.S.-Pakistan relations reaching a low point, where they are going to remain until the Pakistan military ends its ties to these militant extremists carrying out cross-border attacks.

We need to understand the Intelligence Community's assessment of Pakistan's strategy with respect to these insurgent groups and the reconciliation process and as to Pakistan's power to determine outcomes.

The U.S. campaign against the global jihadist movement, as Director Clapper's opening statement calls it, had a number of significant successes in the last year, notably operations against Osama bin Laden and Anwar al-Awlaki. These successes struck major blows to al Qaeda's senior leadership and to one of its most active affiliates. As a result of these operations and sustained pressure in Pakistan, Yemen, Somalia, and North Africa, al Qaeda and its affiliates are showing strain. We would be interested in the Intelligence Community's assessment of last week's announcement of a merger between al Qaeda and al Shabaab and whether it signals an increased threat to the United States and our interests in Somalia.

Last August, the President issued Presidential Study Directive 10 which identifies the prevention of mass atrocities and genocide as a core national security interest and moral responsibility of the United States. I am pleased to see Director Clapper has included in his testimony a discussion of the importance of the prevention of mass atrocities and the need for the Intelligence Community to report on these incidents rapidly so as to inform policymakers of these deeply concerning events.

Over the past year, the international community has acted to prevent a mass atrocity in Libya, but we are currently witnessing a mass atrocity in Syria. These tragedies have resulted in deaths of many civilians seeking their universal freedoms and destabilized a sensitive region that is critical to the United States and our allies.

Now, relative to Iran, which is obviously a major topic, there is a strong bipartisan determination on this committee and in this Congress to do all that we can to counter the threat posed by Iran and, in particular, to stop Iran from acquiring nuclear weapons. In the most recent National Defense Authorization Act (NDAA), we made a major breakthrough with respect to Iran sanctions by re-

quiring foreign financial institutions to choose between maintaining ties with the U.S. financial system or doing business with the Central Bank of Iran, especially relative to the purchase of Iranian petroleum and related products. President Obama has appropriately focused considerable and determined diplomatic effort "to prevent Iran from getting a nuclear weapon," and he has repeatedly said there are "no options off the table to achieve that goal."

The American people are entitled to a clear Intelligence Community estimate about the length of time it would take Iran to construct a usable nuclear weapon, if and when they decide to produce one, and how likely is it that they will decide to do so.

An additional matter of concern with regard to Iran was raised in a recent report discussing Iran's apparent willingness to host and support senior al Qaeda leaders and facilitators. This is a matter that has not received a great deal of attention in recent years. However, if true, Iran's sanctuary of al Qaeda could preserve some of the group's most senior leaders and potentially provide Iran with a dangerous proxy. The committee looks forward to the Director's testimony on that matter as well.

On Syria, the recent veto by Russia and China of the Arab League-drafted resolution at the United Nations Security Council has bolstered the Assad regime and has regrettably demonstrated the willingness of China and Russia to support regimes seeking to crush individuals who are seeking a better and a freer life. We hope that the Directors here will share with the committee what we know about the individuals seeking to overthrow the Assad regime, what we know about who is supplying the Assad regime with weapons, what the regime's intentions are, and what we know about the willingness of the Syrian military to continue to kill and maim their own countrymen.

Relative to Iraq, despite the political, economic, and security challenges that confront Iraq, the government's leaders appear to be willing to work generally together to resolve issues politically rather than through violence. While there is much this new democracy needs to do to build a new and truly pluralistic, stable, and sovereign nation, we would like to hear our witnesses' views on the Iraqis' progress to date and outlook for stability and political compromise. We also would be interested in the risk of unchecked Iranian influence in Iraq and what is the Iraqi Government's commitment and capability to deal with that influence or their willingness to deal with that influence.

I am going to put my comments relative to China and the Asia-Pacific region in general in the record and end with just a comment on cybersecurity.

Director Clapper's prepared statement indicates that the Intelligence Community places the cybersecurity threat to our country and our economy in the top tier of threats, alongside of terrorism and the proliferation of weapons of mass destruction (WMD). That is surely where that cyber threat belongs. A recent report from the National Counterintelligence Executive stated that entities operating from within China and Russia are responsible for the massive and routine theft of U.S. commercial and military technology, and that could threaten our national security and our prosperity. It is important to know what our Intelligence Community regards

this economic espionage as, whether it is a significant national security threat, and also whether that view is shared by our policymakers, and whether China would believe that we are just bluffing if we talk about ending normal trade relations if the economic espionage and counterfeiting and theft of our intellectual property do not end.

Before turning to Senator McCain for his opening remarks and then to our witnesses for their testimony, I would like to remind everyone that we have arranged for a closed session in room SVC–217, the Office of Senate Security, located in the Capitol Visitor Center, following this open session, in the event that such a closed session is necessary.

Senator McCain.

[The prepared statement of Chairman Levin follows:]

PREPARED STATEMENT BY SENATOR CARL LEVIN

I would like to welcome our witnesses for today's hearing on current and longer-term threats and challenges around the world. We are glad to have the Director of National Intelligence, James Clapper, and the Director of the Defense Intelligence Agency, Lieutenant General Ron Burgess, as our witnesses today. We thank you for your long and continued service to the Nation on behalf of our troops to whom we owe so much.

This committee has a special responsibility to the men and women of our Armed Forces to be vigilant about intelligence programs because the safety of our troops, decisions on whether or not to use military force, and the planning for military operations depend so heavily on intelligence.

AFGHANISTAN/PAKISTAN

The security situation in Afghanistan remains one of the highest priority threats for our Intelligence Community. In the last year, there are clear signs of progress. Afghan security forces are in the lead in providing security in Kabul, including during the gathering of over 2,000 Afghan leaders for the recent Loya Jirga last November. The Afghan Army and Police are in charge of security in former Taliban strongholds in southern Afghanistan. In addition, Ministry of Interior and Ministry of Defense planners have developed a plan for the ministries' combined team operations for 2012 and 2013. The Afghan Army is widely respected, and even the Afghan Police, traditionally lagging far behind in that virtue, are gaining increasing respect among the Afghan people. According to a United Nations survey last month, the number of Afghans who expressed personal respect for the Afghan Police has increased to 81 percent, up 8 percent from the year before. Nonetheless, security remains fragile.

A key to progress on security in Afghanistan is the process of transitioning the lead for securing the Afghan people from coalition forces to the Afghan security forces. The transition process is underway and continues apace, with the Afghan Army and Police assuming the security lead in more and more areas throughout the country. By later this year, approximately 50 percent of the Afghan population will live in areas where Afghan security forces have assumed the lead for providing security, supported by coalition forces. We heard on Tuesday from Chairman of the Joint Chiefs of Staff General Dempsey that the transition process is on track to meet the goal, agreed by Presidents Obama and Karzai and endorsed at the NATO Lisbon Summit, to have Afghan security forces in the lead for security throughout all Afghanistan by 2014.

Successful transition will depend on a number of factors, including: the growth in the capabilities of the Afghan Army and Police and their readiness to take the security lead; the nature of the insurgency; and progress on reconciliation talks. We would be interested in hearing our witnesses' assessment of the current security situation in Afghanistan and their views on the progress both in terms of providing security and of transition, and the possibilities for reconciliation with the Taliban.

I am concerned by recent news reports that the latest National Intelligence Estimate (NIE) reflects a difference of views between the Intelligence Community and our military commanders over the security situation in Afghanistan, particularly in the south. According to these reports, the NIE contains a set of additional comments endorsed by Coalition Commander General John Allen, Ambassador Ryan Crocker,

Central Command Commander General Mattis, and European Command Commander Admiral Stavridis, disagreeing with the NIE's assessment of the sustainability of security gains in the south. I hope that our witnesses will address this alleged difference of views in the recent NIE.

Security in Afghanistan will remain in jeopardy so long as there continues to be sanctuary in Pakistan for insurgents conducting cross-border attacks against U.S., coalition, and Afghan forces and the Afghan people. Pakistan's refusal to go after the safe havens of the Haqqani network in North Waziristan and of the Afghan Taliban Shura in Quetta belies Pakistan's assertions that it is committed to peace and security in the region. Pakistan's support to the Haqqani network, which former Chairman of the Joint Chiefs of Staff Admiral Mullen called a "veritable arm" of the ISI, Pakistan's intelligence agency, is a major cause for U.S.-Pakistan relations reaching a low point, where they will remain until the Pakistan military ends its ties to these militant extremists carrying out cross-border attacks.

We need to understand the Intelligence Community's assessment of Pakistan's strategy with respect to these insurgent groups and the reconciliation process, and as to Pakistan's power to determine outcomes.

TERRORISM THREATS

The U.S. campaign against the global jihadist movement—as Director Clapper's opening statement calls it—had a number of significant successes in the last year—most notably operations against Osama bin Laden and Anwar al-Awlaki. These successes struck major blows to al Qaeda's senior leadership and one of its most active affiliates, al Qaeda in the Arabian Peninsula. As a result of these operations and sustained pressure in Pakistan, Yemen, Somalia, and North Africa, al Qaeda and its affiliates are showing strain. The committee is also interested in the Intelligence Community's assessment of last week's announcement of a merger between al Qaeda and al Shabab and whether it signals an increased threat to the United States and our interests from Somalia.

MASS ATROCITIES

Last August, the President issued Presidential Study Directive-10 which identifies the prevention of mass atrocities and genocide as a core national security interest and moral responsibility of the United States. I am pleased to see that Director Clapper has included in his testimony a discussion of the importance of the prevention of mass atrocities, and the need for the Intelligence Community to report on these incidents rapidly so as to inform policymakers of these deeply concerning events.

Over the past year, the international community has acted to prevent a mass atrocity in Libya and is currently witnessing a mass atrocity in Syria. These tragedies have resulted in the deaths of many civilians seeking their universal freedoms and destabilized a sensitive region that is critical to the United States and our allies.

IRAN

There is a strong bipartisan determination on this committee and in this Congress to do all we can to counter the threat posed by Iran and, in particular, to stop Iran from acquiring nuclear weapons. In the most recent National Defense Authorization Act, we made a real breakthrough with respect to Iran sanctions by requiring foreign financial institutions to choose between maintaining ties with the U.S. financial system or doing business with the Central Bank of Iran, especially relative to the purchase of Iranian petroleum and related products. President Obama has appropriately focused considerable and determined diplomatic effort "to prevent Iran from getting a nuclear weapon," and he has repeatedly said there are "no options off the table to achieve that goal."

The American people are entitled to a clear Intelligence Community estimate about the length of time it would take Iran to construct a usable nuclear weapon if or when they decide to produce one and how likely it is that they will decide to do so.

An additional matter of concern with regard to Iran was raised in a recent report discussing Iran's apparent willingness to host and support senior al Qaeda leaders and facilitators. This is a matter that has not received a great deal of attention in recent years. However, if true, Iran's sanctuary of al Qaeda could preserve some of the group's most senior leaders and—potentially—provide Iran with a dangerous proxy. In recent congressional testimony, Director Clapper indicated that sustained pressure on al Qaeda has the potential to reduce the group to roaming criminal

bands, but Iran's continued support could contribute to a future resurgence. The committee looks forward to the Director's testimony on these matters.

ARAB SPRING/EGYPT/SYRIA

The upheavals of the Arab Spring have had significant implications for security and stability in the Middle East and North Africa. In Egypt, the first democratically elected incoming government in more than three decades, which is comprised of the Muslim Brotherhood and more conservative religious parties, is an unknown entity. The disposition of the Americans charged in the ongoing probe against organizations building the capacity of Egypt's civil society is also of great concern to many members of this committee. The committee looks forward to Director Clapper's assessment of the new government's intentions relative to these matters.

On Syria, the recent veto by Russia and China of the Arab League-drafted resolution at the United Nations Security Council has bolstered the Assad regime and has regrettably demonstrated the willingness of Russia and China to support regimes seeking to crush individuals seeking a better and freer life. I hope Director Clapper will share with the committee what we know about the individuals seeking to overthrow the Assad regime, what we know about who is supplying the Assad regime with weapons, what the regime's intentions are, and what we know about the willingness of the Syrian military to continue to kill and maim their own countrymen.

IRAQ

Despite the political, economic, and security challenges that confront Iraq, the government's leaders appear to be willing to work generally together to resolve issues politically rather than through violence. While there is much this new democracy needs to do to build a truly pluralistic, stable, and sovereign nation, we would like to hear the witnesses' views on the Iraqis' progress to date and outlook for stability and political compromise. We also look forward to the witnesses' assessment of the security situation in Iraq, the risk of unchecked Iranian influence, and the Iraqi Government's commitment and capability to improve political and economic conditions.

ASIA PACIFIC

One of the main components of the President's recently announced Defense Strategic Guidance is to rebalance force structure and investments toward the Asia Pacific and this strategic focus is most appropriate and timely.

The recent death of long-time North Korean dictator Kim Jong il has resulted in an abrupt, uncertain leadership change for a rogue nation with ballistic missile and nuclear capabilities.

The lack of transparency associated with China's rapid military growth, coupled with China's assertiveness, particularly in the South and East China Seas, increases the potential for instability and miscalculation.

These and other challenges underscore the need to continue and enhance the U.S. military's commitment to the Asia Pacific and to develop and strengthen alliances and partnerships in the region.

Director Clapper's prepared statement attributes China's recent crackdown on internal dissension to concern among Chinese leaders about contagious effects of the Arab Spring. We would like to hear from Director Clapper whether there are, in fact, any reverberations in China from the uprisings in the Middle East, as well as the Intelligence Community's expectations regarding China's reaction to the President's strategic emphasis on the Asia-Pacific region.

CYBERSECURITY

Director Clapper's prepared statement indicates that the Intelligence Community places the cybersecurity threat to our country and our economy in the top tier of threats, alongside terrorism and proliferation of weapons of mass destruction. That's surely where it belongs. A recent report from the National Counterintelligence Executive stated that entities operating from within China and Russia are responsible for the massive routine theft of U.S. commercial and military technology that could threaten national security and prosperity. It is important to know whether Director Clapper regards this economic espionage as a significant national security threat and whether that view is shared by policymakers, and whether China would believe we are just bluffing if we talk about ending normal trade relations if the economic espionage and counterfeiting and theft of our intellectual property do not end.

Before turning to Senator McCain for his opening remarks, and our witnesses for their testimony, I would remind everyone that we have arranged for a closed session

in room SVC–217, the Office of Senate Security, located in the Capitol Visitor Center, following this open session, if that is necessary.

STATEMENT OF SENATOR JOHN MCCAIN

Senator MCCAIN. Thank you, Mr. Chairman.

Let me join you in welcoming Director Clapper and General Burgess and thanking them for their many years of distinguished service.

I also want to take this opportunity to express our enormous gratitude to the men and women of our Intelligence Community. It is a truism that intelligence often fails publicly but succeeds privately. I only wish the American people could know the full extent of what our Intelligence Community does to keep us safe.

Today's hearing is a fitting companion to the one this committee held on Tuesday to review the President's annual budget request for the Department of Defense (DOD), as well as his broader proposal to cut $487 billion in defense spending over 10 years. As Secretary of Defense Panetta and Chairman of the Joint Chiefs of Staff Dempsey told this committee on Tuesday, the administration's planned reductions in defense spending would entail greater risk to our military, to our missions, and to our national security. This stands to reason. But what does not is why we would choose to increase the already growing risk to our national security at this time. Just consider the scale and scope of these risks.

Despite the remarkable damage inflicted on al Qaeda's core leadership by our military and intelligence professionals, al Qaeda's affiliates in Iraq, the Horn of Africa, and the Maghreb are growing stronger, more independent, more diffuse, and more willing to attack American interests.

As evidenced by their plot to assassinate the Saudi ambassador in a Washington restaurant, the rulers in Iran clearly pose a more direct threat to us than many would have assumed just a year ago and that is on top of the hostile actions in which Iran has been engaging for years, including killing Americans in Iraq and Afghanistan, supporting terrorist groups across the Middle East, destabilizing Arab countries, propping up and rearming the Assad regime in Syria, and continuing their undeterred pursuit of a nuclear weapons capability. The threat posed by the Iranian regime could soon bring the Middle East to the brink of war if it is not there already.

North Korea is in the midst of a potentially dangerous and destabilizing transition. An inexperienced 29-year-old is now in charge of a government that continues to produce nuclear weapons, develop ever-more sophisticated ballistic missiles, threaten our ally in the Republic of Korea, and administer the most brutal apparatus of state oppression of any country on Earth. The chances of increased conflict and miscalculations are as real as ever before.

The Peoples Republic of China continues with a nontransparent buildup of its military forces while engaging in provocative acts against its neighbors in international waters. Indeed, tensions in the South China Sea have rarely been higher. At the same time, the number and sophistication of cyber attacks on American targets by Chinese actors, likely with Chinese Government involvement in many cases, is growing increasingly severe and damaging.

Indeed, as last year's report from the Office of the National Counterintelligence Executive makes clear, "Chinese actors are the world's most active and persistent perpetrators of economic espionage."

In Afghanistan, the Taliban insurgency is damaged but not broken, and regrettably their will to stay in the fight against the international coalition and our Afghan partners has only been increased by the administration's repeated public commitments to certain dates for withdrawing down our military forces regardless of conditions on the ground. Meanwhile, Pakistan remains as fragile and combustible as ever. As our witnesses' statements make clear, Pakistan's intelligence service continues to support terrorist elements inside Afghanistan that are attacking and killing Americans.

In Iraq, the fragile stability of democratic gains that Iraqis have been able to forge, thanks to the surge, now seem to be unraveling. Prime Minister Maliki appears to be consolidating his power at the expense of the other political blocs. Violence is up significantly since the departure of U.S. troops. Al Qaeda in Iraq (AQI) and violent Shia extremist groups are still very much active and threatening to Iraq's stability. It is increasingly difficult to argue that Iraq, to use the President's words, is "stable and self-reliant."

One year into the Arab Spring, the situation remains fluid, uncertain, and in places very troubling. From Tunisia and Libya to Egypt, Yemen, and Bahrain, countries are undergoing monumental changes and the outcomes of those changes are still far from clear. Then there is Syria, where the conflict appears to be entering a new phase. More than 6,000 lives have been lost and there appears to be no end in sight.

The bloodshed must be stopped and we should rule out no option that could help save lives. We must consider, among other actions, providing opposition groups inside Syria both political and military with better means to organize their activities, to care for the wounded, to find safe havens, to communicate securely, to defend themselves, and to fight back against Assad's forces. The time has come when all options must be on the table to end the killing and force Assad to leave power.

We could continue for some time listing the myriad of other threats facing our Nation, and I am confident we will cover most of them in today's hearing. What should be clear is that by no objective assessment are the threats to our national security decreasing. To the contrary, they are increasing as the prepared testimonies of our witnesses make vividly clear. So the question that Members of Congress and the members of this committee in particular need to think long and hard about is this: Why, in an international environment of growing uncertainty, risk, and threat, would we choose to add to those risks by making large and misguided cuts to our national defense budget, cuts that by themselves will not significantly reduce our national debt, the real driver of which is our domestic entitlement programs? I do not see a compelling answer to this question at this time. I imagine today's hearing will underscore that point.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you so much, Senator McCain.

Director Clapper.

STATEMENT OF HON. JAMES R. CLAPPER, JR., DIRECTOR OF NATIONAL INTELLIGENCE

Director CLAPPER. Thank you, Chairman Levin and Ranking Member McCain, distinguished members of the committee, for inviting us to present the 2012 worldwide threat assessment. I would observe you have probably already given it for us.

I am joined today by the Director of the DIA, my friend and colleague of long standing, Lieutenant General Ron Burgess.

These remarks and our statement for the record reflect the collective insights of extraordinary men and women of the U.S. Intelligence Community whom you have recognized—and we most appreciate that—and whom it is our privilege and honor to lead. We are most appreciative of your acknowledgment of the work, sometimes under very hazardous conditions, that is done by the men and women of the community around the world.

We will not attempt to cover the full scope of worldwide threats in these brief oral remarks, so I would like to highlight some of the issues that we identified for the coming year, some of which you have already done for us, as I said.

Earlier this month was the 51st anniversary of my enlistment in the Marine Corps and during my subsequent entire career, I do not recall a more complex and interdependent array of challenges than we face today. The capabilities, technologies, know-how, communications, and environmental forces are not confined by borders and can trigger transnational disruptions with astonishing speed. Never before has the Intelligence Community been called upon to master such complexity on so many issues in such a resource-constrained environment.

We are rising to the challenge by continuing to integrate the Intelligence Community, taking advantage of new technologies, implementing new efficiencies, and as always, simply working harder. But candidly maintaining the world's premier intelligence enterprise in the face of our shrinking budgets will be a challenge. We will be accepting and managing risks more so than we have had to do in the last decade. When I say "we," I mean both the legislative and the executive.

We begin our threat assessment as we did last year with the global issues of terrorism and proliferation. The Intelligence Community sees the next 2 to 3 years as a critical transition phase for the terrorist threat, particularly for al Qaeda and likeminded groups. With Osama bin Laden's death, the global jihadist movement lost its most iconic and inspirational leader. The new al Qaeda commander is less charismatic and the death or capture of prominent al Qaeda figures has shrunk the group's top leadership layer. However, even with its degraded capabilities and its focus on smaller, simpler plots, al Qaeda remains a threat. As long as we sustain the pressure, we judge that core al Qaeda will be of largely symbolic importance to the global jihadist movement, but regional affiliates and, to a lesser extent, small cells and individuals will drive the global jihad agenda.

Proliferation, that is, efforts to develop, acquire, or spread WMD, is also a major global strategic threat. Among nation-states, as you have alluded, Iran's technical advances, particularly in uranium enrichment, strengthen our assessment that Iran is more than ca-

pable of producing enough highly enriched uranium for a weapon if its political leaders, specifically the Supreme Leader himself, choose to do so.

North Korea's export of ballistic missiles and associated materials to several countries, including Iran and Syria, illustrate the reach of North Korea's proliferation activities. We do not expect that Kim Jong Un, North Korea's new young leader, to change Pyongyang's policy of attempting to export most of its weapons systems.

I note that in this year's statement for the record, as you have noted yourselves, that we elevated our discussion of cyber threats to follow terrorism and proliferation, and perhaps in something of the coals of Newcastle, just to affirm that cyber threat is one of the most challenging ones we face. We foresee a cyber environment in which emerging technologies are developed and implemented before security responses can be put in place. Among state actors, we are particularly concerned about entities within China and Russia conducting intrusions into U.S. computer networks and stealing U.S. data. The growing role that non-state actors are playing in cyberspace is a great example of the easy access to potentially disruptive and even lethal technology and know-how by such groups.

Two of our greatest strategic cyber challenges are, first, definitive, real-time attribution of cyber attacks, that is, knowing who carried out such attacks and where perpetrators are located; and second, managing the enormous vulnerabilities within the IT supply chain for U.S. networks. In this regard, a cybersecurity bill was recently introduced by Senators Lieberman, Collins, Rockefeller, and Feinstein. It addresses the core homeland security requirements that would improve cybersecurity for the American people, for our Nation's critical infrastructure, and for the Federal Government's own networks and computers. The Intelligence Community considers such legislative steps essential to addressing our Nation's critical infrastructure vulnerabilities which pose serious national and economic security risks.

Briefly, looking geographically around the world, in Afghanistan—and General Burgess will have more to say about this—during the past year, the Taliban lost some ground, but that was mainly in places where the International Security Assistance Forces (ISAF) were concentrated. Taliban senior leaders continue to enjoy safe haven in Pakistan. ISAF's efforts to partner with ANSF are encouraging, but corruption and governance challenges continue to threaten the Afghan forces' operational effectiveness. Most provinces have established basic governance structures, but they struggle to provide essential services. The ISAF's support and the support of Afghanistan's neighbors, notably and particularly Pakistan, will remain essential to sustain the gains that have been achieved. Although there is broad international political support for the Afghan Government, there are doubts in many capitals, particularly in Europe, about how to fund Afghanistan initiatives after 2014.

In Iraq, violence and sporadic high-profile attacks continue. Prime Minister Maliki's recent aggressive moves against Sunni political leaders have heightened political tensions. But for now, we

believe the Sunnis continue to view the political process as the best venue to pursue change.

Elsewhere across the Middle East and North Africa, those pushing for change are confronting ruling elites, sectarian, ethnic, and tribal divisions, lack of experience with democracies, stalled economic development, military and security force resistance, and regional power initiatives. These are fluid political environments that offer openings for extremists to participate more assertively in political life. States where authoritarian leaders have been toppled, such as Tunisia, Egypt, and Libya, have to construct or reconstruct their political systems through complex negotiations among competing factions. Nowhere is this transition, I believe, more important than in Egypt, which, I think, will be a bellwether, and, of course, is so strategically important because of its size, its location, and, of course, the peace treaty that it now has with Israel.

In Syria, regime intransigence and social divisions are prolonging internal struggles and could potentially turn domestic upheavals into regional crises.

In Yemen, although a political transition is underway, the security situation continues to be marred by violence, and fragmentation of the country is a real possibility.

As the ancient Roman historian Tacitus once observed, "the best day after a bad emperor is the first." But after that, I would add, things get very problematic.

The Intelligence Community is also paying close attention to developments across the African continent, throughout the western hemisphere, Europe, and across Asia. Here too, few issues are self-contained. Virtually every region has a bearing on our key concerns of terrorism, proliferation, cybersecurity, and instability, and throughout the globe, wherever there are environmental stresses on water, food, and natural resources, as well as health threats, economic crises, and organized crime, we see ripple effects around the world and impacts on U.S. interests.

Amidst these extraordinary challenges, it is important to remind this distinguished body and the American people that in all of our work, the U.S. Intelligence Community strives to exemplify American values. We carry out our missions with respect for the rule of law and the protection of civil liberties and privacy. That pledge leads me to mention our highest legislative priority this year and it requires the support of both houses of Congress. I refer specifically to the Foreign Intelligence Surveillance Act (FISA)—which is set to expire at the end of 2012.

Title 7 of FISA allows the Intelligence Community to collect vital information about international terrorists and other important targets overseas. This law authorizes surveillance of non-U.S. persons located overseas who are of foreign intelligence importance, meaning they have a connection to or information about threats such as terrorism or proliferation. It also provides for comprehensive oversight by all three branches of Government to protect the privacy and civil liberties of U.S. persons. The Department of Justice and my office conduct extensive oversight reviews of these activities and we report to Congress on implementation and compliance twice a year. Intelligence collection under FISA produces crucial intel-

ligence that is vital to protect the Nation against international terrorism and other threats.

We are always considering whether there are changes that could be made to improve the law, but our first priority is reauthorization of these authorities in their current form. We look forward to the speedy enactment of the legislation reauthorizing the FISA amendments act so there can be no interruption in our ability to use these authorities to protect the American people.

So I end this brief statement where I began and then turn it over to General Burgess.

The fiscal environment we face as a Nation and in our Intelligence Community will require careful identification and management of the challenges the Intelligence Community focuses on and the risks we must mutually assume.

With that, I thank you and the members of the committee for your dedication to the security of our Nation, your support for our men and women of the Intelligence Community, and your attention here today.

[The prepared statement of Director Clapper follows:]

PREPARED STATEMENT BY HON. JAMES R. CLAPPER

Chairman Levin, Ranking Member McCain, members of the committee, thank you for the invitation to offer the Intelligence Community's assessment of threats to U.S. national security.

This statement provides extensive detail about numerous state and nonstate actors, crosscutting political, economic, and military developments and transnational trends, all of which constitute our Nation's strategic and tactical landscape. Although I believe that counterterrorism, counterproliferation, cybersecurity, and counterintelligence are at the immediate forefront of our security concerns, it is virtually impossible to rank—in terms of long-term importance—the numerous, potential threats to U.S. national security. The United States no longer faces—as in the Cold War—one dominant threat. Rather, it is the multiplicity and interconnectedness of potential threats—and the actors behind them—that constitute our biggest challenge. Indeed, even the four categories noted above are also inextricably linked, reflecting a quickly changing international environment of rising new powers, rapid diffusion of power to nonstate actors and ever greater access by individuals and small groups to lethal technologies. We in the Intelligence Community believe it is our duty to work together as an integrated team to understand and master this complexity. By providing better strategic and tactical intelligence, we can partner more effectively with other Government officials at home and abroad to protect our vital national interests.

TERRORISM

The next 2 to 3 years will be a critical transition phase for the terrorist threat facing the United States, particularly from al Qaeda and like-minded groups, which we often refer to as the "global jihadist movement." During this transition, we expect leadership of the movement to become more decentralized, with "core" al Qaeda—the Pakistan-based group formerly led by Osama bin Laden—diminishing in operational importance; regional al Qaeda affiliates planning and attempting terrorist attacks; multiple voices providing inspiration for the movement; and more vigorous debate about local versus global agendas. We assess that with continued robust counterterrorism (CT) efforts and extensive cooperation with our allies and partners, there is a better-than-even chance that decentralization will lead to fragmentation of the movement within a few years. With fragmentation, core al Qaeda will likely be of largely symbolic importance to the movement; regional groups, and to a lesser extent small cells and individuals, will drive the global jihad agenda both within the United States and abroad.

- During and after this transition, the movement will continue to be a dangerous transnational force, regardless of the status of core al Qaeda, its affiliates, and its allies. Terrorist groups and individuals sympathetic to the jihadist movement will have access to the recruits, financing, arms and explosives, and safe havens needed to execute operations.

- A key challenge for the West during this transition will be conducting aggressive CT operations while not exacerbating anti-Western global agendas and galvanizing new fronts in the movement.

The CBRN Threat

We assess that a mass attack by foreign terrorist groups involving a chemical, biological, radiological, or nuclear (CBRN) weapon in the United States is unlikely in the next year, as a result of intense counterterrorism pressure. Nevertheless, given the compartmented nature of CBRN programs, the spread of technological information, and the minimal infrastructure needed for some CBRN efforts, the Intelligence Community remains alert to the CBRN threat.

Although we assess that a mass attack is unlikely, we worry about a limited CBR attack in the United States or against our interests overseas in the next year because of the interest expressed in such a capability by some foreign groups, such as al Qaeda in the Arabian Peninsula's (AQAP).

- The Intelligence Community judges that lone actors abroad or in the United States—including criminals and homegrown violent extremists (HVEs) inspired by terrorist leaders or literature advocating use of CBR materials—are capable of conducting at least limited attacks in the next year, but we assess the anthrax threat to the United States by lone actors is low.

Core al Qaeda in Decline

- With Osama bin Laden's death, the global jihadist movement lost its most iconic and inspirational leader, even for disaffected members of the group.
- We do not assess that al Qaeda's new leader, Ayman al-Zawahiri, will change al Qaeda's strategic direction, but most al Qaeda members find Zawahiri's leadership style less compelling than bin Laden's image as a holy man and warrior, and will not offer him the deference they gave bin Laden.

The death or capture of prominent al Qaeda figures since bin Laden's death has shrunk the layer of top lieutenants directly under Zawahiri. These losses, combined with the long list of earlier losses since CT operations intensified in 2008, lead us to assess that core al Qaeda's ability to perform a variety of functions—including preserving leadership and conducting external operations—has weakened significantly.

- We judge that al Qaeda's losses are so substantial and its operating environment so restricted that a new group of leaders, even if they could be found, would have difficulty integrating into the organization and compensating for mounting losses.
- We judge that with its degraded capabilities al Qaeda increasingly will seek to execute smaller, simpler plots to demonstrate relevance to the global jihad, even as it aspires to mass casualty and economically damaging attacks, including against the United States and U.S. interests overseas.
- With sustained CT pressure, we anticipate that core al Qaeda will suffer sustained degradation, diminished cohesion, and decreasing influence in the coming year.

Leadership of the Global Jihad

We assess that core al Qaeda still communicates with its affiliates, but its ability to do so probably rests with only a few remaining senior leaders and their communications facilitators. We judge senior leaders almost certainly believe that persistent contact with affiliates is necessary to influence them to act on al Qaeda's global priorities and preserve a unified narrative.

The Intelligence Community judges that al Qaeda's regional affiliates—AQAP, al Qaeda in Iraq (AQI), al Qaeda in the Islamic Maghreb (AQIM), and al-Shabaab—will remain committed to the group's ideology, and in terms of threats to U.S. interests will surpass the remnants of core al Qaeda in Pakistan. We expect that each group will seek opportunities to strike Western targets in its operating area, but the intent and ability of each affiliate to conduct transnational attacks varies widely. The future of any affiliate, and its role in the jihadist movement, will depend on how external forces (primarily the pace and effectiveness of CT operations) and internal forces (the competition between the local and global jihadist agendas) play out.

- Despite the death in September of AQAP transnational operations chief and U.S. person Anwar al-Aulaqi, we judge AQAP remains the node most likely to attempt transnational attacks. His death probably reduces, at least

temporarily, AQAP's ability to plan transnational attacks, but many of those responsible for implementing plots, including bombmakers, financiers, and facilitators, remain and could advance plots.

• We assess that AQI will remain focused on overthrowing the Shia-led government in Baghdad in favor of a Sunni-led Islamic caliphate. It probably will attempt attacks primarily on local Iraqi targets, including government institutions, Iraqi Security Forces (ISF) personnel, Shia civilians, and recalcitrant Sunnis, such as members of the Sons of Iraq, and will seek to rebuild support among the Sunni population. In its public statements, the group also supports the goals of the global jihad, and we are watchful for indications that AQI aspires to conduct attacks in the West.

In Africa, AQIM and al-Shabaab are prioritizing local interests—combating regional CT operations—over transnational operations. Al-Shabaab has many subclans with divergent interests; most rank and file fighters have no interest in global jihad.

• Internal divisions and diminished local support for al-Shabaab in the wake of the 2011 humanitarian crisis, coupled with military pressure from the African Union Mission in Somalia (AMISOM), Transitional Federal Government (TFG), Kenya, and Ethiopia, have eroded alShabaab's control in southern Somalia. In late 2011, Kenyan troops moved to encircle the port of Kismaayo, the port al-Shabaab has used in past years to generate much of its revenue. The ability of anti-Shabaab forces to consolidate gains, control proxy forces, and win support of local clans will be key to preventing al-Shabaab's reclamation of Somali territory.

• We assess that most al-Shabaab members in 2012 will remain focused on battling AMISOM, TFG, and Ethiopian/Kenyan-backed forces in Somalia. However, other al-Shabaab leaders may intend to expand the group's influence and plan attacks outside areas that al-Shabaab controls in southern and central Somalia, such as in East Africa; al-Shabaab fighters were responsible for twin bombings in Uganda in July 2010. Members of the group—particularly a foreign fighter cadre that includes U.S. passport holders—may also have aspirations to attack inside the United States; however, we lack insight into concrete operational plans outside the Horn of Africa.

Other militant and terrorist networks will continue to threaten U.S. interests outside their primary operating areas. However, we judge that most lack either the capability or intent to plan, train for, and execute sophisticated attacks in the United States. Tehrik-e Taleban Pakistan (TTP), for example, is likely to remain heavily engaged against the Pakistani military and Coalition forces in Afghanistan, while providing some support to the Afghan insurgency.

The Threat from Homegrown Violent Extremists

We assess that at least in the near term the threat in the United States from HVEs will be characterized by lone actors or small groups inspired by al Qaeda's ideology but not formally affiliated with it or other related groups. Most HVEs are constrained tactically by a difficult operating environment in the United States, but a handful have exhibited improved tradecraft and operational security and increased willingness to consider less sophisticated attacks, which suggests the HVE threat may be evolving.

• In the past decade, most HVEs who have aspired to high-profile, mass-casualty attacks in the United States—typically involving the use of explosives against symbolic infrastructure, government, and military targets—did not have the technical capability to match their aspirations; however, in 2009, extremists who were first radicalized in the United States, but then travelled overseas and received training and guidance from terrorist groups, attempted two mass-casualty explosives attacks in the United States.

We remain alert to potential dynamics that might emerge in the United States, online, or overseas that would alter the nature of the HVE threat. Some include:

• A galvanizing event or series of events perceived to reflect an anti-Islamic bias or agenda in the United States.
• U.S. or Western military involvement in another Muslim country.
• Increased HVE learning from past disruptions and plots.
• Increased HVE use of the Internet to share propaganda, form social or peer networks, or recruit others for attack planning.
• Civil or inter-state conflict overseas leading to the radicalization of individuals in diaspora communities in the United States.

The Threat from Iran

The 2011 plot to assassinate the Saudi Ambassador to the United States shows that some Iranian officials—probably including Supreme Leader Ali Khamenei—have changed their calculus and are now more willing to conduct an attack in the United States in response to real or perceived U.S. actions that threaten the regime. We are also concerned about Iranian plotting against U.S. or allied interests overseas.

- Iran's willingness to sponsor future attacks in the United States or against our interests abroad probably will be shaped by Tehran's evaluation of the costs it bears for the plot against the Ambassador as well as Iranian leaders' perceptions of U.S. threats against the regime.

PROLIFERATION

Nation-state efforts to develop, acquire, and/or proliferate weapons of mass destruction (WMD) and their related delivery systems constitute a major threat to the safety of our Nation, our deployed troops, and our allies. The threat and destabilizing effect of nuclear proliferation, as well as the threat from the proliferation of materials and technologies that could contribute to existing and prospective chemical and biological weapons programs, are among our top concerns.

Traditionally, deterrence and diplomacy have constrained most nation states from acquiring biological, chemical, or nuclear weapons, but these constraints may be of less utility in preventing terrorist groups from doing so. The time when only a few states had access to the most dangerous technologies is past. Biological and chemical materials and technologies, almost always dual-use, move easily in our globalized economy, as do the personnel with scientific expertise to design and use them. The latest discoveries in the life sciences diffuse globally and rapidly.

We assess that no nation states have provided WMD assistance to terrorist groups and that no nonstate actors are targeting WMD sites in countries with unrest; however, as governments become unstable and transform, WMD-related materials may become vulnerable to nonstate actors, if the security that protects them erodes.

WMD THREATS: IRAN AND NORTH KOREA

We assess Iran is keeping open the option to develop nuclear weapons, in part by developing various nuclear capabilities that better position it to produce such weapons, should it choose to do so. We do not know, however, if Iran will eventually decide to build nuclear weapons.

Iran nevertheless is expanding its uranium enrichment capabilities, which can be used for either civil or weapons purposes. As reported by the International Atomic Energy Agency, to date, Iran in late October 2011 had about 4,150 kg of 3.5 percent LEUF6 and about 80 kg of 20-percent enriched UF6 produced at Natanz. Iran confirmed on 9 January that it has started enriching uranium for the first time at its second enrichment plant, near Qom.

Iran's technical advancement, particularly in uranium enrichment, strengthens our assessment that Iran has the scientific, technical, and industrial capacity to eventually produce nuclear weapons, making the central issue its political will to do so. These advancements contribute to our judgment that Iran is technically capable of producing enough highly enriched uranium for a weapon, if it so chooses.

We judge Iran would likely choose missile delivery as its preferred method of delivering a nuclear weapon. Iran already has the largest inventory of ballistic missiles in the Middle East, and it is expanding the scale, reach, and sophistication of its ballistic missile forces, many of which are inherently capable of carrying a nuclear payload.

We judge Iran's nuclear decisionmaking is guided by a cost-benefit approach, which offers the international community opportunities to influence Tehran. Iranian leaders undoubtedly consider Iran's security, prestige, and influence, as well as the international political and security environment, when making decisions about its nuclear program.

Iran's growing inventory of ballistic missiles and its acquisition and indigenous production of anti-ship cruise missiles (ASCM) provide capabilities to enhance its power projection. Tehran views its conventionally armed missiles as an integral part of its strategy to deter—and if necessary retaliate against—forces in the region, including U.S. forces. Its ballistic missiles are inherently capable of delivering WMD, and, if so armed, would fit into this strategy.

North Korea's nuclear weapons and missile programs pose a serious threat to the security environment in East Asia. Its export of ballistic missiles and associated materials to several countries, including Iran and Syria, and its assistance to Syria—now ended—in the construction of a nuclear reactor (destroyed in 2007), illustrate

the reach of the North's proliferation activities. Despite the October 2007 Six-Party agreement—in which North Korea reaffirmed its commitment not to transfer nuclear materials, technology, or know-how—we remain alert to the possibility that North Korea might again export nuclear technology.

We judge North Korea has tested two nuclear devices. Its October 2006 nuclear test is consistent with our longstanding assessment that it produced a nuclear device, although we judge the test itself was a partial failure. The North's probable nuclear test in May 2009 had a yield of roughly two kilotons TNT equivalent and was apparently more successful than the 2006 test. These tests strengthen our assessment that North Korea has produced nuclear weapons.

In November 2010, North Korea revealed a claimed 2,000 centrifuge uranium enrichment facility to an unofficial U.S. delegation visiting the Yongbyon Nuclear Research Center, and stated it would produce low-enriched uranium to fuel a planned light-water reactor under construction at Yongbyon. The North's disclosure supports the United States' longstanding assessment that North Korea has pursued a uranium-enrichment capability.

The Intelligence Community assesses Pyongyang views its nuclear capabilities as intended for deterrence, international prestige, and coercive diplomacy. We judge that North Korea would consider using nuclear weapons only under narrow circumstances. We also assess, albeit with low confidence, Pyongyang probably would not attempt to use nuclear weapons against U.S. forces or territory, unless it perceived its regime to be on the verge of military defeat and risked an irretrievable loss of control.

CYBER THREATS: AN EVOLVING AND STRATEGIC CONCERN

Major Trends

Cyber threats pose a critical national and economic security concern due to the continued advances in—and growing dependency on—the information technology (IT) that underpins nearly all aspects of modern society. Data collection, processing, storage, and transmission capabilities are increasing exponentially; meanwhile, mobile, wireless, and cloud computing bring the full power of the globally-connected Internet to myriad personal devices and critical infrastructure. Owing to market incentives, innovation in functionality is outpacing innovation in security, and neither the public nor private sector has been successful at fully implementing existing best practices.

The impact of this evolution is seen not only in the scope and nature of cyber security incidents, but also in the range of actors and targets. In the last year, we observed increased breadth and sophistication of computer network operations (CNO) by both state and nonstate actors. Our technical advancements in detection and attribution shed light on malicious activity, but cyber intruders continue to explore new means to circumvent defensive measures.

Among state actors, China and Russia are of particular concern. As indicated in the October 2011 biennial economic espionage report from the National Counterintelligence Executive, entities within these countries are responsible for extensive illicit intrusions into U.S. computer networks and theft of U.S. intellectual property.

Nonstate actors are also playing an increasing role in international and domestic politics through the use of social media technologies. We currently face a cyber environment where emerging technologies are developed and implemented faster than governments can keep pace, as illustrated by the failed efforts at censoring social media during the 2011 Arab Spring revolutions in Tunisia, Egypt, and Libya. Hacker groups, such as Anonymous and Lulz Security (LulzSec), have conducted distributed denial of service attacks and web site defacements against government and corporate interests they oppose. The well publicized intrusions into NASDAQ and International Monetary Fund (IMF) networks underscore the vulnerability of key sectors of the U.S. and global economy.

Hackers are also circumventing network security by targeting companies that produce security technologies, highlighting the challenges to securing online data in the face of adaptable intruders. The compromise of U.S. and Dutch digital certificate issuers in 2011 represents a threat to one of the most fundamental technologies used to secure online communications and sensitive transactions, such as online banking. Hackers also accessed the corporate network of the computer security firm RSA in March 2011 and exfiltrated data on the algorithms used in its authentication system.

Subsequently, a U.S. defense contractor revealed that hackers used the information obtained from RSA to access its network.

Outlook

We assess that CNO is likely to increase in coming years. Two of our greatest strategic challenges regarding cyber threats are: (1) the difficulty of providing timely, actionable warning of cyber threats and incidents, such as identifying past or present security breaches, definitively attributing them, and accurately distinguishing between cyber espionage intrusions and potentially disruptive cyber attacks; and (2) the highly complex vulnerabilities associated with the IT supply chain for U.S. networks. In both cases, U.S. Government engagement with private sector owners and operators of critical infrastructures is essential for mitigating these threats.

COUNTERINTELLIGENCE

We assess that foreign intelligence services (FIS) are constantly developing methods and technologies that challenge the ability of the U.S. Government and private sector to protect U.S. national security and economic information, information systems, and infrastructure. The changing, persistent, multifaceted nature of these activities makes them particularly difficult to counter.

Given today's environment, we assess that the most menacing foreign intelligence threats in the next 2 to 3 years will involve:

- Cyber-Enabled Espionage. FIS have launched numerous computer network operations targeting U.S. Government agencies, businesses, and universities. We assess that many intrusions into U.S. networks are not being detected. Although most activity detected to date has been targeted against unclassified networks connected to the Internet, foreign cyber actors have also begun targeting classified networks.
- Insider Threats. Insiders have caused significant damage to U.S. interests from the theft and unauthorized disclosure of classified, economic, and proprietary information and other acts of espionage. We assess that trusted insiders using their access for malicious intent represent one of today's primary threats to U.S. classified networks.
- Espionage by China, Russia, and Iran. Russia and China are aggressive and successful purveyors of economic espionage against the United States. Iran's intelligence operations against the United States, including cyber capabilities, have dramatically increased in recent years in depth and complexity. We assess that FIS from these three countries will remain the top threats to the United States in the coming years.

We judge that evolving business practices and information technology will provide even more opportunities for FIS, trusted insiders, hackers, and others to collect sensitive U.S. economic data. Corporate supply chains and financial networks will increasingly rely on global links that can be exploited by foreign collectors, and the growing use of cloud data processing and storage may present new challenges to the security and integrity of sensitive information.

MASS ATROCITIES

Presidential Study Directive-10, issued in August 2011, identifies the prevention of mass atrocities and genocide as a core national security interest and moral responsibility of the United States. Mass atrocities generally involve large-scale and deliberate attacks on civilians, and can include genocide. The Presidential Directive establishes an interagency Atrocities Prevention Board that will coordinate a U.S. Government-wide effort to prevent or mitigate such violence. The Intelligence Community will play a significant role in this effort, and we have been asked to expand collection and analysis and to encourage partner governments to collect and share intelligence on this issue.

Unfortunately, mass atrocities have been a recurring feature of the global landscape. Since the turn of century, hundreds of thousands of civilians have lost their lives during conflicts in the Darfur region of Sudan and in the eastern Congo (Kinshasa). Recently, atrocities in Libya and Syria have occurred against the backdrop of major political upheavals. Mass atrocities usually occur in the context of other instability events and often result from calculated strategies by new or threatened ruling elites to assert or retain control, regardless of the cost. Violence against civilians also emerges in places where poorly institutionalized governments discriminate against minorities, socioeconomic conditions are poor, or local powerbrokers operate with impunity, as in Kyrgyzstan in 2010. In addition, terrorists and insurgents may exploit similar conditions to conduct attacks against civilians, as in Boko Haram's recent attacks on churches in Nigeria.

South Asia

Afghanistan

The Afghan Government will continue to make incremental, fragile progress in governance, security, and development in 2012. Progress will depend on capable Afghan partners and require substantial international support, particularly to fight the still resilient, Taliban-led insurgency. International Security Assistance Forces (ISAF) will remain essential to secure gains and nurture developmental initiatives through 2012. Enduring stability also depends heavily but not exclusively on neighboring states, especially Pakistan. We judge that, although there is broad international political support for the Afghan Government, many European Governments harbor doubts about funding for Afghanistan initiatives post-2014.

Resilient Insurgency

We assess that the Taliban-led insurgency in Afghanistan has lost ground in some areas. For example, the Taliban's ability to influence the population and maintain its strongholds inside Afghanistan has diminished since last year. However, its losses have come mainly in areas where ISAF surge forces are concentrated; it remains resilient and capable of challenging U.S. and international goals; and Taliban senior leaders continue to enjoy safe haven in Pakistan, which enables them to provide strategic direction to the insurgency and not fear for their safety.

We assess al Qaeda's impact on the Afghanistan insurgency is limited. It most often works to support other insurgent groups that do not rely on al Qaeda or foreign fighter participation to mount successful operations. That said, al Qaeda is committed to the Afghan jihad, and the propaganda gains from participating in insurgent attacks outweigh their limited battlefield impact.

Afghan Internal Capabilities

In terms of security, we judge that the Afghan police and Army will continue to depend on ISAF support. ISAF partnering and mentoring have begun to show signs of sustainable progress at the tactical and ministerial levels; however, corruption as well as poor leadership and management will threaten Afghan National Security Forces' (ANSF) operational effectiveness.

In terms of governance, there have been incremental improvements extending rule of law, including official endorsement of traditional legal systems, and most provinces have established basic governance structures. However, provinces still struggle to provide essential services. Moreover, access to official governance is primarily limited to urban areas, such as district and provincial capitals, leaving much of the rural population isolated from the government.

The Karzai Government did achieve some successes in 2011. The first phase of the process to transition security to Afghan leadership proceeded smoothly, and the second tranche of the transition is progressing as scheduled. The Karzai administration successfully convened a Loya Jirga in November to socialize the strategic partnership with the United States. Now that the fall 2010 electoral crisis is resolved, the Wolesi Jirga will likely regroup during the current winter recess and return its focus to limiting President Karzai's authority, likely using the parliamentary approval process for ministerial appointees as a way to highlight Parliament's independence.

Status of the Afghan Drug Trade

Afghanistan is the largest supplier of illicit opium to the world market and probably produces enough to fulfill yearly global demand for illicit opiates. Afghans earned $1.8 billion from the opiate trade, equivalent to 12 percent of the licit gross domestic product (GDP) in 2010, according to U.S. Government, IMF, and United Nations estimates. We judge the level of security in local areas, including ease of access to markets for licit crops, is the most significant factor affecting poppy farmers' decisionmaking; additional contributing factors include coercive measures, the viability of licit crops, and, to a lesser extent, opium prices.

Pakistan

We judge al Qaeda operatives are balancing support for attacks in Pakistan with guidance to refocus the global jihad externally, against U.S. targets. al Qaeda also will increasingly rely on ideological and operational alliances with Pakistani militant factions to accomplish its goals within Pakistan and to conduct transnational attacks. Pakistani military leaders have had limited success against al Qaeda operatives, other foreign fighters, and Pakistani militants who pose a threat to Islamabad.

Meanwhile, the country's economic recovery is at risk. In an effort to keep its coalition in power to the end of the 5-year parliamentary term, the government has been unwilling to persuade its disparate coalition members to accept much needed but unpopular policy and tax reforms. Sustained remittances from overseas Pakistanis (on the order of $10–12 billion a year) have kept Reserves high, as have borrowed resources from the IMF. However, the economy last fiscal year expanded at a slower rate of about 2 percent, partly because of flood damages; both foreign direct investment and domestic investment are declining; and Pakistan's investment-to-GDP ratio declined for the third year in a row to 13.4 percent at the beginning of the fiscal year in July 2011.

India

Relations with Pakistan

After a 4-year pause, India and Pakistan revived expert-level discussions on conventional and nuclear confidence-building measures (CBM), when they met in Islamabad December 26–27, 2011. Following the meetings, a joint statement noted that both sides reviewed the implementation and strengthening of existing CBMs in the framework of the Lahore MoU, and agreed to explore possibilities for additional, mutually acceptable CBMs. India-Pakistan relations also improved in 2011 after both sides in February agreed to resume the bilateral dialogue, suspended since the November 2008 terrorist attack in Mumbai.

- The two countries' home secretaries in March charted a work program to improve cooperation, including commitments to establish a hotline, streamline visa procedures, and meet on a biannual basis. Both sides also began to negotiate procedures to review each other's investigations into the Mumbai attack. The two countries are making progress in these areas.
- Prime Minister Singh and Prime Minister Gilani had cordial meetings during the April international cricket championships and the November South Asia Association for Regional Cooperation (SAARC) meeting.
- Progress expanding trade ties has also helped improve relations, and Islamabad in November publicly committed to a proposal for granting most favored nation trade status to India.
- Less progress has been made in discussions over the difficult border issues of Siachen Glacier and Sir Creek, and we judge New Delhi will maintain a go-slow approach in these negotiations.

Relations with Afghanistan

India significantly increased its engagement with Afghanistan in 2011, when it pledged another $500 million in aid during Prime Minister Singh's May visit to Kabul and finalized a Strategic Partnership Agreement with Afghanistan in October. This pact is likely to facilitate closer bilateral security cooperation, more training of Afghan security personnel, and modest material support to Afghan Government security forces. However, New Delhi in the near term is unlikely to send troops or heavy equipment to Kabul because it does not want to provoke Pakistan. India's increased engagement is aimed at helping the Afghan Government sustain its sovereignty and independence during and after ISAF forces draw down. The Indian Government also is increasing efforts to spur Indian investment in Afghanistan's fledgling natural resources sector, which New Delhi sees as crucial to its strategic and economic interests in the region.

We judge that India sees its goals in Afghanistan as consistent with U.S. objectives and favors a sustained ISAF and U.S. presence in the country. India will almost certainly cooperate with the United States and Afghanistan in bilateral and multilateral frameworks to identify assistance activities that will help bolster civil society, develop capacity, and strengthen political structures in Afghanistan. Moreover, India consistently ranks among the top three nations that Afghans see as helping their country rebuild. As of August 2011, India ranked as Afghanistan's fifth largest bilateral donor.

Relations with China

Despite public statements intended to downplay tensions between India and China, we judge that India is increasingly concerned about China's posture along their disputed border and Beijing's perceived aggressive posture in the Indian Ocean and Asia-Pacific region. The Indian Army believes a major Sino-Indian conflict is not imminent, but the Indian military is strengthening its forces in preparation to fight a limited conflict along the disputed border, and is working to balance Chinese power projection in the Indian Ocean. India has expressed support for a strong U.S. military posture in East Asia and U.S. engagement in Asia.

East Asia

North Korea

Kim Jong Un became North Korea's leader following the death of his father, Kim Jong Il, on 17 December 2011. Although it is still early to assess the extent of his authority, senior regime leaders will probably remain cohesive at least in the near term to prevent instability and protect their interests.

China

China in 2011 appeared to temper the assertive behavior that characterized its foreign policy the year before, but the internal and external drivers of that behavior persist. Moreover, although Chinese leaders have affirmed their commitment to a peaceful and pragmatic foreign policy—and especially to stable relations with China's neighbors and the rest of the world—Beijing may take actions contrary to that goal if it perceives that China's sovereignty or national security is being seriously challenged.

Internal Dynamics

The Arab Spring uprisings stoked concern among Chinese leaders that similar unrest in China could undermine their rule, prompting Beijing to launch its harshest crackdown on dissent in at least a decade. At the same time, apprehension about the global economy and the potential for domestic instability also appeared to increase in 2011, heightening Beijing's resistance to external pressure and suspicion of U.S. intentions.

China's economic policies came under review, as leaders shifted their focus from fighting inflation to supporting growth because of concerns that the global consequences of debt problems in Europe would reduce external demand and Chinese GDP growth. Chinese GDP growth did slow down over the course of the year, albeit from levels that are the envy of most countries. Beijing continued a policy of permitting modest appreciation of the renminbi—which rose about 5 percent against the currencies of China's trading partners in 2011—although it remains substantially undervalued.

Politically, China's impending leadership succession in the fall of 2012 will reinforce Beijing's tendency toward a cautious and nationalist posture this year. Leaders will focus on the personnel changes expected at the Party Congress, and are unlikely to risk internal criticism by advocating bold policy changes or compromises on sovereignty issues.

People's Liberation Army (PLA) Modernization

China began its military modernization program in earnest in the late 1990s, after observing the long-range precision guided warfare demonstrated by Western powers in Operation Desert Storm and the Balkans, and determining that the nature of warfare had changed. It responded by investing in short- and medium-range ballistic missiles, modern naval platforms, improved air and air defense systems, counterspace capabilities, and intelligence, surveillance, and reconnaissance (ISR) to support over-the-horizon military operations. Since 2008, Beijing has shown a greater willingness to project military force to protect national interests, including Chinese maritime shipping as far away as the Middle East, and more recently to enforce sovereignty claims throughout the South China Sea. However, Taiwan remains the PLA's most critical potential mission and the PLA continues to build capabilities to deter it from declaring independence and to deter, delay or deny U.S. interference in a potential cross-Strait conflict.

Many of Beijing's military capability goals have now been realized, resulting in impressive military might. Other goals remain longer term, but the PLA is receiving the funding and political support to transform the PLA into a fully modern force, capable of sustained operations in Asia and beyond.

Taiwan

The Taiwan Strait was characterized in 2011 by relative stability and generally positive developments, with China and Taiwan implementing economic cooperation initiatives and exploring agreements on a range of practical issues. President Ma Ying-jeou's reelection on 14 January suggests continued cross-strait rapprochement. Progress, however, probably will continue to be incremental because of differences over sensitive political issues, and because both sides have other domestic priorities. In the meantime, the military balance continues to shift in China's favor.

Near East: Middle East and North Africa

Regional Implications of the Arab Spring

The Arab world is in a period of turmoil and change that will challenge the ability of the United States to influence events in the Middle East. This turmoil is driven by forces that will shape Arab politics for years, including a large youth population; economic grievances associated with persistent unemployment, inequality, and corruption; increased popular participation and renewed hope in effecting political change; and a greater ability by opposition groups to mobilize nonviolent resistance on a large scale. Meanwhile, the forces propelling change are confronting ruling elites; sectarian, ethnic, and tribal divisions; lack of experience with democracy; dependence on natural resource wealth; and regional power rivalries.

Arab countries are undergoing a variety of contested transitions. These political transitions are likely to be complex and protracted. States where authoritarian leaders have been toppled—Tunisia, Egypt, and Libya—will have to reconstruct their political systems via complex negotiations among competing factions. In Syria, regime intransigence and societal divisions are prolonging internal struggles and potentially turning domestic upheavals into regional crises.

The countries most affected by the Arab Spring—Egypt, Libya, Syria, and Tunisia—suffered setbacks to development, with economic activity stalling or declining. Tunisia faces challenges in boosting growth and employment, but economic conditions probably will improve modestly in the coming year. Oil production in Libya declined substantially, causing fluctuation in global oil prices, but increased production from other countries prevented serious market disruption and capped price increases. Saudi Arabia and Qatar have expanded social spending and food subsidies to address popular concerns, which will saddle them with large budget deficits if oil prices decline substantially.

Fluid political environments across the Arab world also offer openings for Islamic activists to participate more fully in political life. The strong showing by the Islamist al-Nahda party in the Tunisian elections and the success of Islamist parties in elections in Egypt and Morocco suggest that they might be the best organized competitors in diverse electoral contests. Although Islamist parties' long-term political prospects probably will depend on how they actually solve economic and social problems, their platforms and rhetoric suggest they will adopt a mix of pro-market and populist social welfare policies.

This new regional environment poses challenges for U.S. strategic partnerships in the Arab world. However, we judge that Arab leaders will continue to cooperate with the United States on regional security to help check Iran's regional ambitions, and some will seek economic assistance.

Libya

Tripoli similarly faces profound challenges in the wake of the insurgents' defeat of Muammar al-Qadhafi, including navigating political obstacles, rebuilding the economy, and securing Libya. The Libyans have thus far met the deadlines contained in the roadmap they developed, and are on track to hold elections in June for the National Congress, which will then draft a constitution. To continue to achieve its milestones, however, the interim government needs to assert its authority without igniting divisions among Libya's various stakeholders. It also needs to work toward disbanding and integrating the country's various militias. Libyan authorities will need continued international assistance to locate and secure what is left of the estimated 20,000 Manportable Air-Defense Systems (MANPADS) Qadhafi's regime acquired since 1970. Central to Libya's rebuilding is also the recovery of its economy, particularly oil production and export capability. Over the longer term, restarting oil production and exports will be critical to Libya's growth and development.

Tunisia

In recent months, Tunisia has passed several milestones on its path toward democracy, the most significant being the 23 October Constituent Assembly elections, accepted both by international observers and the Tunisian public as fair, credible, and transparent. Out of the elections, a new governing coalition has emerged, led by the Islamist Nahda Party, in partnership with the secularist Ettakatol party and Congress for the Republic party. Hamadi Jebali, Nahda's Secretary General, assumed the post of Prime Minister on 14 December and rolled out his cabinet on 22 December.

Yemen

President Ali Abdallah Salih signed a GCC deal to transfer power and has recently departed Yemen to receive medical treatment in the United States. However,

youth protestors, who sparked the movement for political reform, rejected the GCC deal for failing to call for Salih to step down immediately and be put on trial. An additional obstacle to completing a peaceful transfer of power is that the political actors involved in the negotiations do not represent all the key armed opposition groups. For example, Huthi rebels, southern secessionists, and antigovernment tribes—none of whom are part of the GCC negotiations—will likely try to strengthen their control locally if a political deal excludes them.

Ongoing instability in Yemen provides AQAP with greater freedom to plan and conduct operations. AQAP has exploited the political unrest to adopt a more aggressive strategy in southern Yemen, and it continues to threaten U.S. and Western diplomatic interests, particularly in Sanaa.

Lebanon

Lebanon has not experienced violence or widespread political unrest as a result of the events of the Arab Spring, but it suffers from sectarian tensions that make its stability fragile. The risk of violence remains because of: potential developments with the Special Tribunal for Lebanon (STL), which in June 2011 indicted Hizballah members for the assassination of former Prime Minister Rafik Hariri; the possibility that Syrian unrest might spread into Lebanon; threats to Hizballah's leadership, infrastructure, or weapons; and the potential for renewed conflict between Hizballah and Israel. Prime Minister Miqati was able to provide funding to the STL using funds from the Prime Minister's office, but Hizballah will continue trying to undermine the STL investigation. Hizballah's Secretary General in mid-November publicly warned that an Israeli attack on Iran would spark a regional war, signaling that Hizballah may retaliate for a strike on Iran.

Syria

We are now nearly a year into the unrest and antiregime protests in Syria, and the situation is unlikely to be resolved quickly. Both the regime and the opposition are determined to prevail, and neither side appears willing to compromise on the key issue of President Bashar al-Asad remaining in power.

The Arab League's decision on 12 November 2011 to suspend Syria's membership and impose sanctions further galvanized international opposition to Asad. Syria's opposition has taken steps to organize and some elements have taken up arms. The shift toward violent tactics is intensifying pressure on the regime's security and military assets, and it risks alienating Syrians opposed to the violent overthrow of the regime, dividing the political opposition, and increasing widespread sectarian tension. Regional criticism of Asad increased markedly over the last several months, with a growing number of states taking measures to support the opposition. A draft United Nations Security Council (UNSC) resolution endorsing the League's call for Asad to transfer much of his power to Vice President Farouk al-Shara was vetoed by Russia and China on 4 February. The League had called for Shara to preside over an interim unity government that would write a new constitution and hold elections within 3 months. The League also is looking to restrict Syria's regional diplomatic capabilities to exert pressure on the Asad regime. A League official on 4 February called on member states to expel Syrian ambassadors and cut diplomatic and economic ties with Syria, according to a Middle Eastern press report.

Arab Spring and the Global Jihadist Movement

The unrest potentially provides terrorists inspired by the global jihadist movement more operating space, as security services focus more on internal security and, in some cases, undergo transformations in make-up and orientation.

- Bin Ladin's death, combined with other leadership losses, probably will distract the group from exploiting the unrest in the short run. al Qaeda leaders likely assess that gaining traction in countries undergoing transitions could prepare the way for future operations against Western and local targets, but they probably will struggle to keep pace with events. Rhetoric from Ayman al-Zawahiri, bin Ladin's successor, has not resonated with the populations of countries experiencing protests. Regional groups, however, may move more quickly to exploit opportunities.
- If, over the longer term, governments take real steps to address public demands for political participation and democratic institutions—and remain committed to CT efforts—we judge that core al Qaeda and the global jihadist movement will experience a strategic setback. al Qaeda probably will find it difficult to compete for local support with groups like the Muslim Brotherhood that participate in the political process, provide social services, and advocate religious values. Nonviolent, pro-democracy demonstra-

tions challenge al Qaeda's violent jihadist ideology and might yield increased political power for secular or moderate Islamist parties.

• However, prolonged instability or unmet promises of reform would give al Qaeda, its affiliates, and its allies more time to establish networks, gain support, and potentially engage in operations, probably with less scrutiny from local security services. Ongoing unrest most likely would exacerbate public frustration, erosion of state power, and economic woes—conditions that al Qaeda would work to exploit.

The ongoing turmoil probably will cause at least a temporary setback to CT efforts and might prove a longer-term impediment, if successor governments view violent Sunni extremism as a less immediate threat than did previous regimes. The prospects for cooperation will be further complicated if senior security officials who have cooperated with U.S. and allied services lose their positions.

Iran

Iran's leaders are confronting continued domestic political problems, a stalling economy, and an uncertain regional dynamic as the effects of the Arab Spring unfold. Elite infighting has reached new levels, as the rift grows between Supreme Leader Khamenei and President Ahmadi-Nejad. The regime has intensified attacks on prominent government officials and their families, as well, including former President Ali Hashemi-Rafsanjani. The infighting has worsened in the runup to the legislative elections in March and the presidential election in 2013, especially in the wake of Khamenei's musings in October 2011 that the popularly elected president could be replaced by a prime minister chosen by the legislature.

Iran's economy is weighed down by international sanctions. The new U.S. sanctions will have a greater impact on Iran than previous U.S. designations because the Central Bank of Iran (CBI) is more important to Iran's international trade than any of the previously designated Iranian banks. The CBI has handled a greater volume of foreign bank transactions than other designated banks and receives the revenue for the roughly 70 percent of Iranian oil sold by the National Iranian Oil Company.

Despite this, Iran's economic difficulties probably will not jeopardize the regime, absent a sudden and sustained fall in oil prices or a sudden domestic crisis that disrupts oil exports. In a rare public indication of the sanctions' impact, Ahmadi-Nejad said in a speech to the legislature in early November that Iran is facing the "heaviest economic onslaught" in history, a sentiment echoed by the head of the CBI.

In its efforts to spread its influence externally, Iran continues to support proxies and surrogates abroad, and it has sought to exploit the Arab Spring but has reaped limited benefits, thus far. Its biggest regional concern is Syria because regime change would be a major strategic loss for Tehran. In Iraq, it probably will continue efforts to strengthen ties to Baghdad and the Kurdistan Regional Government. In Afghanistan, Iran is attempting to undermine any strategic partnership between the United States and Afghanistan.

Iraq

The Iraqi Government is positioned to keep violence near current levels through 2012, although periodic spikes are likely. ISFs are capable of planning and executing security operations, and Iraqi counterterrorism forces have demonstrated they are capable of targeting remaining terrorists and insurgents. However, AQI—despite its weakened capabilities—remains capable of high-profile attacks, and some Shia militant groups will continue targeting U.S. interests, including diplomatic personnel.

Despite slow progress on political goals, Iraqi citizens are pursuing change through the political process, rather than violence. Prime Minister Maliki's relations with Sunni and Kurdish leaders, currently under strain due to his accusations against senior Sunni officials, will be a critical factor in maintaining political stability.

On the economic front, despite recent growth, Baghdad needs to improve its financial systems and institutions, diversify its economy, improve transparency and delivery of essential services, and rebuild infrastructure to satisfy public expectations and attract foreign capital. Oil revenues were considerably higher in 2011 than 2010, due to a combination of increased output and higher oil prices, and sustaining those gains is important. Iraq's poor employment rates—as much as half of the workforce is unemployed or underemployed, according to United Nations estimates—illustrate the difficulties of transitioning to a private sector economy. If unaddressed, high unemployment could, over the long term, be a source of domestic unrest.

Africa

Africa faces a broad range of challenges in 2012. Sub-Saharan Africa collectively falls at the bottom of almost all economic and social indicators, and, although the overall continent is seeing economic progress, Africa remains vulnerable to political crises, democratic backsliding, and natural disasters. We assess that violence, corruption, and terrorism are likely to plague Africa in areas key to U.S. interests. Unresolved discord between Sudan and South Sudan, continued fighting in Somalia, extremist attacks in Nigeria, and ongoing friction in the Great Lakes region highlight unstable conditions on the continent.

Sudan and South Sudan

Sudan and South Sudan in 2012 will face political uncertainty and potential instability. Several key bilateral issues were left unresolved prior to South Sudan's independence in July 2011, including the disposition of Sudan's debt burden, the status of the disputed province of Abyei, and the mechanisms of sharing oil wealth. Although we assess that neither side wants to return to war, we anticipate episodes of violence—an unintentional spark could escalate quickly.

President Bashir and the National Congress Party (NCP) are confronting a range of challenges, including growing public dissatisfaction over economic decline and insurgencies on Sudan's southern and western borders. Sudanese economic conditions have deteriorated since South Sudan's independence—Khartoum lost 75 percent of its oil Reserves along with 20 percent of its population; and the country is facing a decline in economic growth, projected hard currency shortages, high inflation, and increasing prices on staple goods, all of which threaten political stability and fuel opposition to Bashir and the NCP. We assess Khartoum is likely to use all available means to prevent protests from escalating and will pursue a military response to provocations by Sudan People's Liberation Movement-North (SPLM–N) rebels in South Kordofan and Blue Nile States.

We assess the conflict in Sudan's western Darfur region will simmer as a low level insurgency through 2012. Lengthy talks in Doha concluded in 2011, but resulted in a peace agreement with only one rebel group; significant Darfur rebel groups remain outside the peace process. Khartoum is concerned about ties between some Darfur rebel groups and the SPLM–N and about Justice and Equality Movement rebels, who returned to Darfur from Libya in late 2011.

South Sudan in 2012 will face serious challenges that threaten to destabilize its fragile, untested, and poorly resourced government. Festering ethnic disputes are likely to undermine national cohesion, and the southern government will struggle to provide security, manage rampant corruption, and provide basic services. Anti-Juba rebel militia groups active in the areas along South Sudan's northern border are undermining stability and challenging Juba's ability to maintain security. We assess the ruling Sudan People's Liberation Movement will continue to turn to the international community for assistance.

Somalia

After two decades without a stable, central governing authority, Somalia is the quintessential example of a failed state. The mandate of the current Transitional Federal Government (TFG) expires in August 2012, and we see few signs that Somalia will escape the cycle of weak governance. The TFG and its successor almost certainly will be bogged down with political infighting and corruption that impede efforts to improve security, provide basic services, or gain popular legitimacy. The TFG is certain to face persistent attacks from al-Shabaab and remains reliant on the current 9,700 peacekeepers from the African Union Mission in Somalia to retain control over Mogadishu.

Nigeria

Nigeria is critical to U.S. interests—it is Africa's most populous nation and the source of 8 percent of total U.S. oil imports—but it faces three key challenges in 2012: (1) healing political wounds from the April 2011 presidential election, which triggered rioting and hundreds of deaths in the largely Muslim north, after the victory of Goodluck Jonathan, a Christian and a southerner; (2) managing the chronic unrest in the oil-rich Niger Delta region; a 2009 truce between militants and the government appears to be holding, but widespread criminality and corruption are undermining both local development and oil production; and (3) most pressing, dealing with the Islamic extremist group popularly known as Boko Haram. The group carries out near-daily ambushes, assassinations, and raids in the northeast. It carried out two high-profile suicide attacks in the capital in 2011, hitting the national police headquarters in June and the U.N. building in August. Its attacks on churches in northern Nigeria have spurred retaliatory attacks on mosques in the South,

and prompted thousands of Muslims to flee southern Nigeria for safety in the North. There are also fears that Boko Haram—elements of which have engaged with AQIM—is interested in hitting Western targets, such as the U.S. Embassy and hotels frequented by Westerners.

Central Africa's Great Lakes Region

The Great Lakes region, despite gains in peace and security in the past decade, remains vulnerable to the chronic pressures of weak governance, ethnic cleavages, and active rebel groups. For example, volatility is a risk for Burundi, which faces continued political violence and extrajudicial killings. The Democratic Republic of the Congo (DRC) is still struggling to recover from the trauma of foreign invasion and civil war from 1996–2003, and the government has little control over large swaths of the country. Much of Congo's stability depends on U.N. peacekeepers, at an annual cost to the international community of over $1 billion. Many Congolese are discontented with the government's failure to improve the economy and rein in rebel groups, undisciplined soldiers, and ethnic militia that operate with impunity in the east. Much of the Congolese Army—poorly led and rarely paid—will continue to be a predator to, rather than a protector of, the population. The lack of credible presidential and legislative elections in the DRC in November 2011 demonstrates that significant challenges remain as President Kabila begins his second term.

Russia and Eurasia

Russia

The prospect of another Putin presidency has sparked frustration and anger in some circles, evidenced by the protests following the December 2011 Duma elections, as well as debate over its impact on Russia's development. We assess Putin's return is likely to mean more continuity than change in Russian domestic politics and foreign policy, at least during the next year.

On the domestic political front, Putin is most likely to preserve the political/economic system rather than be an agent of reform or liberalization, despite looming problems that will test the sustainability of Russia's "managed democracy" and crony capitalism. Putin will likely focus on restoring elite cohesion, protecting elite assets, and securing new opportunities for elite enrichment. At the same time he will seek a level of prosperity that placates the masses, while managing growing demands for change, which might prove increasingly difficult, given Russia's moderate growth rates.

Foreign Policy

In foreign policy, Putin's return is unlikely to bring immediate, substantive reversals in Russia's approach to the United States, but advancement of the bilateral relationship will prove increasingly challenging. Putin has acknowledged that the "reset" with Washington has yielded benefits for Russia, suggesting he sees value in preserving a cooperative relationship. Nevertheless, Putin's instinctive distrust of U.S. intentions and his transactional approach towards relations probably will make him more likely to confront Washington over policy differences.

Maintaining the positive momentum of the reset will also be harder because several areas of mutual interest, such as the New START agreement and cooperation on Afghanistan, have already been addressed. Russia continues to view the reset largely as a U.S. initiative and believes that the onus is on the United States to demonstrate flexibility and make compromises to advance the relationship.

Missile defense will remain a sensitive issue for the Kremlin, and Moscow will look to the U.S. and our NATO partners for binding guarantees that any system will not be directed at Russia. Continuing concerns about U.S. missile defense plans will reinforce Russia's reluctance to engage in further nuclear arms reductions. Moscow is also not likely to be particularly helpful in dealing with Syria or with Iran and its nuclear program. Russia is unlikely to support additional sanctions against Iran, which it worries are aimed at regime change, and argues that confidence-building measures and an incremental system of rewards are the best way to persuade Iran to increase cooperation with the International Atomic Energy Agency. In the case of Syria, Moscow is troubled by the Libyan precedent and believes the West is pursuing a policy of regime change that Moscow assesses will destabilize the region. The Kremlin also will remain suspicious of U.S. cooperation with the states of the former Soviet Union.

Assessing the Russian Military

Russian military forces, both nuclear and conventional, support deterrence and enhance Moscow's geo-political clout. The Kremlin since late 2008 has embraced a wide-ranging military reform and modernization program designed to field a small-

er, more mobile, better-trained, and high-tech force over the next decade. This plan represents a radical break with historical Soviet approaches to manpower, force structure, and training. The initial phases, mainly focused on force reorganization and cuts in the mobilization base and officer corps, have been largely implemented and are being institutionalized. The ground forces alone have reduced about 60 percent of armor and infantry battalions since 2008, while the Ministry of Defense cut about 135,000 officer positions, many at field grade.

Moscow is now setting its sights on long-term challenges of rearmament and professionalization. In 2010, Medvedev and Putin approved a 10-year procurement plan to replace Soviet-era hardware and bolster deterrence with a balanced set of modern conventional, asymmetric, and nuclear capabilities. However, funding, bureaucratic, and cultural hurdles—coupled with the challenge of reinvigorating a military industrial base that deteriorated for more than a decade after the Soviet collapse—will complicate Russian efforts.

The reform and modernization programs will yield improvements that will allow the Russian military to more rapidly defeat its smaller neighbors and remain the dominant military force in the post-Soviet space, but will not—and are not intended to—enable Moscow to conduct sustained offensive operations against NATO collectively. In addition, the steep decline in conventional capabilities since the collapse of the Soviet Union has compelled Moscow to invest significant capital to modernize its conventional forces. At least until Russia's high precision conventional arms achieve practical operational utility, Moscow will embrace nuclear deterrence as the focal point of its defense planning, and it still views its nuclear forces as critical for ensuring Russian sovereignty and relevance on the world stage, and for offsetting its military weaknesses vis-á-vis potential opponents with stronger militaries.

Central Asia and the Caucasus

The unresolved conflicts of the Caucasus and the fragility of some Central Asian states represent the most likely flashpoints in the Eurasia region. Moscow's occupation and military presence in and expanded political-economic ties to Georgia's separatist regions of South Ossetia and Abkhazia account for some of the tensions. Meanwhile, Tbilisi charged Russia with complicity in a series of bombings in Georgia in 2010 and 2011, while the Kremlin has been suspicious about Georgian engagement with ethnic groups in Russia's North Caucasus. Georgia's new constitution strengthens the office of the Prime Minister after the 2013 presidential election, leading some to expect that President Saakashvili may seek to stay in power by serving as Prime Minister, which could impact the prospect for reducing tensions.

The Nagorno-Karabakh region is another potential flashpoint. Heightened rhetoric, distrust on both sides, and recurring violence along the Line of Contact increase the risk of miscalculations that could escalate the situation with little warning.

Central Asian leaders are concerned about a Central Asian version of the Arab Spring, and have implemented measures to buttress their control and disrupt potential social mobilization, rather than implementing liberalizing reforms. The overthrow of the Kyrgyzstani Government in April 2010 and the subsequent ethnic violence in the country's south—the unrest in June 2010 left over 400 dead and led to a brief exodus of ethnic Uzbeks to Kyrgyzstan's border with Uzbekistan—show that instability can come with little warning in parts of Central Asia. Kyrgyzstan successfully held a peaceful presidential election in October 2011, but Kyrgyz authorities remain concerned about the potential for renewed violence in the country's south, and Uzbekistan's Government has set up temporary shelters in the event of violence and another wave of refugees.

Central Asia's ability to cope with violent extremist organizations—especially militants based in Pakistan and Afghanistan—represents an additional focus, particularly in light of the planned U.S. withdrawal from Afghanistan in 2014. The region's violent extremism is also a growing security concern for Moscow. In 2011, Kazakhstan experienced labor unrest and minor clashes with militants, including the country's first-ever suicide attack in May. Tajikistan is particularly important due to its extensive border with Afghanistan and its history of internal and cross-border violence. In 2010, Dushanbe had to contend with small groups of militants, an indicator that Tajikistan is also potentially vulnerable.

Ukraine and Belarus

Developments in Ukraine and Belarus, while not threatening to U.S. national security, present challenges to important U.S. interests in the region. Democracy in Ukraine is increasingly under siege as Kyiv drifts closer toward authoritarianism under President Yanukovych. The selective prosecution of members of the political opposition, including former Prime Minister and Yanukovych rival Yuliya

Tymoshenko, on politically-motivated legal charges, government use of administrative levers to stifle independent media, and attempts to manipulate election laws ahead of this October's parliamentary elections are all indicative of this trend.

In Belarus, the systemic economic crisis presents Belarusian President Lukashenko with the strongest challenge yet to his hold on power. Continuing support among significant segments of Belarusian society, a loyal and responsive security apparatus, a wary population reluctant to take political action against the regime, and occasional Russian support decrease the near-term likelihood of regime change.

Europe

The Balkans

Deep ethnic and political divides in the Western Balkans pose a challenge to stability in Europe in 2012. Protracted instability in Kosovo—especially Serb-majority northern Kosovo—and lack of progress with the European Union (EU)-facilitated Serbia-Kosovo dialogue remain sources of tension requiring Western diplomatic and security engagement. Inter-ethnic strains and dysfunctional state structures also threaten stability in Bosnia-Herzegovina (BiH).

Northern Kosovo is particularly crucial. Clashes between NATO-led Kosovo Force (KFOR) soldiers and local Serbs in late 2011—in which over 60 KFOR soldiers were injured, two by gunshot—underscore ethnic Serbs' commitment to violently resist KFOR attempts to remove roadblocks in the north. The impasse has settled into an uneasy stalemate; Kosovo Serbs are allowing KFOR limited ground movement, but refusing to allow EU Rule of Law Mission (EULEX) vehicles through the roadblocks and thwarting KFOR efforts to permanently remove roadblocks or shut down bypass roads.

More than 80 countries, including 22 of 27 EU members, have recognized Kosovo's independence, but in the coming years it will remain a fragile state, dependent on the international community for economic, security, and development assistance. As we saw in 2011, violence can erupt with little to no warning, especially in the northern municipalities. We assess that local forces cannot be relied upon to assume KFOR's key tasks—fixed-site security, riot control, and border management—at least until Belgrade and Pristina normalize relations. The Kosovo Security Force (KSF) has nearly reached its authorized strength of 2,500 lightly armed personnel but faces recruiting, funding, and training challenges. KSF will likely decide to transform itself into an armed force when its mandate comes up for review in June 2013. We assess that the Kosovo Serbs and Belgrade will continue to oppose any effort to expand Pristina's control over northern Kosovo, but in different ways. Belgrade will politically limit its response to sharp rhetoric condemning Pristina's efforts, while Kosovo Serbs will likely employ familiar tactics, such as roadblocks and street protests that pose a risk of sparking violence.

Turkey and the Kurdish Issue

A significant uptick in violence since June 2011 by the Turkish Kurdish terrorist group Kongra-Gel (KGK/formerly PKK) complicated Turkish Government efforts—already faltering in the face of mounting nationalist sentiment—to forge a political solution to the longstanding conflict. The KGK attack of 19 October 2011 that killed 24 Turkish security forces was the deadliest incident since 1993 and the fourth largest KGK attack ever. Public outcry over the violence forced Prime Minister Erdogan and his ruling Justice and Development Party (AKP) to place increased emphasis on military operations against the KGK.

Latin America and the Caribbean

Regional Dynamics

Latin America is making progress in sustaining economic growth and deepening democratic principles. Weathering some of the worst effects of the global recession, Chile, Peru, Brazil, Colombia, Mexico, and Panama have earned investment-grade status. Competitive, democratic elections are increasingly the standard in most of the region. However, populist, authoritarian leaders in Venezuela, Ecuador, Bolivia, and Nicaragua are undercutting representative democracy and consolidating power in their executives.

The drug threat to the United States also emanates primarily from the Western Hemisphere, where rising drug violence and corruption are undermining stability and the rule of law in some countries. The majority of U.S.-consumed drugs are produced in Mexico, Colombia, Canada, and the United States. The drug trade also contributes to the fact that Central American Governments, especially Honduras, El Salvador, and Guatemala, are coping with some of the highest violent crime and homicide rates in the world. In addition, weak institutions and corrupt officials in

these countries have fostered a permissive environment for gang and criminal activity to thrive.

Efforts to shape effective regional integration organizations continue with uneven results. In December 2011, Caracas hosted the inaugural Community of Latin American and Caribbean States summit, excluding the United States and Canada. The Venezuela-led Bolivarian Alliance for the Americas—created in part to spread Chavez's influence in the region—is only muddling through. The Union of South American Nations (UNASUR) has attempted to take on some multilateral issues, provide a forum to coordinate positions, and calm regional tensions. Nonetheless, enthusiasm for UNASUR likely will outpace the institution's ability to develop specialized capabilities and programs.

Latin America increasingly has accommodated outside actors seeking to establish or deepen relations, at times to attenuate U.S. influence. Ties with Tehran offer some regional governments a means of staking an independent position on Iran—thereby mitigating its isolation—while also attempting to extract Iranian financial aid and investment for economic and social projects. Russia has established political and trade relations with most countries in the region. China has dramatically increased its economic outreach to Latin America, and during the last few years has become the largest trade partner to several of the region's larger economies, including Brazil, Chile, and Peru.

Mexico

Mexico's Government remains committed to fighting the country's drug cartels and enacting reforms aimed at strengthening the rule of law. The government has scored important takedowns of cartel leaders, but the implementation of its ambitious reform agenda is a slow process requiring legislative action at the Federal and state levels.

During Calderon's presidency, Mexican Federal police and military operations have degraded several cartels, caused some to split into factions, and disrupted some of their criminal operations. Since December 2009, military and police units have killed or captured five senior cartel leaders, and Mexican officials report that 23 of the 37 "most wanted" traffickers have been arrested or killed by authorities. In the meantime, criminal violence has increased sharply since 2007. Drug-related homicides rose to over 15,000 in 2010 and stood at 12,903 as of October 1, 2011, with sharp upticks in some states and declines in others, such as Chihuahua, during the last year. The vast majority of these homicides are the result of trafficker-on-trafficker violence.

The Mexican cartels have a presence in the United States, but we are not likely to see the level of violence that is plaguing Mexico spill across the U.S. border. We assess that traffickers are wary of more effective law enforcement in the United States. Moreover, the factor that drives most of the bloodshed in Mexico—competition for control of trafficking routes and networks of corrupt officials—is not widely applicable to the small retail drug trafficking activities on the U.S. side of the border. U.S. officials and citizens in Mexico are at increased risk because of generalized violence.

Venezuela

Venezuelan politics will be highly competitive and polarized over the next year. At stake in the October 2012 presidential election is whether essential characteristics of President Chavez's 12 years in power—the weakening of democratic institutions and representative democracy and virulent anti-U.S. foreign policy—persist and even deepen or begin to reverse. Chavez announced that he is cancer-free, but there are still doubts about his health; and there is no other leader who can match his charisma, force of personality, or ability to manipulate politics and policy should he be unable to run again. In addition, his failure to groom others to lead his United Socialist Party of Venezuela means that any successor would lack his stature. Once the campaign season begins in February 2012, the electorate will be seeking solutions for the country's 25 percent inflation, widespread food and energy shortages, and soaring crime and homicide rates.

Cuba

Cuban President Raul Castro has begun a delicate, cautious process of reform designed to revive the island's flagging economy without loosening political control. With a weakening Hugo Chavez as their primary patron, Cuba's leaders are desperately seeking to diversify their foreign investment partners and increase their access to hard currency and foreign credit. Wary of instability, authorities are only gradually implementing economic reforms announced last year. For example, the delay in the planned layoff of a million state workers reflects the sensitivity of the Castro regime as it observes uprisings elsewhere in the world.

Cuban leaders are also concerned that economic reform will increase pressure on them for a political opening and greater individual rights. The stiff prison term imposed on the U.S. Agency for International Development subcontractor Alan Gross for facilitating uncensored internet connectivity demonstrates the Castro regime's fear of social media. Indeed, harsh government repression of peaceful protests and an upswing in short-term arrests of dissidents suggest economic changes will not be coupled with political changes.

At this writing, we anticipate that the 28 January 2012 Communist Party conference will emphasize the importance of technocratic competence, rather than party membership, underscoring Castro's stated focus on improving government bureaucracy and expertise. There is no indication that Castro's efforts, including his stated interest in laying the groundwork for a generational transition in leadership, will loosen the Party's grip on power.

Haiti

President Martelly was inaugurated in May 2011. Political disagreements between the legislative and executive branches impeded the confirmation of a prime minister and stalled the government's ability to make decisions for nearly 5 months. In October, the new government, headed by Prime Minister Garry Conille, was sworn in. New to governance, President Martelly is still learning how to navigate the political arena and has made several missteps since taking office. These decisions have further strained his relations with the opposition-led Parliament and have at times caused friction with international partners. That said, since taking office, the Martelly administration has made progress on several fronts, including in the rule of law, education, housing, and infrastructure, and as such has demonstrated its commitment to improving the well being of the Haitian people and helping the country achieve economic growth and development.

Although the lack of a duly functioning government for a large part of 2011 affected recovery and reconstruction efforts, it did not halt all activity. Almost two-thirds of the estimated 1.5 million Haitians displaced by the earthquake have left tent encampments and over half of the estimated 10 million cubic meters of rubble created by the earthquake has been removed. The Haitian-led international campaign to prevent and treat cholera mitigated the impact of the outbreak, bringing the case mortality rate below the international standard of 1 percent. The Haitian economy is slowly improving and the macroeconomic situation is stabilizing. We judge that, given these improving conditions and the Haitians' recognition of the standing U.S. policy of rapid repatriation of migrants at sea, there is little current threat of a mass migration from Haiti.

SIGNIFICANT STATE AND NONSTATE INTELLIGENCE THREATS

Transnational Organized Crime

Transnational organized crime (TOC) is an abiding threat to U.S. economic and national security interests, and we are concerned about how this threat might evolve in the future. We are aware of the potential for criminal service providers to play an important role in proliferating nuclear-applicable materials and facilitating terrorism. In addition, the growing reach of TOC networks is pushing them to form strategic alliances with state leaders and FIS personnel.

- The increasingly close link between Russian and Eurasian organized crime and oligarchs enhances the ability of state or state-allied actors to undermine competition in gas, oil, aluminum, and precious metals markets, potentially threatening U.S. national and economic security.

As global trade shifts to emerging markets—many plagued by high levels of corruption and criminal activity—U.S. and western companies' competiveness is being eroded by overseas corrupt business practices.

- In Russia, pervasive corruption augmented by powerful criminal organizations probably drove public perceptions and led to Russia being ranked with sub-Saharan Africa on Transparency International's Corruption Perceptions Index in 2010.

Transnational organized criminal groups are also weakening stability and undermining rule of law in some emerging democracies and areas of strategic importance to the United States.

- Mexican drug cartels are responsible for high levels of violence and corruption in Mexico and contribute to instability in Central America, while the drug trade continues to fuel the Revolutionary Armed Forces insurgency in Colombia.

In addition, human smuggling and trafficking are transnational organized criminal activities that are increasing due to globalization. Kidnapping for ransom is increasing in many regions worldwide and generates new and deep income streams for transnational criminal organizations (particularly in Mexico) and terrorist networks.

- Those who smuggle humans illegally have access to sophisticated, forged travel papers and the ability to constantly change their smuggling routes—routes that may span multiple continents before reaching their destinations. Smugglers undermine state sovereignty and sometimes facilitate the terrorist threat. For instance in September 2011, three Pakistanis pled guilty to conspiracy to provide materiel to TTP by agreeing to smuggle a person they believed to be a member of a terrorist organization across U.S. borders.
- As pressure is applied to their traditional illicit businesses, members of transnational criminal organizations are moving into human trafficking because it is a lower risk, higher profit operation, according to a 2010 U.N. Office on Drugs and Crime review. Human traffickers often use the same document forgers, corrupt officials, and illicit travel experts to exploit their victims by force, increasing human suffering around the globe. Although the nature of the problem frustrates collection of reliable statistics, most countries are affected by human trafficking, serving as source, transit, or destination points. The International Labor Organization estimates human trafficking for the purposes of sexual and/or economic exploitation to be a $20 billion business.
- Terrorists and insurgents will increasingly turn to crime and criminal networks for funding and logistics, in part because of U.S. and Western success in attacking other sources of their funding. Criminal connections and activities of both Hizballah and AQIM illustrate this trend.

Space

In 2011, the Department of Defense and Office of the Director of National Intelligence published the first joint National Security Space Strategy. It emphasized that two key trends challenge our use of space—the congested and contested nature of the space environment.

Growing global use of space—along with the effects of spacecraft structural failures, accidents involving space systems, and debris-producing, destructive antisatellite tests—has increased congestion. To meet growing demand for radiofrequency bandwidth, more transponders are placed in service, raising the probability of interference. If space congestion grows unchecked, it will increase the probability of mishaps and contribute to destabilization of the space environment.

Space is also increasingly contested in all orbits. Today, space systems and their supporting infrastructures face a range of manmade threats that may deny, degrade, deceive, disrupt, or destroy assets. Potential adversaries are seeking to exploit perceived space vulnerabilities. As more nations and nonstate actors develop counterspace capabilities during the next decade, threats to U.S. space systems and challenges to the stability and security of the space environment will increase. Irresponsible acts against space systems could also have implications beyond the space domain, disrupting worldwide services on which civil and commercial sectors depend.

Economics

New Economic Shocks and Unresolved Financial Strains

The fledgling economic recovery from the global recession of 2008–2009 was challenged in 2011 by a series of shocks embroiling countries and regions important to the global economy and leading to heightened volatility in financial and commodity markets. Shocks included the Arab Spring uprisings, which triggered widespread disruptions to business activity and eventually changes to regimes; the Japanese earthquake and tsunami that caused a nuclear tragedy and painful, significant disruptions in manufacturing supply chains; and European leaders' inability to restore financial market confidence in the creditworthiness of a number of debt-troubled euro-zone countries, putting the survival of the common currency and the stability of the European economy in jeopardy. Additional challenges facing euro-zone recovery include continued high unemployment and a tightening of credit in 2012.

Elsewhere, numerous governments were challenged by rising food and energy prices that surged in the first half of the year and ended up averaging more than 25 percent higher than in 2010. In an atmosphere of growing pessimism about the near-term prospects for global economic activity and corporate profitability, as of late in 2011 equity markets for the year were down sharply in almost every major

financial center, with 15 to 25 percent declines in Germany, France, Japan, China, India, Brazil, and Turkey. Far greater losses were suffered in the stock markets of the most vulnerable countries, such as Egypt and Greece, which were down almost 50 percent. In January 2011 the IMF projected global economic growth would slow from the 5.1 percent growth achieved in 2010 to 4.4 percent in 2011 and 4.5 percent in 2012, but by September it had lowered its projections to 4 percent growth in both 2011 and 2012. Many forecasters were reducing growth estimates during the final months of 2011, and the majority predicted an outright, though likely brief, recession for the euro zone and several emerging market countries.

Energy

Oil prices ended the year well below the highs reached just after Libyan oil output ceased in March. From time to time during 2011, market participants voiced concerns about supply disruptions from other potential shocks, for example one that could originate in Iran, but these worries did not overshadow the emerging sentiment that a euro-zone recession and associated deceleration of global growth could curb demand. On balance, by year-end the main oil price benchmarks were up about 20 percent from the 2010 average, but roughly 15 percent below the earlier peaks in 2011.

Although the most promising advances in global energy production have been in renewable energy, fossil fuels continued to dominate the global energy mix and the political discussion in 2011. West Texas Intermediate oil prices (the U.S. benchmark) have remained above $70 per barrel for 2 years and averaged $95 per barrel in 2011, providing a favorable price environment for innovations in fossil fuel extraction as well as alternative energy sources. Oil and gas production gains from U.S. shale formations, Canadian oil sands, and offshore deep water wells in Brazil are examples of energy output driven by high oil prices and technology advances, such as horizontal drilling, hydraulic fracturing, and deep water exploitation. The impact of Japan's tsunami, meanwhile, has clouded the prospects for low-carbon-emissions nuclear power. Germany has pledged to phase out nuclear power over 11 years—nearly a quarter of its current electricity production—and approvals and construction of additional nuclear facilities worldwide are likely to slow under increased scrutiny of safety procedures.

Water Security

During the next 10 years, water problems will contribute to instability in states important to U.S. national security interests. Water shortages, poor water quality, and floods, by themselves, are unlikely to result in state failure. However, water problems combined with poverty, social tensions, environmental degradation, ineffectual leadership, and weak political institutions contribute to social disruptions that can result in state failure.

Depletion of groundwater supplies in some agricultural areas—caused by poor management—will pose a risk to both national and global food markets. Depleted and degraded groundwater can threaten food security and thereby risk internal, social disruption, which, in turn, can lead to political disruption. When water available for agriculture is insufficient, agricultural workers lose their jobs and fewer crops are grown. As a result, there is a strong correlation between water available for agriculture and national GDP in countries with high levels of agricultural employment.

Now and for the foreseeable future, water shortages and pollution probably will negatively affect the economic performance of important U.S. trading partners. Economic output will suffer if countries do not have sufficient clean water supplies to generate electrical power or to maintain and expand manufacturing and resource extraction. Hydropower is an important source of electricity in developing countries—more than 15 developing countries generate 80 percent or more of their electrical power from hydropower—and demand for water to support all forms of electricity production and industrial processes is increasing.

Water-related state-on-state conflict, however, is unlikely during the next 10 years. Historically, water tensions have led to more water-sharing agreements than violent conflicts. As water shortages become more acute beyond the next 10 years, water in shared basins will increasingly be used as leverage; the use of water as a weapon or to further terrorist objectives also will become more likely.

Improved water management—involving, for example, pricing, allocations, and "virtual water" trade—and investments in water-related sectors (such as, agriculture, power, and water treatment) will afford the best solutions for water problems. Because agriculture uses approximately 70 percent of the global fresh water supply, the greatest potential for relief from water scarcity will be through mecha-

nisms and technology that increase water use efficiency and the ability to transfer water among sectors.

Health Threats and Natural Disasters

The past year illustrates, again, how health threats and natural disasters can not only kill and sicken thousands of people and destroy homes and livelihoods, but also challenge—and potentially destabilize—governments, as they attempt to respond.

- Although Tokyo responded adequately in the immediate aftermath of Japan's largest earthquake, the triple disaster contributed to Prime Minister Kan's resignation, and led then-Finance Minister Noda, now the Prime Minister, to admit that the government's inability to lead raised distrust of lawmakers and government to levels not previously seen.
- An outbreak of Escherichia coli (E. coli) associated with contaminated sprouts infected 3,500 people in Germany between May and July, produced life threatening complications in 855, and resulted in 53 deaths. The inability to quickly identify the source led to loss of life and caused economic losses estimated at $1 billion.

Although we can say with near certainty that new outbreaks of disease and catastrophic natural disasters will occur during the next several years, we cannot predict their timing, locations, causes, or severity. We assess the international community needs to improve surveillance, early warning, and response capabilities for these events, and, by doing so, will enhance its ability to respond to manmade disasters. This can be accomplished in part by member state implementation of the World Health Organization's International Health Regulations (2005). The key challenge is that fiscal austerity measures in many countries might so restrict funding that preparedness declines.

CONCLUSION

The issues that we consider here confront responsible citizens and their governments everywhere. The Intelligence Community is fully committed to arming our decisionmakers—policymakers, warfighters, and law enforcement officers—with the best intelligence and analytic insight we can provide. This is necessary to enable them to take the actions and make the decisions that will protect American lives and American interests, here and around the world.

Chairman LEVIN. Thank you, Director Clapper.

General Burgess.

STATEMENT OF LTG RONALD L. BURGESS, JR., USA, DIRECTOR, DEFENSE INTELLIGENCE AGENCY

General BURGESS. Chairman Levin, Ranking Member McCain, and other members of the committee, I want to thank you for the opportunity to join my longtime friend and professional colleague, Director Clapper, in representing the men and women of the U.S. Intelligence Community.

I would like to begin with current military operations in Afghanistan where we assess that endemic corruption and persistent qualitative deficiencies in the ANA and ANP undermine efforts to extend effective governance and security. The ANA remains reliant on ISAF for key combat support such as logistics, intelligence, and transport. While ANA performance improved in some operations when partnered with ISAF units, additional gains will require sustained mentoring and support.

Despite successful coalition targeting, the Taliban remains resilient and able to replace leadership losses while also competing to provide governance at the local level. From its Pakistani safe havens, the Taliban leadership remains confident of eventual victory.

To the west, Iran remains committed to threatening U.S. interests in the region through its support to terrorists and militant groups, including in Iraq and Afghanistan, while it remains committed to strengthening its naval, nuclear, and missile capabilities.

Iran can close the Straits of Hormuz at least temporarily and may launch missiles against U.S. forces and our allies in the region, if it is attacked. Iran could also attempt to employ terrorist surrogates worldwide. However, the agency assesses Iran as unlikely to initiate or intentionally provoke a conflict.

Iranian ballistic missiles in development could range across the region and Central Europe. Iran's new space launch vehicle demonstrates progress toward a potential intercontinental ballistic missile. Iran today has the technical, scientific, and industrial capability to eventually produce nuclear weapons. While international pressure against Iran has increased, including through sanctions, we assess that Tehran is not close to agreeing to abandon its nuclear program.

In Iraq, DIA assesses that Baghdad security forces probably can maintain current security levels this year despite manning shortages and overly centralized command and control. Despite perceptions of sectarian bias and a need for logistics, intelligence, and tactical communications training, Iraq's security forces are putting forces on the street, they are securing high-profile sites, and they are conducting intelligence-driven targeting. However, Sunni insurgent and Shia militant groups likely will remain serious challenges for Iraq and remaining U.S. personnel until more comprehensive political reconciliation reduces lingering tensions among religious and tribal constituencies.

More broadly across the region, the popular forces sweeping the Middle East and North Africa are demonstrating the potential to reorder longstanding assumptions, relationships, and alliances in a way that invites risk and opportunities for the United States and our allies. Armed domestic opponents pose an unprecedented challenge to the al Assad regime in Syria, and its collapse would have serious implications for Iran, Hezbollah, Hamas, and Lebanon.

Turning to Asia, North Korea's third-generation leadership transition is underway. Improving the economy and regime's survival remain enduring leadership priorities. Pyongyang's nuclear and missile programs provide strategic deterrence, international prestige, and leverage to extract economic and political concessions. While North Korea may abandon portions of its nuclear program for better relations with the United States, it is unlikely to surrender its nuclear weapons.

Pyongyang's forward-positioned military can attack South Korea with little or no strategic warning, but it suffers from logistic shortages, aging equipment, and poor training. Pyongyang likely knows it cannot reunite the peninsula by force and is unlikely to attack on a scale that would risk its own survival.

We see no sign that the leadership transition has changed the regime's calculus regarding nuclear weapons, and the DIA retains continued focus on the peninsula to provide warning against additional attacks from the north.

China continues to build a more modern military to defend its core interests, which are territorial sovereignty, national unity, and sustained access to economic resources. Countering U.S. forces in a Taiwan or South China Sea contingency remains a top Chinese military priority. Investments in naval anti-air and anti-ship capabilities are designed to achieve periodic and local sea and air supe-

riority to include the islands closest to the mainland. Once focused on territorial defense, China's air force is developing offshore strike, air and missile defense, strategic mobility, and early warning and reconnaissance capabilities. China may incorporate new capabilities in novel ways that present challenges for U.S. forces.

Last year's first flight of a fifth-generation fighter and launch of China's first aircraft carrier underscore the breadth and quality of China's military modernization program. However, a lack of modern combat experience is but one example that steps remain before China achieves the full potential of its new technologies, platforms, and military personnel.

Regarding cyber threats, we continue to see daily attempts to gain access to our Nation's government and business computer networks, including our own secure systems. This threat is large and growing in scale and sophistication.

Finally, al Qaeda losses in 2011 have focused the core group and its affiliates in Yemen, Somalia, and North Africa on self-preservation and reconstitution. Though damaged, the group and its affiliates remain committed to transnational attacks in Europe and against the United States. Al Qaeda in the lands of the Maghreb (AQIM) acquired weapons from Libya this year, kidnapped westerners, and continued its support of Nigeria-based Boko Haram. While we have made important gains against al Qaeda and its affiliates, we remain in a race against their ability to evolve, regenerate leadership, and launch attacks. Self-radicalization or lone wolf individuals, including within the United States and even within our own ranks, remain an enduring concern.

I would like to close by noting how honored I am to represent the men and women of the DIA. We remain acutely aware that while much of what we do is secret, our work is always a public trust. On their behalf, I would like to thank the members of this committee for your continued support and confidence in our work. Thank you.

[The prepared statement of General Burgess follows:]

PREPARED STATEMENT BY LTG RONALD L. BURGESS, JR., USA

Good morning, Chairman Levin, Ranking Member McCain, and members of the committee. Thank you for this opportunity to testify and for your continued support of 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 around the world.

The United States faces a complex security environment marked by a broad spectrum of dissimilar threats, including rising regional powers and highly adaptive and resilient 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 with an assessment of Iraq in the post U.S. military drawdown environment and then focus on Afghanistan, where the Department of Defense (DOD), the IC, and DlA remain actively engaged supporting military operations.

Following the withdrawal of U.S. forces from Iraq in accordance with the U.S.-Iraq security agreement, the Iraqi Security Forces (ISF) will probably be able to maintain internal security at current levels over the next year. The ISF have led Iraqi security operations since late 2010 but still require training in a number of areas, including logistics, intelligence, and on new equipment purchased from the United States. The ISF have demonstrated the ability to put forces on the street, conduct static security of high-profile sites, operate checkpoints, and conduct intel-

ligence-driven targeting. However, numerous security vulnerabilities remain due to manning shortages, logistical shortfalls, and overly centralized command and control. The ISF are unable to maintain external security and will be unable to secure Iraq's borders or defend against an external threat over the next year.

Interior Ministry police forces are not prepared to take the lead for internal security from the Iraqi army. Outside of select Iraqi counterterrorism units, many Iraqi police forces are understaffed, ill-equipped, and vulnerable to terrorist attack, intimidation, infiltration, and corruption.

Sunni insurgent and Shia militant groups will remain persistent security challenges for the Iraqi Government and remaining U.S. diplomatic, military, and civilian personnel. Sunni groups will likely contract in size as members motivated by opposition to the U.S. presence cease fighting, leaving a core of fighters committed to continued attacks on the Shia-dominated government. However, without an increase in popular support for insurgent activities or sustained external support, the Sunni insurgency will be unable to pose an existential threat to the Iraqi Government.

Al Qaeda in Iraq (AQI) exhibits resiliency 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. With the departure of U.S. forces, AQI will seek to exploit a more permissive security environment to increase its operations and presence throughout the country.

Iraq's political environment will remain volatile and marked by periodic crises. However, the various ethno-sectarian political blocs perceive greater advantage can be gained through the political process than through violence and will probably remain engaged. Prime Minister Nuri al-Maliki and Kurdish leaders have strong incentives to maintain the current political dynamic, and both sides likely will seek to resolve Arab-Kurd issues diplomatically. However, an uncoordinated Kurdish or Iraqi military deployment in the disputed territories in 2012 risks inadvertent conflict.

Iraq will attempt to balance its relationship with the Sunni Arab states, Iran, and Turkey in the wake of the U.S. withdrawal. Sunni Arab states will remain suspicious of the Shia-led Government, citing its close ties to Tehran. Iran will seek to broaden its diplomatic, security, and economic ties with Iraq. DIA expects Baghdad will attempt to balance these competing interests rather than gravitating toward one camp.

Turning to Afghanistan, the Afghan army and police exceeded growth benchmarks for 2011 although persistent qualitative challenges continue to impede their development into an independent, self-sustaining security apparatus. The Afghan National Army (ANA) showed marked improvements in some operations when partnered with International Security Assistance Force (ISAF) units. However, continued gains in ANA capability and operational effectiveness require sustained mentoring and direct support from ISAP. Moreover, the ANA's reliance on ISAF for many critical combat enabling functions underscores its inability to operate independently. Nevertheless, Afghanistan's population generally favors the army over the police.

The Afghan National Police (ANP) has improved in both capacity and capability, but its viability as an effective, cohesive security force currently requires ISAP's direct oversight, partnering, and support. The ANP suffers from pervasive corruption and popular perceptions that it is unable to extend security in many areas. Unlike the army, the ANP is additionally challenged by serving in both counterinsurgency and law enforcement roles. This dual mission places acute demands on the ANP's already limited capacity. Local initiatives such as the Afghan Local Police are intended to augment the ANP by filling security voids and have helped to counter insurgent influence in some areas.

The Afghan Government will face several challenges to its development over the next year. Endemic human capital shortages make it difficult for the government to fill many positions with qualified personnel. Underdeveloped government institutions, especially at the district and village level, will impede service delivery and limit the government's connection to the population. Corruption will continue at all levels of the government and efforts by the Afghans to root it out will be hindered as officials and powerbrokers, especially at the subnational level, focus on maintaining their patronage networks. Finally, as the transition process continues, the Afghan Government will struggle to fill the vacuum left by ISAF troops and resources, while continuing to support ongoing ISAF efforts in non-transitioned areas.

In Pakistan, the May 1, 2011, raid in Abbottabad followed several other high-profile events that inflamed anti-U.S. sentiments. Some criticized the army for being

powerless to stop the U.S. raid inside Pakistan; others questioned whether the military was either complicit in hiding Osama bin Laden or incompetent in failing to find him. Much criticism was placed on Pakistan's cooperation with the United States and that enticed Islamabad to further distance itself from the United States.

Pakistan's Army, Air Force, and paramilitary forces has been tested by increased combat operations in the tribal areas since 2007. Approximately 140,000 Army and paramilitary forces are deployed to combat positions at any given time. This continued state of deployment, combined with budgetary constraints, has taken a toll on Pakistan's combat capabilities.

Safehavens in the Federally Administered Tribal Areas (FATA) of Pakistan continue to be crucial enablers for the Taliban, Haqqani Network (HQN), Hezb-e Islami Gulbuddin insurgent groups, and al Qaeda which seek to recruit, train, and equip fighters for operations in Afghanistan. Pakistan military efforts focused on Tehrik-e Taliban Pakistan (TIP) which threatens Pakistan's stability in the FATA and Khyber Paktunkhwa (KP) have had no effect in limiting HQN use of the FATA as a safehaven. Continued ISAF efforts in Afghanistan, coupled with simultaneous Pakistan military operations targeting Afghan insurgent groups based in the FATA, are required to help disrupt insurgent freedom of movement.

Al Qaeda's Pakistan-based leadership has been degraded by several years of attrition and is now forced to rely on a shrinking cadre of experienced leaders restricted to operating primarily inside an HQN-facilitated safehaven in North Waziristan. The cumulative effect of sustained counterterrorism operations has made it difficult for al Qaeda to replenish its senior ranks with the type of experienced leaders, trainers, and attack planners it promoted in previous years. Recent key losses compound other challenges facing the group, especially significant competition from the Arab Spring movements in the battle of ideas and the shift of focus away from the battlefields of Iraq and Afghanistan as Western troops decrease their presence.

Sustained counterterrorism pressure since 2008—including the killing of al Qaeda leaders Osama bin Laden, Atiyah Abel al Rahman, and Ilyas Kashmiri in 2011—reduced the Pakistan-based core al Qaeda's cohesion and capabilities, including its ability to mount sophisticated, complex attacks in the west similar to the 2006 Transatlantic Airliner plot. However, despite these setbacks, al Qaeda retains its intent, though perhaps not the robust capability, to plan and conduct terrorist attacks against the west, including the U.S. Homeland. Core al Qaeda almost certainly will also try to inspire regional nodes and allies, as well as unaffiliated but like-minded extremists, to engage in terrorism against the west. The group can be expected to continue its limited support to the Afghan insurgency over the next year. Looking ahead, we assess that keeping up counterterrorism pressure against core al Qaeda will be crucial to maintaining and building upon gains against the group.

Polls indicate that inflation and unemployment are the primary concerns for the Pakistani populace. With Pakistan's 2013 elections approaching, Islamabad will be challenged by the difficult economic conditions and opposition parties seeking to undermine the government.

Pakistan views India as its greatest threat, but Islamabad has engaged in confidence building talks with New Delhi that seeks an expansion of economic ties. The military situation is calm, but a major terrorist attack, especially if linked to Pakistan, would jeopardize continued progress. New Delhi and Islamabad are expected to hold talks on confidence-building measures in 2012. Sustained momentum on these issues may enable discussions on more contentious issues over time.

India considers regional stability a prerequisite for maintaining its continued economic growth. New Delhi views economic growth coupled with a strong military as essential for gaining recognition as a global power. Domestic political issues such as unemployment, inflation, and several high-level corruption scandals continue to dominate New Delhi's attention. Senior Indian leaders also remain concerned about the country's Maoist-inspired insurgency, terrorism, and the security situation in Kashmir, although the latter saw a marked decline in violence compared to 2010. While India continues to carefully monitor events in Pakistan, China is also viewed as a long-term challenge.

In 2011, India continued efforts to increase economic and military engagement with countries in East and Southeast Asia. India and Japan agreed to conduct a bilateral naval exercise, their first since 2008; India and Vietnam pledged to increase naval training; and the India-South Korea relationship continues to progress following the Indian Defense Minister's late 2010 visit.

Beijing and New Delhi resumed military-to-military engagement in mid-2011, held their first strategic economic dialogue in September, and discussed their long-standing border dispute in November. The military situation along the contested border is quiet. However, India is concerned over Chinese logistical improvements and is taking steps to improve its own capabilities. India is raising additional

ground forces, is improving logistical capacity, and has based advanced fighter aircraft opposite China.

India conducts periodic tests of its nuclear-capable missiles to enhance and verify its ballistic missile reliability and capabilities. India's current delivery systems include nuclear-capable fighter aircraft and ballistic missiles, and India claims it is developing a nuclear-capable 6,000 kilometer (km)-range intercontinental ballistic missile (ICBM) that will carry multiple warheads. India intends to test this ICBM in 2012.

Turning to North Korea, the primary goals of the Democratic People's Republic of Korea (DPRK) are preserving its current system of government, improving its poor economy, and building national confidence and support for Kim Jong Un—youngest son of the late Kim Jong Il and North Korea's new "Great Leader." North Korea's leadership is emphasizing policy continuity under Kim Jong Un which DIA anticipates will include continued pursuit of nuclear and missile capabilities for strategic deterrence and international prestige, as well as to gain economic and political concessions.

Kim Jong Un was appointed to the rank of four-star general and Vice Chairman of the Korea Workers Party (KWP) Central Military Commission in 2010, he was given the title of Supreme Commander shortly after his father's death. He has yet to assume his father's other titles, however, such as General Secretary of the KWP and Chairman of the National Defense Commission. DIA believes he will assume these titles after an appropriate period of mourning when doing so will not be seen as detracting from his father's legacy.

North Korea signaled last year a willingness to return to Six-Party Talks. In November 2010, North Korea showed a visiting group of American academics a site at the Yongbyon Nuclear Research Center where it claimed to be building a light water reactor (LWR) and operating a gas centrifuge uranium enrichment facility intended to support low-enriched uranium fuel production for the LWR. The development of this type of uranium enrichment capability could enable North Korea to produce fissile material to support its nuclear program.

North Korea's large, forward-positioned military can attack South Korea with little or no strategic warning, but it suffers from logistic shortages, aging equipment, and poor training. It has attacked South Korean forces in/near disputed territories in the past and maintains the capability for further provocations. Pyongyang is making some efforts to upgrade conventional weapons, including modernizing certain aspects of its deployed missile forces—short-, medium-, and intermediate-range systems.

North Korea has tested missiles, including the Taepo-Dong-2 space launch vehicle/ICBM, in violation of international law. Pyongyang also has a long history of ballistic missile development.

North Korea's intelligence resources are focused primarily on South Korea and are dedicated to influencing public opinion, collecting sensitive information on U.S. and Republic of Korea Government and military targets, and in some cases assassinating high-profile defectors and outspoken critics of the North Korean regime. North Korean intelligence officers and agents for years have infiltrated South Korea by posing as defectors. Firsthand accounts of confessed North Korean agents describe long-term strategies that can involve many years of living in South Korea as sleeper agents before being tasked with a mission. North Korean intelligence activity is likely greatest in East Asia; however, the full extent of activity outside the Korean peninsula is unknown.

Shifting focus to Iran, Tehran poses a threat to U.S. interests through its regional ambitions, support to terrorist and militant groups, and improving military and nuclear capabilities. The recent plot to assassinate the Saudi Ambassador to the United States illustrates the terrorist threat posed by Tehran beyond the region.

Iran also 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. The Iranian Islamic Revolutionary Guard Corps (IRGC) trains and provides weapons and logistic support to Lebanese Hizballah. In turn, Lebanese Hizballah has trained Iraqi insurgents in Iraq, Iran, and Lebanon at Iran's behest, providing them with tactics and technology to attack U.S. interests. We estimate the IRGC–QF enables similar training of HAMAS, also using Lebanese Hizballah as a conduit.

Iran's military capabilities continue to improve. The navy is adding new ships and submarines and expanding bases on the Gulf of Oman, the Persian Gulf, and the Caspian Sea. Additionally, Iran is deploying vessels into the Arabian Sea for counter-piracy operations and conducted its first transit by a submarine to the Red Sea in 2011.

If attacked, or if sanctions on its oil exports are enacted, Iran has threatened to control traffic in or temporarily close the Strait of Hormuz with its naval forces, a capability that it likely has. Iran has also threatened to launch missiles against the United States and our allies in the region in response to an attack; it could also employ its terrorist surrogates worldwide. However, it is unlikely to initiate or intentionally provoke a conflict or launch a preemptive attack.

Iran can already strike targets throughout the region and into Eastern Europe with ballistic missiles. 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's Simorgh space launch vehicle shows the country's intent to develop technologies applicable to developing an ICBM.

In Afghanistan, Tehran seeks to prevent a strategic partnership declaration between Afghanistan and the United States and has repeatedly claimed that a U.S. presence will promote long-term instability. Iran provides weapons, funding, and training to insurgents, while maintaining ties with the Government in Kabul and supporting development efforts.

In its relationship to Iraq, 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 have credited the Iraqi people's unified resistance for forcing the withdrawal. Despite some points of friction, Tehran generally has strong relations with Baghdad, but over the long-term, Iran is concerned a strong Iraq could once again emerge as a regional rival.

Iran characterized the Arab Spring as being inspired by its own 1979 revolution—an assertion that has not resonated with Arab populations. Iran seeks new opportunities to expand its influence with the fall of a number of governments that were perceived to be allies of the United States. Iran is concerned by the unrest in Syria, a country essential to Tehran's strategy in the Levant. Iran continued to support Syria during the unrest but has called on President Bashar al-Asad to implement reforms.

With regard to counterintelligence concerns, Iran views the United States as one of its highest priority intelligence targets, in addition to Israel and internal opposition groups. [ran's MOIS and the IRGC–QF target DOD interests throughout the world, most markedly in areas such as Iraq, Afghanistan, and Gulf Cooperation Council states. In each of these regions Iran constitutes the most significant foreign intelligence service threat.

Iran's intelligence services play a vital role not only in collection, but also in 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.

The events of the Arab Spring unleashed powerful new popular forces in the Arab world, a world long suppressed by autocratic regimes, and led to a high degree of uncertainty. With elections and the formation of new governments only now beginning across North Africa, the political and security outcomes remain unclear. Religion will playa more prominent role in governments than in the past. However, new governments will continue to face the same significant socioeconomic challenges that hastened their predecessors' downfall. That suggests struggle ahead to satisfy newly emboldened electorates, making future unrest likely.

The outcome in countries still facing civil unrest is similarly unclear. Syria and Yemen remain in stalemates between cohesive, but embattled, regimes and fractured oppositions that have yet to either coalesce into forces capable of overthrowing the regimes or convince the majority of the population they are a viable alternative. At this stage, both regimes have lost enough legitimacy that their long-term survival is unlikely. When and how the stalemates will break is uncertain.

Following the death of Moammar Qadhafi on October 20,2011, and the declaration of liberation 3 days later, Libya faces a series of challenges to include: meeting election deadlines; disarming and reintegrating militias; and resolving political, tribal, regional, religious, and ideological rivalries. Transitional National Council (TNC) Chairman Mustafa Abd al-Jalil's controversial pledge to invoke Islamic law raised concern, although the new Prime Minister, Abd al-Rahim al-Keeb, later clarified the TNC espouses a moderate Turkish-style government. It is unclear how much influence hard-line Islamists will have on the development of the new government.

The threat of insurgency and aggression against the TNC remains if former Qadhafi regime supporters are not successfully reconciled and brought into the political transition. Revenge attacks, arbitrary arrests, and forced displacement of Libyans and sub-Saharan Africans were common in September and October. Human Rights Watch urgently recommended in December that the TNC address abuses of detain-

ees held by the TNC and militias, and continuation of such practices will sharpen the desire for retaliation.

In addition to increasing security concerns during the post-Qadhafi transition, the completion of repairs to the Libyan oil infrastructure will be critical to improving the oil-dependent national economy. Effective demobilization of militias is unlikely if meaningful jobs and income are unavailable. At the same time, rebuilding and maintaining other critical infrastructures, such as security, essential public services, and day-to-day effective governance, will also be crucial to building and sustaining the new Libyan Government's legitimacy and credibility.

In 2004, Libya had declared a stockpile of bulk liquid sulfur mustard, jellified mustard heel, and liquid precursors. TNC forces during the unrest discovered undeclared Chemical Warfare (CW) weapons or material in Libya which they have since declared to the Organization for the Prohibition of Chemical Weapons. Libya's TNC indicated they intend to cooperate with the international community regarding CW stockpiles in Libya including the destruction of CW material.

Turning to Egypt, since the February 2011 resignation of President Hosni Mubarak, smaller scale protests have continued over issues such as the prosecution of former regime officials, government transparency, the transition process, economic issues, and sectarian tensions. To control protests and stabilize the country, the military-led transition government has given in to many protester demands.

After 10 months of unrest, the regime and opposition in Syria are in a stalemate; however, the regime is cohesive. The leading opposition umbrella organization, the Syrian National Council (SNC), announced its leadership structure on October 2 and continues to call for the non-violent ouster of the regime. The Syrian military, despite some desertions and defections to the armed opposition, on the whole remains a viable, cohesive, and effective force. The military suppresses unrest throughout the country. The SNC has yet to emerge as a clear or united alternative to the Asad regime, and it has not been able to unite Syrians on a strategy for ousting and replacing the regime. Regional pressure on the regime increased as the Arab League (AL) suspended Syria's membership in mid-November and deployed monitors to Syria in late December after earlier calls to the regime to end violence, withdraw forces from cities, release detainees, permit access to AL monitors, and begin dialogue with the opposition. The AL, in late January, publicly called for Asad to transfer power to a deputy and accelerate legislative elections. On February 2, following an AL request for U.N. support for their proposal, the U.N. Security Council (UNSC) convened to discuss a potential UNSC resolution.

Syria is acquiring sophisticated weapons systems such as advanced surface-to-air and coastal defense missiles. In addition, Damascus is developing long-range rockets and short-range ballistic missiles with increased accuracy and extended range.

Syria is suspected of maintaining an active chemical warfare (CW) program, with a stockpile of CW agents which can be delivered by aircraft or ballistic missiles. Syria seeks chemical warfare-related precursors and expertise from foreign sources to supplement its domestic capabilities.

Damascus maintains a small civil nuclear program that includes a Chinese-built research reactor containing one kilogram of weapons-grade uranium, an irradiation facility for sterilizing medical products, a facility that produces radiopharmaceuticals, and about one metric ton of unenriched uranium produced domestically. The International Atomic Energy Agency (IAEA) safeguards the reactor. Syria's former covert nuclear program—for which the IAEA recently referred Syria to the UN Security Council—appears to be dormant.

Damascus continues its strategic partnership with Hizballah and perceives it as an extension of its defense against Israel. Syria's strategic partnership with Iran centers on shared regional objectives that include countering Israel by transferring increasingly sophisticated arms to Hizballah.

The northern and southern borders of Israel have largely remained calm despite periods of tension, such as the June 5 Nakba Day violence in the Golan Heights and the August 18 terrorist attack near Eilat in southern Israel. Both HAMAS and Hizballah are applying lessons learned from past conflicts with Israel. Even if neither intends to resume fighting, escalation could result from miscalculated responses to a provocation or incident.

In Gaza, HAMAS is preoccupied with internal Palestinian issues and is still rearming and rebuilding after Israel's December 2008 Operation Cast Lead. HAMAS is avoiding provocations that could trigger another major conflict with Israel. Increased international cooperation against HAMAS and Iranian arms smuggling will hamper the group's rearmament but will not affect its ability to control Gaza.

Since it interdicted an international, Turkish-led aid flotilla to the Gaza Strip in May 2010, Israel has demonstrated its willingness to maintain a naval blockade of Gaza, but changed its policy from a list of permitted items to a list of prohibited

items. This allows entry of more food and commercial goods. Israel also has reiterated it will permit international aid shipments to Gaza if they come through Israeli-controlled crossing points after unloading in an Israeli or Egyptian port.

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

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

In Yemen, Arab Spring protests calling for President Ali Abdallah Salih's ouster and prosecution have often devolved into open fighting between regime forces, dissident military units, and tribal confederations. President Salih's return to Yemen from Saudi Arabia, where he was convalescing after a failed assassination attempt, has done little to reestablish stability in the country. Political elites have since agreed to a consensus government and implementation of a political transition plan, but protest activity has continued. Yemeni forces eventually rescued a military unit besieged by al Qaeda in the Arabian Peninsula in the city of Zinjibar, but the regime still struggles to secure the city and the surrounding area. Calls for autonomy from a Huthi insurgency in the north and an often violent but fractured secessionist movement in the south will challenge any future Government of Yemen. These threats, combined with dwindling water and oil resources, will complicate efforts to stabilize Yemen.

Yemen-based al Qaeda in the Arabian Peninsula has the intent, but a diminished capability, to target the U.S. Homeland. Over the next 6 months, the group will likely focus on local attacks against U.S., Western, Yemeni, and Saudi interests in the Arabian Peninsula. In the longer term, the permissive operating environment in Yemen will allow the group to reconstitute this capability, absent sustained counterterrorism pressure.

In general, the cohesion of the al Qaeda network is not reliant on a single, unifying leader, and the network will remain intact even if senior leaders are removed or communication with al Qaeda core is severed. Over the long term, as each regionally-based al Qaeda node increasingly pursues its own agenda, we anticipate decentralization away from Pakistan-based al Qaeda leadership. Indeed, as core al Qaeda's position deteriorates, we assess the center of gravity for the broader global jihadist movement could shift from Pakistan to another theater. Each node, however, almost certainly will continue to self-identify as part of al Qaeda, as long as it benefits the node's recruitment, fundraising, and prestige. The nodes' public recognition of Ayman al-Zawahiri as successor to bin Laden underscores this continuing adherence to the notion of a broader al Qaeda movement.

Nonstate actor, particularly al Qaeda and its associated movements, have learned much from their successes and failures over the past few years, as well as through their associations with state-based intelligence services, and they have instructed their personnel in espionage tradecraft, interrogation, counterintelligence, and operational security concepts. They continue to use this knowledge and training both offensively to target U.S. interests worldwide and defensively to counter U.S. counterterrorism efforts.

In 2011, al Qaeda in the Lands of the Islamic Maghreb (AQIM) acquired weapons from Libya, though we have not been able to confirm AQIM's acquisition of Libyan manportable air defense systems; kidnapped Westerners; and continued its support to Nigeria-based Boko Haram. AQIM espouses the al Qaeda ideology and eulogized Osama bin Laden following his death.

I now turn to the Horn ofAfrica. In 2011, increased regional opposition against al-Shabaab led to their first territorial losses since 2006. In early August, Transitional Federal Government (TFG) and African Union Mission in Somalia expanded control of territory in Mogadishu when al-Shabaab abandoned their front lines and implemented a guerrilla-style retaliation strategy. In the western Somali border regions, Ethiopian-and Kenyan-backed TFG proxy forces fought al-Shabaab since early 2011, and in October, Kenyan Defense Forces also entered southern Somalia. Al-Shabaab called upon its supporters to launch attacks in Kenya. In response, al-Shabaab-associated foreign fighters are executing attacks in Kenya. East Africa-based al Qaeda operatives remain interested in conducting attacks in Europe.

In 2011, al-Shabaab continued its operations against the Somali TFG and the African Union Mission in Somalia and sought to exploit foreign aid and nongovernmental organizations responding to the Somali famine crisis.

Prolonged drought will worsen security conditions, driving population migration and increased competition over food and natural resources. Despite increased humanitarian efforts, al-Shabaab's restrictions on international humanitarian relief, ongoing insecurity that hampers distribution of aid, and low rainfall will contribute to a prolonged food crisis until at least August 2012.

Southeast Asia (SEA) is a geographic facilitation hub for transnational terrorist groups, with al Qaeda maintaining links to associated networks in SEA. Other transnational and regional Islamic terrorists and insurgents continue to exploit porous borders and limited security cooperation between SEA nations, enabling movement of personnel and logistics throughout SEA.

China is building a modern military capable of defending its self proclaimed "core interests" of protecting territorial integrity, sovereignty and national unity; preserving China's political system; and ensuring sustainable economic and social development. Defense against intervention by U.S. forces in a regional contingency over Taiwan is currently among the highest priorities for the military's planning, weapons development training.

DIA estimates China spent as much as $183 billion on military-related goods and services in 2011, compared to the $93 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 gradually improved since 2008 and currently remain stable and positive. 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.

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 began sea trials in 2011, will serve as a training platform once it is commissioned, likely in 2012. The carrier will not reach its full potential until it acquires an operational fixed-wing air regiment several years after commissioning.

Once oriented solely on territorial defense, the People's Liberation Army (PLA) Air Force is transforming into a force capable of both offshore offensive and defensive roles, including strike, air and missile defense, strategic mobility, and early warning and reconnaissance. The PLA Air Force began testing a fifth generation fighter prototype in 2011.

China's strategic missile force, the Second Artillery, currently has fewer than 50 ICBMs that can strike the continental United States, but it probably will more than double that number by 2025. 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. The 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 deployed a number of conventionally armed, medium-range ballistic missiles and is probably preparing to deploy the medium-range DF–21D anti-ship ballistic missile.

China is beginning to develop and test technologies to enable ballistic missile defense. The space program, including ostensible civil projects, supports China's growing ability to deny or degrade the space assets of potential adversaries and 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 and is developing jammers and directed-energy weapons for ASAT missions. A prerequisite for ASAT attacks, China's ability to track and identify satellites is enhanced by technologies from China's manned and lunar programs as well as technologies and methods developed to detect and track space debris. Beijing rarely acknowledges direct military applications of its space program and refers to nearly all satellite launches as scientific or civil in nature.

China has used its intelligence services to gather information via a significant network of agents and contacts utilizing a variety of methods to obtain U.S. military technology to advance their defense industries, global command and control, and strategic warfighting capabilities. The Chinese continue to improve their technical capabilities, increasing the collection threat against the United States. The Chinese also utilize their intelligence collection to improve their economic standing and to

influence foreign policy. In recent years, multiple cases of economic espionage and theft of dual-use and military technology have uncovered pervasive Chinese collection efforts.

In Russia, Moscow has pursued a more cooperative approach to relations with the United States and the West. Although the recent election showed diminishing results for Prime Minister Vladimir Putin's political party, he is still on a course to win the March 2012 presidential election. If elected, he would continue to advocate strengthening the Russian military. If Putin's mandate is weakened, he may moderate some of his views; however, no major changes are likely in Russia's defense and foreign policy objectives toward the United States in the coming year.

An example of recent cooperation is Moscow's willingness to permit supplies to pass through Russia to Coalition forces in Afghanistan, but a push to maintain the current presence in Central Asia beyond the publicized 2014 drawdown or the creation of new bases in the region may drive the Kremlin to reconsider its level of support. Russia also has cooperated with the United States by agreeing to U.N. sanctions on Iran; however, Russian officials are now calling for an incentives approach, arguing sanctions options have been exhausted and further sanctions would stifle Iran's economy.

Despite areas of cooperation, 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, which would ensure missile defense systems would not target Russia's strategic capabilities.

Russia also opposes sanctions and foreign intervention against Syria and has consistently urged the opposition to reach an accommodation with the regime. Moscow has enjoyed close ties with Syria since Soviet times and has strategic and economic interests in Syria.

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

Russia has moved from division—to brigade-centric ground forces, disbanded most of its Soviet-era ground force mobilization bases, and consolidated air force units and bases. To better control general purpose forces in regional conflicts, it has formed the first peacetime joint strategic commands—West, East, South, and Center. Additionally, the military has established an Aerospace Defense Command under General Staff control, which will perform integrated air, missile, and space defense missions.

Moscow's 10-year modernization plan is a top priority for the Armed Forces, but it faces funding and implementation risks owing in part to a possible decline in the price of oil. The Federal budget is set to increase spending by more than 55 percent in 2014 from 2011 spending levels. Competing demands to sell arms abroad, Russia's aging industrial base, insufficient resources, plus corruption and mismanagement most likely will keep modern equipment below those levels.

New equipment for the general purpose forces will increase in 2012, but deliveries will be small and Soviet-era weapons will remain the standard. Russia also will buy selected foreign systems, such as France's Mistral amphibious assault ship and Italian light armored vehicles, and will integrate foreign technology and sustain joint production programs. Russia will continue to field the SS–26 short-range ballistic missile, with the first deployed unit being fully supplied recently. Development of the PAK–FA, Russia's new fifth-generation fighter, will continue, though deployment will not occur for several years.

Russia is upgrading massive underground facilities that provide command and control of its strategic nuclear forces as well as modernizing strategic nuclear forces as another top priority. Russia will field more road-mobile 55–27 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 as a military forces multiplier. Russia already has formidable space and counterspace capabilities and is improving its navigation, communications, ballistic missile launch detection, and intelligence-gathering satellites. It has extensive systems for space surveillance and tracking and others with inherent counterspace applications, such as satellite-tracking laser rangefinders. Russia is researching or expanding directed-energy and signal jamming capabilities that could target satellites.

Military readiness is generally increasing in Russia's new units, but demographic trends, the 1-year conscription policy, and contract personnel recruitment problems will complicate efforts to fill the ranks adequately. Programs to build a professional military are proceeding slowly because they are expensive and Moscow's current priority is rearmament.

Turning to Latin America, President Felipe Calderon of Mexico continues his aggressive campaign against transnational criminal organizations (TCOs) through high-value-targeting operations, although critics contend that it has increased drug-related violence. This leaves Mexico's traditional counterdrug efforts such as interdiction and eradication as lesser priorities. Almost 50,000 people have died in drug-related violence since Calderon declared war on cartels shortly after taking office in December 2006. Security forces—the Army, Navy, and police—captured or killed 21 of Mexico's 37 most wanted traffickers on a list the attorney general announced in March 2009. Government leaders are appointing active and retired military officers to key police leadership positions to tackle corruption, conduct more aggressive anti-cartel operations, and maximize civil-military cooperation. National elections in July 2012 will result in a complete turnover in the presidency and both houses of Congress.

In Cuba, President Raul Castro's April 2011 appointment as First Secretary of the Cuban Communist Party (PCC) officially established his dominance over all aspects of government. Economic reforms, including permission for Cubans to buy and sell real estate and automobiles, are proceeding slowly. A PCC conference in January 2012 failed to address sensitive leadership and JX)litical issues, such as term limits and succession. Cuba, overly dependent on ailing Venezuelan President Hugo Chavez, will work to expand economic ties, especially with China and Brazil.

Cuba remains the predominant foreign intelligence threat to the United States emanating from Latin America.

In Venezuela, President Hugo Chavez's June 2011 cancer diagnosis has not derailed his bid to win reelection in 2012. Prior to the October 7 presidential election, we believe the Venezuelan Government will stay focused on domestic issues such as the country's high cost of living and the escalating crime rate. Meanwhile, Venezuela is modernizing its armed forces, unveiling recently acquired Russian equipment including tanks, armored personnel vehicles, multiple rocket launchers, self-propelled howitzers, and anti-aircraft guns.

I will now shift from a geographic focus to address issues that spread across national boundaries such as proliferation, cyber security, and health and water security.

The proliferation and potential for use of weapons of mass destruction (WMD) and ballistic missiles remains a grave and enduring threat. Securing nuclear weapons and materials is a worldwide imperative to prevent both accidents and the potential diversion of fissile and radiological materials. Chemical and biological weapons are becoming more technically sophisticated as technology proliferates. Terrorist organizations are working to acquire and employ chemical, biological, and radiological materials.

Many advanced nations are cooperating to stop WMD proliferation; however some aspects of WMD-related research and technology are beyond their direct control, including commercial scientific advances, scientists' enthusiasm for sharing their research, and the availability of dual-use information and education. 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 the front companies they use, operating in countries with permissive environments or lax enforcement, and avoiding international financial institutions.

Ballistic missiles continue to pose a threat as they become more survivable, reliable, and accurate at greater range. 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 and Iran 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.

Theater ballistic missiles already are a formidable threat in the Middle East and Asia, and proliferation is expanding their availability worldwide. Technology sharing will accelerate the speed with which potential adversaries deploy new, more capable ballistic missile systems over the next decade. Sophisticated missiles and the equipment to produce them are marketed openly.

On space and counter-space issues, governments and commercial enterprises continue to proliferate space and counter-space related capabilities, including some with direct military applications. Space technologies and services that have both civilian and military uses, in such areas as communications, reconnaissance, navigation, and targeting, remain relatively easy for states and nonstate actors to obtain.

One example is Chinese development of the Beidou position, navigation and timing system which the Chinese plan to have available for regional users by 2012 and internationally by 2020. This system will enable subscribers outside of China to purchase receivers and services that give civilian and military applications greater redundancy and independence in a conflict scenario that employs space assets.

From the counter-space perspective, Russia and China continue developing systems and technologies that can interfere with or disable vital U.S. space-based navigation, communication, and intelligence collection satellites. North Korea has mounted Soviet-made jamming devices on vehicles near the North-South demarcation line that can disturb Global Positioning System (GPS) signals within a 50–100 kilometer (km) radius and is reported to be developing an indigenous GPS jammer with an extended range of more than 100 km. Other state and non-state actors rely on denial and deception techniques to defeat space-based imagery collection, conduct electronic warfare or signal jamming, and possibly attack ground sites for space assets.

Another important transnational threat is that potential adversaries are increasingly more capable of conducting cyberspace operations against the United States. The pace of foreign economic collection and industrial espionage activities conducted by foreign intelligence services, corporations, and private individuals against major U.S. corporations and government agencies is accelerating. China is likely using its computer network exploitation capability to support intelligence collection against the United States. Russia also poses a highly capable cyber threat to the United States.

Many countries are considering emulating the United States by creating their own cyber commands or dedicated military cyber organizations. On May 16, 2011, Iran announced plans to create a cyber command. The U.S. national infrastructure, which includes communications, transportation, financial, and energy networks, is a lucrative target for malicious actors.

In addition to cyber, another capability that is spreading is the use of underground facilities (UGFs) in foreign countries to conceal and protect critical military and civilian assets and functions. China, North Korea, Iran, Syria, Russia, Pakistan, and Lebanese Hizballah have active underground programs. Foreign nations and non-state actors employ UGFs in an attempt conceal and make more survivable a variety of programs, including WMD strategic command and control, leadership protection and relocation, military research and development, industrial production, and ground, naval, and air 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.

Another transnational military issue is that many of the countries mentioned above continue to receive advanced conventional munitions, including modern air defense systems, precision weapons, and counter precision-guided munition systems. DIA remains concerned with the proliferation of advanced cruise missiles, such as Russia's supersonic Yakhont anti-ship cruise missile which Moscow sold to Syria and Vietnam. The 300 km range Yakhont poses a major threat to naval operations particularly in the eastern Mediterranean.

Another important issue that transcends national borders is the impossibility of predicting when and where new outbreaks of diseases and catastrophic natural disasters with global health security implications will occur.

In Asia, both North Korea and China face domestic health related challenges. China's efforts to improve food and drug safety have significant shortcomings that affect human health and trade with the United States and other partners. China's poor environmental protection practices will continue to fuel internal social discontent. North Korea's inadequate response to multidrug-resistant tuberculosis, avian influenza, foot-and-mouth disease, and other infectious diseases poses a health threat to South Korea, China, and other countries as well as to its own population.

As a result of demographic and economic development pressures, North Africa, the Middle East, and South Asia will face major challenges coping with water problems. Problems associated with water shortages and flooding will contribute to in-

stability in many countries important to the United States and may require U.S. military assistance over the next 10 years. Water shared across borders will increasingly be used as leverage in relations between States. Engagement on these and other security issues important to our regional partners will be key to maintaining U.S. interests and minimizing the risks of conflict over the next 10 years and beyond.

In some of the same countries that face the challenges discussed above, the narcotics trade is also a problem. The multi-billion dollar global narcotics trade is a major and growing source of crime, violence, and political instability in Latin America, Afghanistan, and Africa, undermining the rule of law, sapping legitimate economic development, and inflicting high socio-economic costs. Cocaine and heroin are the two drugs whose production and trafficking are most associated with conflict, insurgency, and insecurity. Gross annual profits from these two drugs alone exceed $150 billion. Traffickers often use these vast earnings to bribe officials and buy military-grade weapons and sophisticated communications equipment. This gives them state-like intelligence and security capabilities that often outpace government capacities, even in countries such as Colombia and Mexico, where there is substantial U.S. counterdrug support. At least 10 terrorist and insurgent groups obtain funding from the drug trade to support operations, logistics, and recruitment. As drug consumption is expanding in the developing world, anti-government groups increasingly will exploit growing drug market opportunities to supplement irregular sympathizer donations.

In addition to the transnational threats discussed above, the United States and DOD face a persistent and significant intelligence threat posed by numerous countries and a few sub-national actors. DOD counterintelligence must focus both on identifying, neutralizing, and/or exploiting the activities of foreign intelligence officers and international terrorists and those trusted insiders who support our adversaries. Effective counterintelligence is a significant priority for DIA, the Military Services, other defense agencies, and DOD. Foreign intelligence services conduct a wide range of intelligence activities, as discussed earlier, to degrade our national security interests worldwide. They target our Armed Forces, warfighting and commercial research, development and acquisition activities, national intelligence system, and our Government's perceptions and decision processes. A few transnational terrorist groups, often aided by foreign intelligence organizations, have developed their own intelligence collection and counterintelligence capabilities. In an era of globalized commerce, an emerging threat that concerns the department involves possible foreign compromise of our supply chain which could degrade or defeat our information systems or weapons platforms by inserting malicious code into or otherwise corrupting key components bound for these important warfighting systems.

I would like to now turn to two areas where DIA is focusing revitalized efforts as an outgrowth of our strategic plan. These are strategic warning and our investment in scientific and technical intelligence (S&TI) collection and analysis.

The events of the Arab Spring underscore enduring concern regarding the potential for strategic surprise and the need for effective warning. Enduring strategic problems like WMD proliferation, regional conflicts, and terrorism will remain at the forefront of our warning concerns. However, small and varied events—with seemingly limited relevance to DOD—can rapidly evolve and radically alter U.S. policy. DIA analysis must recognize the implications of these events and include them in our perceptions of strategic threat.

In the foreseeable future, the United States will remain the dominant military power with few countries seeking comparable, full-spectrum conventional military forces. Despite this advantage, the gap between the United States and others will narrow through the adaptation of asymmetric alternatives to conventional capabilities and a continued effort to identify our strategic vulnerabilities.

The pace at which our strategic and operating environments evolve is in creasing-offering advantage to those actors which are most agile and able to seize new opportunities or mitigate emerging risks. This advantage amplifies the ability of single actors to alter the strategic environment. Global austerity measures will impact the military and intelligence capability of strategic partners, further amplifying the risk to U.S. interests.

The acceleration of technological change also has potential to create surprise. Less developed countries and nonstate actors may acquire innovative capabilities that could negate some U.S. military capabilities. Proliferation of advanced technology and the rapid improvements in commercial off-the-shelf technology will aid development of new asymmetric threats.

DIA's efforts in the area of scientific and technical intelligence (S&TI) are intended to allow our customers to anticipate foreign advanced weapons and emerging technology, provide characteristics and performance of foreign systems, provide on-

board mission data to maximize the effectiveness of our military systems, and to provide warning of the disruptive use of existing technologies by both state and nonstate actors. In recent years DIA has noted, for example, the appearance of sophisticated threats to our naval forces, efforts to counter our advantages in precisions 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 and computer capabilities.

In order to meet these challenges DIA's Directorate for Analysis, 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 the DIA and wider defense intelligence enterprise S&TI efforts. In April, the Defense Intelligence Analysis Program Board of Governors declared Emerging and Disruptive Technology Intelligence a complex analytic issue. As a result the DIA Defense Warning Office was chosen as the lead integrator for this issue and we formed a Defense Intelligence Disruptive Technologies Analysis Committee to coordinate tasking, collection, and production in this area. S&TI is an area that requires constant research as well as production and, in accordance with DIA's Strategic Plan, we are currently circulating for comment a draft Strategic Research Plan at the defense intelligence enterprise level. We are also drafting a framework for S&TI analysis and collection and will have a high-level kickoff meeting for this effort in late January that also involves our principal customers.

The potential for trusted U.S. Government and contractor insiders using their authorized access to personnel, facilities, information, equipment, networks or information systems in order to cause great harm is becoming an increasingly serious threat to our national security. Trusted insiders now have unprecedented access to U.S. Government information and resources in secure work environments that stress information-sharing and connectivity. As experienced by the U.S. Government in the recent massive "WikiLeaks" disclosure, the unchecked distribution of classified information compromises our national security and also endangers lives. The Defense Intelligence Agency, Defense Counterintelligence (CI) and Human Intelligence Center, is the functional manager for the DOD CI Insider Threat Program and has been coordinating with the Office of the National Counterintelligence Executive, the Office of the Undersecretary of Defense for Intelligence and the Office of the Assistant Secretary of Defense (Homeland Defense and Americas Security Affairs) in developing DOD policy for the Defense Insider Threat Program, to include identifying roles and responsibilities for the DOD CI enterprise.

DIA's Counterintelligence and Security Office has devised and deployed a multifaceted Insider Threat program designed to identify threats to DIA personnel, information and operations from within. Strategic reports are also crafted based on lessons learned. These reports are designed to increase the Agency's security awareness, and to inform the development of an array of personnel and technical capabilities to respond to any identified threat or breach in security.

In 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 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 among agencies and the 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. While their work is often secret, it is a public trust. 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.

Chairman LEVIN. Thank you very much, General Burgess.

Let us try 7 minutes for a first round, and I hope there will be time for a second round.

Director Clapper's prepared statement said the following in terms of the Intelligence Community's assessment about Iran's nuclear program: "We assess Iran as keeping open the option to develop nuclear weapons should it choose to do so. We do not know,

however, if Iran will eventually decide to build nuclear weapons." His statement also said that we judge Iran's nuclear decision-making as guided by a cost-benefit approach which offers the international community opportunities to influence Tehran.

General Burgess, do you agree with that statement of Director Clapper in his prepared statement?

General BURGESS. Yes, sir. Sir, I think it would be very consistent with what the Vice Chairman of the Joint Chiefs and myself, along with a couple of other witnesses, stated before this committee almost a year and a half ago.

Chairman LEVIN. Director Clapper, I understand that what you have said—and what General Burgess agrees with—is that Iran has not yet decided to develop nuclear weapons. Is that correct? Is that still your assessment?

Director CLAPPER. Yes, sir. That is the Intelligence Community's assessment that that is an option that is still held out by the Iranians and we believe the decision would be made by the Supreme Leader himself and he would base that on a cost-benefit analysis in terms of—I do not think he would want a nuclear weapon at any price. So that, I think, plays to the value of sanctions, particularly the recent ratcheting up of more sanctions in anticipation that that will induce a change in their policy and behavior.

Chairman LEVIN. It is the Intelligence Community's assessment that sanctions and other international pressure actually could—not will necessarily, but could—influence Iran in its decision as to whether to proceed?

Director CLAPPER. Absolutely, sir. Of course, the impacts that the sanctions are already having on the Iranian economy, the devaluation of their currency, the difficulty they are having in engaging in banking transactions, which will, of course, increase with the recent provisions in the NDAA. So to the extent that the Iranian population becomes restive and if the regime then feels threatened in terms of its stability and tenure, the thought is that that could change their policy.

I think it is interesting that they have apparently asked the European Union for resumption of the Five Plus One dialogue, and of course, there is another meeting coming up, another engagement with the International Atomic Energy Agency (IAEA). So we will see whether the Iranians may be changing their mind.

Chairman LEVIN. I must tell you I am skeptical about putting any significance in that, but nonetheless, it is not my testimony that we are here to hear. It is your testimony and it is obviously important testimony.

Director Clapper, in a recent interview, Defense Secretary Panetta said that if Iran decides to pursue a nuclear weapon capability, "it would probably take them about a year to be able to produce a bomb and then possibly another 1 or 2 years in order to put it on a delivery vehicle of some sort in order to deliver that weapon." Do you disagree with Defense Secretary Panetta's assessment?

Director CLAPPER. No, sir, I do not disagree, and particularly with respect to the year, that is, I think, technically feasible but practically not likely. There are all kinds of combinations and permutations that could affect how long it might take should the Ira-

nians make a decision to pursue a nuclear weapon, how long that might take. I think the details of that are best—it is rather complex and arcane and sensitive because of how we know this—left to a closed session discussion.

Chairman LEVIN. You say that the year is perhaps right, but it is more likely that it would take longer. Was that the implication of your statement?

Director CLAPPER. Yes, sir.

Chairman LEVIN. Now, a Washington Post columnist recently wrote that a senior administration official believes that an Israeli strike against Iran was likely this spring. General Burgess, in the view of the Intelligence Community, has Israel decided to attack Iran?

General BURGESS. Sir, to the best of our knowledge, Israel has not decided to attack Iran.

Chairman LEVIN. I was concerned, as I indicated in my opening statement, Director Clapper, by recent news reports that the latest NIE reflects a difference of views between the Intelligence Community and our military commanders over the security situation in Afghanistan. I made reference as to who signed up to that difference of views, including General Allen, Ambassador Crocker—not including. These are the ones who signed the difference: General Allen, Ambassador Crocker, General Mattis, and Admiral Stavridis.

Can you tell us whether those news reports are accurate, that there is a difference of views on that matter?

Director CLAPPER. Without going into the specifics of classified NIEs, I can certainly confirm that they took issue with the NIE on three counts having to do with the assumptions that were made about force structure. They did not feel that we gave sufficient weight to Pakistan and its impact as a safe haven, and generally felt that the NIE was pessimistic.

Chairman LEVIN. Pessimistic about that or about other matters as well?

Director CLAPPER. Just generally it was pessimistic.

Chairman LEVIN. About the situation in Afghanistan?

Director CLAPPER. In Afghanistan and the prospects for post-2014. That, by the way, was the timeframe. It is after 2014.

If you forgive a little history, sir, I served as an analyst briefer for General Westmoreland in Vietnam in 1966. I kind of lost my professional innocence a little bit then when I found out that operational commanders sometimes do not agree with their view of the success of their campaign as compared to and contrasted with that perspective displayed by intelligence.

Fast forward about 25 years or so and I served as the Chief of Air Force intelligence during Operation Desert Storm. General Schwarzkopf protested long and loud all during the war and after the war about the accuracy of the intelligence, in fact, that did not comport with his view.

Classically intelligence is supposedly in the portion of the glass that is half empty, and operational commanders and policymakers, for that matter, are often in the portion of the glass that is half full. Probably the truth is somewhere at the water line.

So I do not find it a bad thing. In fact, I think it is healthy that there is contrast between what the operational commanders believe and what the Intelligence Community assesses.

Chairman LEVIN. Thank you very much.

Senator McCain.

Senator MCCAIN. I want to follow up on the chairman's questions. So you believe that post-2014, Afghanistan faces extremely difficult challenges?

Director CLAPPER. Yes, sir, I do. I think in terms of governance and the ability of the ANSF, which we are striving hard to train up, there are some indications that that is having success, but I think the Afghan Government will continue to require assistance from the West. Of course, another issue is the extent to which we and other coalition members will be able to sustain that support.

Importantly as well is the achievement of a strategic partnership agreement with the Afghan Government which would be a preface for our continued presence in some form to advise and assist and perhaps assist particularly with counterterrorism (CT).

Senator MCCAIN. There has been no change in the ISI relationship with the Haqqani network who are killing Americans in Afghanistan.

Director CLAPPER. Yes, sir. With respect to the Pakistani Government—and ISI is a kind of microcosm of the larger government—their existential threat is India, and they focus on that. Their concern is, of course, sustaining influence and presence in Afghanistan, and they will probably continue to do that through proxy militias.

Senator MCCAIN. So our relationship with Pakistan must be based on the realistic assessment that ISI's relationship with the Haqqani network and other organizations will probably not change.

Director CLAPPER. Yes, sir. There are cases where our interests converge government-to-government, and that relationship and that factoid is reflected in the relationship with ISI.

Senator MCCAIN. Secretary Panetta publicly stated that Israel will decide in April, May, or June whether to attack Iran's nuclear facilities or not. Do you agree with that?

Director CLAPPER. I think he was quoted by a columnist. I think General Burgess answered that question. We do not believe at this point that they have made a decision to do that. What could have given rise to this is simply the fact that the weather becomes better, obviously, in the spring and that could be conducive to an attack. But to reemphasize what General Burgess said, we do not believe they have made such a decision.

Senator MCCAIN. We are seeing a very intriguing kind of situation evolve here. There have been what is believed to be Iranian attacks or attempts to attack worldwide: in the United States in the case of the Saudi ambassador, Georgia, India—the explosions there. Now today we read about Thailand. Does this tell us a number of things, including the extent of the Iranian worldwide terrorist network, and does this also tell us that there is a covert conflict or war going on between Israel and Iran?

Director CLAPPER. There are two dimensions of this. I think on the one hand, they feel somewhat under siege. On the other hand, they are sort of feeling their oats. Through the Iranian lens, they

probably view Arab Spring as a good thing and opportunities for them to exploit, which thus far have not worked to their favor. So they, through their proxies, the Islamic Revolutionary Guard Corps (IRGC) particularly, decided—made a conscious judgment to reach out against primarily Israeli and then secondarily against U.S. interests.

Senator MCCAIN. They are displaying some capabilities.

Director CLAPPER. Yes, sir, to a certain extent. Even though the attacks that you reference were not successful, in one case they blew one of their own up, but they regard those as successful because of the psychological impact they have in each one of the countries.

Senator MCCAIN. Quickly, in the situation in Mexico, 50,000 Mexicans have lost their lives as a result of drug-related violence. Is your assessment that these violent criminal organizations pose a threat to the United States, including States along the border?

Director CLAPPER. Yes, sir, they do. There is always the prospect of a spillover, and that is one reason why we are working closely with the Mexican Government and that is particularly true with respect to intelligence initiatives that we are working with them, which I would be happy to discuss in closed session. But it is a profound threat to both countries.

Senator MCCAIN. Have you seen any indication that the top candidates vying to succeed President Calderon will alter the way the Mexican Government addresses the threat of the cartels?

Director CLAPPER. I cannot do a one-by-one assessment, but I believe that no matter who succeeds President Calderon, they will be committed to continue this campaign.

Senator MCCAIN. I suggest you look a little more carefully because I think that may not be the case, at least with one of the candidates.

If the status quo remains in Syria with increasing Russian arms and equipment, Iranian presence and assistance to Assad, what is the outlook as far as the situation in Syria is concerned, and what in your view do we and the Arab League and other likeminded countries need to do to alter that equation if it is an apparent stalemate with the massacre continuing?

Director CLAPPER. There are, as we characterize them, four pillars of the Assad regime.

The continued effectiveness of the military and support of his own military, which is quite large. There have been desertions but, for the most part—and they have engaged about 80 percent of their maneuver units in assaults on the civilian population.

The economy is another pillar that has really taken some hits. The price of gas has doubled since September. The price of food has gone sky high. They have periodic electrical interruptions. So the economy is going south.

The state of the opposition, which is quite fragmented. It is very localized. The Syrian National Council really does not only command and control these opposition groups. The Free Syrian Army is a separate organization not connected to the Syrian National Council.

Of course, the other is the cohesion of the elites. Although we have seen signs of some of the seniors in the Assad regime making

contingency plans to evacuate, move families, move financial resources, to this point, they have held together. Assad himself, probably because of his psychological need to emulate his father, sees no other option but to continue to try to crush the opposition.

Senator MCCAIN. I guess my question, sir, was unless something changes as far as assistance from the outside, do you see a continued stalemate in Syria?

Director CLAPPER. I do, sir. I think it will just continue. Short of a coup or something like that, Assad will hang in there and continue to do as he has done.

Senator MCCAIN. The massacre continues.

I thank the witnesses. It has been very helpful.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator McCain.

Senator Lieberman.

Senator LIEBERMAN. Thanks, Mr. Chairman.

Director Clapper, General Burgess, thanks for your really extraordinary leadership of the Intelligence Community and all you do to protect our security.

Director Clapper, I want to just go back to Iran for a couple of minutes quickly. You said this morning that it is your assessment, or the Intelligence Community's assessment, that Iran has not made a decision to build a nuclear weapon. But I assume you also believe, based on IAEA reports and information that the Intelligence Community has, that Iran has taken steps to put them in a position to make a decision to break out and build a nuclear weapon.

Director CLAPPER. Yes, sir. That is a good characterization. There also are certain things they have not yet done, which I would be happy to discuss in closed session, that would be key indicators that they have made such a decision.

Senator LIEBERMAN. Yes. But they have done things—is it fair to say—that are inconsistent with just wanting to have peaceful nuclear energy capacity?

Director CLAPPER. Obviously, the issue here is the extent to which they produce highly enriched uranium. They have produced small amounts of 20 percent highly enriched uranium which ostensibly could be used for legitimate peaceful purposes. So if they go beyond that, obviously, that would be a negative indicator. I will put it that way.

Senator LIEBERMAN. Right.

General Burgess, do you want to add to that at all?

General BURGESS. Sir, I would agree with what Director Clapper said, but, sir, I would agree with your characterization because of the movement from 3.5 to the 20 percent enrichment. That is already a leap and it is not that much of a bigger leap to the 90 percent that they would need to go to.

Senator LIEBERMAN. Right. Thank you.

Do you both agree or is it your assessment that if Iran makes a decision to build a nuclear weapons capability and, in fact, achieves it, that it is likely to set off a nuclear arms race within the region; in other words, that other countries, Saudi Arabia, for instance, will want to also have a nuclear weapons capacity?

Director CLAPPER. It is certainly a possibility, sir, absolutely.

Senator LIEBERMAN. Is it also fair to say—and we have talked about the Iranian sponsorship of terrorism—that if they did have nuclear weapons capability, it might well embolden them in their use of terrorism against regional opponents and even the United States?

Director CLAPPER. Yes, sir. It would serve as a deterrent. I think even to a certain extent the ambiguity that exists now serves as a deterrent and does serve to help embolden them.

Senator LIEBERMAN. Okay, thanks.

Let me go to cybersecurity. Thank you very much, Director Clapper, for your statement of support for the legislation that Senators Collins, Rockefeller, Feinstein, and I introduced.

The main intention of the legislation—it does a lot of things—is to create a system where the Federal Government, through the Department of Homeland Security (DHS), advised and supported, if you will, by the National Security Agency, can work with the private sector to make sure that the private sector is defending itself and our country against cyber attack. I have spent a lot of time on this. Right now, because of the remarkable capacities of cyber attackers and the extent to which they can attack privately owned and operated cyber infrastructure for either economic gains or to literally attack our country, we need to ask the private sector to make investments to defend themselves and us that I am afraid they are not yet making.

Is that your general impression? In other words, bottom line, do we have a vulnerability at this moment? Does the privately owned and operated cyber infrastructure of America have a vulnerability to both economic thievery and strategic attack?

Director CLAPPER. Both the chairman and the ranking member cited the National Counterintelligence Executive report that we issued in October which called out both China and Russia as our primary concerns particularly with respect to the Chinese and their theft of intellectual property; of course much of which occurs in the private sector.

I know the bill is quite lengthy, some 270 pages. I have not read it all. The important thing for me was the precepts that it addresses. It delineates roles of the various components of the government to include the DHS, which I believe has an important role to play here. It defines what I feel is a good balance in the relationship with the private sector and how intrusive the government is going to be, which is certainly an issue, and most importantly, protect civil liberties and privacy. I am sure there are other provisions in the bill that some might take issue with, but the precepts, I think, are important in terms of the balance between protection and our freedom.

Senator LIEBERMAN. I appreciate very much what you have just said.

Part of the problem here as we go forward, I think, is that so much of the vulnerability we have and even the attacks that are occurring now or the exploitation occurring are largely invisible to the public. So am I right in this regard that there is—the report you just cited said it—extensive, ongoing theft of intellectual property of American businesses, which in fact enables competition

from abroad that actually costs us jobs here at home and diminishes our economic prosperity at home.

Director CLAPPER. Absolutely, sir. One of the downsides of this, profound downsides, for the United States, of course, particularly when people are robbing us of our technology, which saves them the investment in research and development—so that is almost a double whammy, if you will. I think there is difficulty for some—it is something you cannot see, feel, or touch since it is a passive theft and you do not directly see immediately the negative impacts of that, unlike an attack which, obviously, is by its nature active in which you would feel the effect of seizure of the banking system or the stopping of our electrical grid or some other egregious effect like that.

Senator LIEBERMAN. Finally, would you agree with General Burgess, that right now our privately owned and operated cyber infrastructure, electric grid, banking system, transportation, even water supply and dams, are not adequately defended against such an attack?

Director CLAPPER. That is probably true and it is uneven. Some parts of the infrastructure are reasonably well-protected.

Senator LIEBERMAN. I agree.

Director CLAPPER. But it is not complete. Of course, the weakest link proposition here is vulnerability.

Senator LIEBERMAN. General Burgess, do you want to add something?

General BURGESS. Sir, I was just going to say, I, like Director Clapper, have not read the whole bill, but from my days when I was in the Office of the DNI and took on the issue of cyber security with Mike McConnell, I think what you have put on the table, sir, is a great first step. As an American citizen, thank you to the Senate for doing that. It is a good first step. It is progress. Change is generally evolutionary as opposed to revolutionary, and I would say this is evolutionary in my humble opinion.

If I had one thing that I would comment on, as I think I understand, there is not a requirement to share some information. It is encouraged. I always tell people when I speak publicly, we are a Nation separated by a common language. We all define words a little differently. So in terms of economic attack and things like that, some entities may not want others to know about what has been taken and they are not required to divulge that.

Senator LIEBERMAN. I take that seriously. It is a good comment. It is a thoughtful poke. Thank you for your words.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Lieberman.

Senator Inhofe.

Senator INHOFE. Thank you, Mr. Chairman.

I really think that this is one of the better hearings that we have had with the straightforward responses, and I appreciate that very much. Your comment about language—I am going to get that from the record. I am going to use that later on.

Chairman LEVIN. I just wrote it down.

Senator INHOFE. Oh, you did? That was a good one, General.

I think we pretty much have decided on this 20 percent, getting back to Iran now, that it is something that is either achieved or

is being achieved, as we talk. General Burgess, you said we have the scientific, technical, and industrial capabilities of producing a weapon. We did not really talk about when. "When" is the big issue.

I remember what Secretary Panetta said just the other day, and we have repeated it several times. Several of the questioners have. I think that is consistent. Back in the debate, where we had a difference of opinion as to whether or not we should continue with the ground-based interceptor in Poland, at that time the unclassified date was actually 2015. So this is pretty consistent.

One thing I do not understand—and I think there are a lot of people who do not, and I would like to get the clarification. We do know, in terms of the percentage necessary for the production of power. We are talking about from 3.5 to 5 percent enrichment. Is that pretty well something that has been used?

Director CLAPPER. I think so, sir. I cannot verify it for power generation. I do not know what the percentage is, but I think that is right.

Senator INHOFE. But it is something less than the 20 percent, apparently where they are right now.

Director CLAPPER. Yes, sir, I would guess.

Senator INHOFE. This morning in today's Early Bird, they talked about Iran has invoked the medical reactor to justify its enrichment of uranium to 20 percent, the higher level of refinement that nuclear power systems require. The higher enriched material also enables Iran to potentially move more quickly.

It talks about something that I have heard and I assume is correct that the difficulty is getting up to the 20 percentage. The time between reaching that level and reaching the 90 percent that we have been concerned about goes much more rapidly than it would be to get up to 20 percent. Is this accurate?

Director CLAPPER. That is generally true, sir, but there are a number of factors that would affect the pace and volume which would, frankly, be best left to a closed discussion. I would be happy to do that with you.

Senator INHOFE. Sure, and that is good. But I have heard this. These are things that we assume, we have talked about, and my concern has been when we do end up getting to that point.

It has been reported by the President that he is weighing the options of cutting down our nuclear arsenal unilaterally by up to 80 percent, and that is something that I am very much concerned about. There are a lot of us who actually, back when the New Strategic Arms Reduction Treaty (START) was debated, were concerned about these things, and I still am. It is my understanding—and I remember it. I am going to read a quote by the President. When the President was trying to get the additional Senators on board to pass the treaty, he made some commitments. He said, "I recognize that nuclear modernization requires investment in the long term. It is my commitment to Congress that my administration will pursue these programs and capabilities for as long as I am President." Yet, in the fiscal year 2013 budget, he is decreasing that amount by $347 million and actually delaying the system of modernization.

I have a quote that I have used recently by former Secretary of Defense Gates that talks about—I cannot find it right here, but it talks about the fact that we have some 30 other countries that depend on our nuclear umbrella here. Do either one of you have any comments to make about this, which is not a proposal yet, but it is a discussion of reduction of some 80 percent?

Director CLAPPER. Sir, that is news to me. To what extent we may reduce or not our nuclear arsenal is certainly not an intelligence call, but I can assure you that the Intelligence Community will be a participant in such deliberations and would certainly convey the threat dimensions of this, particularly with respect to the nations of primary nuclear concern which, of course, are Russia and China.

Senator INHOFE. Yes. You said it is news to you, but this was released yesterday and maybe you were preparing for this hearing and did not get that.

Let me just mention something about North Korea.

Director CLAPPER. What I meant was news to me, sir, was reducing that to that extent.

Senator INHOFE. Okay. That was in the release yesterday.

In the area of North Korea, I have always been concerned about the accuracy of our intelligence there. I told the story of going back to 1998 when I made the request as to when North Korea would have the capability. At that time—this is a multi-stage rocket—they talked about 3 to 5 years, and it was 7 days later in 1998, August 31, that they actually fired one. I would just like to know how confident the two of you are on the quality of the intelligence we have on North Korea.

Director CLAPPER. Sir, I have followed North Korea for a long time. I served as the Director of Intelligence to U.S. Forces Korea in the 1980s, and I will tell you that North Korea is one of the toughest intelligence targets we have and has long been a very, very secretive society, very controlled society. There is ambiguity about our insight into North Korea's nuclear capabilities and their intentions.

There are some promising developments, which I would be happy to discuss with you in closed session, with respect to enhancing the quality of our intelligence insights.

Senator INHOFE. I would appreciate that very much.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator Inhofe.

Senator Webb is next.

Senator WEBB. Thank you, Mr. Chairman.

Mr. Chairman and Senator Inhofe both, actually the writer in me has to say this. Before you use that quote from General Burgess, I believe the first person who made that statement was Winston Churchill, when he said that the United States and Britain were two countries separated by a common language. So I did not want to out you, General Burgess, but somebody was going to do it sooner or later.

Senator INHOFE. I appreciate that.

Senator WEBB. It actually goes to one of the points that I need to make this morning and to ask both of you for your advice on, and that is words do count. I also sit on the Senate Foreign Rela-

tions Committee, and the last few days, we have been trying to put together a resolution with respect to Syria. First, I would say, Director Clapper, that your testimony and your comments were very helpful today. You can hear the frustration from people like Senator McCain on the fact that people up here think they need to do something, but we have to be careful what we do and we have to be careful about the statements that we make as a Senate.

I have had a number of occasions, since I have been here, to attempt to look at some of these statements that are well-meaning but hastily drawn and sometimes overly conclusive in their tone and yet are not really complete in the detail. These things are pulled into the media and they say the Senate unanimously made this particular conclusion about one event or another.

We had General Dempsey up here 2 days ago. I asked him a question about the nature of the opposition in Syria, the question going not to what the Assad regime would be capable of doing which, by the way, Director Clapper, I thought you laid out in very understandable specifics, but really what is on the other side of the picket line? Who are they? How much of this is domestic? How much of it is foreign? What is the regional dynamic?

He made one comment. I am going to give you a partial quote. He said, "Syria is a much different situation than we collectively saw in Libya. It presents a very different challenge in which we also know that other regional actors are providing support as a part of a Sunni majority rebelling against an oppressive regime." We all know this. I think you made some comments about this as well.

I asked him about the reports in the media last week that al Qaeda was involved in some of the assassination attempts in Syria. He would not reject it out of hand. He said he did not know.

But one of the things that General Dempsey was very clear about was they were still attempting to analyze the intelligence information to come to some sort of conclusions. So this is an opportune time for me to be able to ask both of you, what are your thoughts on the nature of the opposition that is active on the ground in Syria right now?

Director CLAPPER. Let me take a stab at that and then I will ask General Burgess to amplify or correct, as the case may be.

As I indicated earlier, the opposition is very fractionated. There is not a national movement even though there is a title of the Syrian National Council, but a lot of that is from external exiles and the like. But there is not a unitary, connected opposition force. It is very local. It is on a community-by-community basis. In fact, in some communities, the opposition is actually providing municipal services as though it is running the community and trying to defend itself against attacks from the Syrian regime-controlled military.

The Free Syrian Army, which is a blanket generic name that is applied to the collection of oppositionists, is itself not unified. There is an internal feud about who is going to lead it.

Complicating this, as you implied, of course, are the neighborhood dynamics. The Iranians are very, very concerned about propping up Assad. So they have sent help in terms of trainers, advi-

sors, and equipment, mostly riot suppression equipment, that sort of thing.

Another disturbing phenomenon that we have seen recently apparently is the presence of extremists who have infiltrated the opposition groups. The opposition groups, in many cases, may not be aware they are there.

We have had the two attacks that you alluded to, the two bombings in Damascus in December, I think it was, and then the two additional bombings in Aleppo, both of which were targeted against security and intelligence buildings and had all the earmarks of an al Qaeda-like attack. So we believe that AQI is extending its reach into Syria.

Complicating all this is—this is another contrast with Libya where we had one or two or three sites that had chemical warfare components. It is a much more complex issue in Syria which has an extensive network of such installations, although to this point—and we are watching these very carefully—they appear to be secure.

So many complexities here involving the opposition which I am sure will affect any discussion about coming to some assistance.

Senator WEBB. General?

General BURGESS. Sir, there is not a whole lot I can add to what Director Clapper laid out.

The only other comment that I would make is in regards to what we have seen, reference the al Qaeda-like events. As we try and look at some of that, it appears to be those elements that may already be in-country. But what we have not seen so far and what we have not assessed yet is whether there would be what I would call a clarion call to outsiders coming in to augment. We have not seen much of that up to this time. So basically the team that is on the ground is playing with what it has.

Senator WEBB. Thank you.

My time is up, but I would like to read very briefly from a piece that was just published by Leslie H. Gelb, who needs no introduction, a foreign policy expert in our country, saying, "when interventionists become avenging angels, they blind themselves and the nation, and run dangerously amok. They plunge in with no plans, with half-baked plans, with demands to supply arms to rebels they know nothing about, with ideas for no-fly zones and bombing. Their good intentions could pave the road to hell for Syrians—preserving lives today, but sacrificing many more later."

Again, I hope members of this body will keep this in mind as we develop policies.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Webb.

Senator Ayotte.

Senator AYOTTE. Thank you, Mr. Chairman.

Director Clapper, General Burgess, thank you so much for being here today and for your service.

Director Clapper, I believe you have previously testified that the reengagement rate from those who have been released from Guantanamo Bay was 27 percent. What is the current reengagement rate of terrorists who have been released from Guantanamo and has it gone up again from the 27 percent?

Director CLAPPER. I think the next assessment will reflect a very small, less than a percentage point, increase.

Senator AYOTTE. So the next assessment will reflect perhaps a percentage increase. So from 27 percent to 28 percent?

Director CLAPPER. Somewhere in that neighborhood.

Senator AYOTTE. Certainly anyone being released from there and getting back in to fight our soldiers is one too many. Is it not?

Director CLAPPER. Yes.

Senator AYOTTE. I wanted to ask you about—there have been reports from the administration about the potential of exchanging—and I asked Secretary Panetta about this the other day—of five detainees to Qatar in exchange for gestures of good will from the Taliban in Afghanistan. As I understand these five detainees that have been reported by both the Washington Post and the Wall Street Journal, they have been previously assessed by the administration in 2010 to present a high risk of returning to the fight. Has the designation for these five detainees changed by the administration?

Director CLAPPER. No, ma'am, they have not.

I hasten to add that, of course, negotiations have always been a part of any winding down of combat hostilities, and that is the case here. This is a case of exploring the option to see what sort of reaction we might get from the Taliban.

A couple points I would make here is that I do not think anyone harbors any illusions about these five Taliban members and what they might do if they were transferred. Part and parcel of this discussion would be their transfer to a third country such as Qatar, and then the conditions under which they would be surveilled and monitored.

I would also want to add that under the provisions of the NDAA of Fiscal Year 2012, the Secretary of Defense has to certify his view on whether or not anyone can be transferred with respect to their recidivism. I can tell you from personal encounters with Secretary Panetta, he treats that authority with the gravity that it deserves. So this is something I think the administration will do very deliberately.

Senator AYOTTE. I appreciate that and I appreciate what the Secretary had to say about his responsibilities the other day, and I know that he takes these very seriously.

But I want people to understand very clearly these individuals were designated by the administration in 2010 to be high risk. Nothing has changed about that assessment. The notion that we can monitor them or surveill them—we have tried that in the past with releasing people that have come from Guantanamo, terrorists, to third-party countries. Now we think may go up to a 20 percent reengagement rate for what I understand the administration has described as good will from the Taliban.

I think this is an unacceptable risk. Unless we are going to get them to lay down their arms, I do not know why we would do this to our military men and women and to our allies. So I appreciate what you are saying. I just see this as a huge risk in terms of safety for our troops and our allies.

I wanted to ask you briefly about Iran. I know that you have received many, many questions, both of you, about Iran. I just want to clarify a couple of issues.

Does the Iranian regime continue to support Hezbollah? What kind of threat does Hezbollah pose to our ally, Israel? Is Iran supporting Hamas in the Gaza Strip? General Burgess, is Iran supporting insurgents in Afghanistan, and what role is Iran playing in Iraq?

Director CLAPPER. I did not quite write down all those questions.

Senator AYOTTE. Do they continue to support Hezbollah?

Director CLAPPER. Yes, they do.

Senator AYOTTE. Hamas?

Director CLAPPER. There is a very close relationship between particularly the IRGC, the Republican Guard Corps, Qods Force, which is the organization responsible for external operations around the world, and Hezbollah. It is a partnership arrangement with the Iranians as the senior partner.

Senator AYOTTE. Is Hezbollah not a terrorist group that threatens our close ally, Israel?

Director CLAPPER. Yes.

Senator AYOTTE. Does Iran continue to support Hamas in the Gaza Strip?

Director CLAPPER. Indirectly, yes.

Senator AYOTTE. Are they not a threat also to Israel and also to the peace process?

Director CLAPPER. Hamas?

Senator AYOTTE. Yes.

Director CLAPPER. Yes.

Senator AYOTTE. General Burgess, is Iran supporting the insurgents in Afghanistan?

General BURGESS. Yes, ma'am.

Senator AYOTTE. What type of role are they playing in Afghanistan?

General BURGESS. They have provided arms. They have been caught. We have found Iranian arms in Afghanistan. So they are working what we would call a dual-track strategy as they work not only against U.S. and coalition desires in there, but at the same time, they want to put forward the Government of Afghanistan. So they are walking a very fine line.

Senator AYOTTE. But they are clearly supporting our enemies and trying to kill our soldiers.

General BURGESS. Yes, ma'am.

Senator AYOTTE. In Iraq, what role are they playing right now, now that we have withdrawn, and how would you describe their role there?

General BURGESS. I would describe their role in much the same way as I did in Afghanistan as very dual-track. Iran does not want a strong Iraq on their border, but at the same time, they also want to encourage us out of there totally. So again, they are walking both sides of the fence.

Senator AYOTTE. So again, they are working contrary to a stable Iraq and they are also working contrary to our national security interests.

General BURGESS. I would not disagree with that statement.

Director CLAPPER. They would like to have a cooperative Shia-dominated government in Iraq, which they have, but that is not to say that the Iraqi Government, particularly Prime Minister Maliki, is necessarily a complete satellite of Iran. He has his issues with the Iranians as well.

Senator AYOTTE. But clearly their efforts are continuing to fuel sectarian violence.

Director CLAPPER. Absolutely. The three principal Shia militant groups that Iran has supported in the past, some of which were directly responsible for attacks on U.S. forces—and of course, the issue is whether they will turn their ire against the Iraqi Government or simply become part of the political process, remains to be seen.

Senator AYOTTE. When you throw on top of it, of course, their efforts to acquire a nuclear weapon, no question they are a grave threat to our national security and to that of our allies.

Director CLAPPER. That is true. Iran is a big problem.

Senator AYOTTE. Thank you.

Chairman LEVIN. Thank you, Senator Ayotte.

Senator Blumenthal.

Senator BLUMENTHAL. Thank you, Mr. Chairman. I join with other members of the committee in thanking you for your service and for your excellent testimony here this morning.

Focusing on Afghanistan and the improvised explosive devices (IED), members of this committee and the U.S. Senate consider the role of Pakistan in providing ingredients used to make those roadside bombs as a grave threat to this Nation. In fact, in the 2012 NDAA, the $700 million in aid to Pakistan is frozen until they—and I am quoting—"demonstrate significant efforts toward implementation of a strategy to counter improvised explosive devices."

I have heard nothing. I have seen nothing that indicates they are making that kind of significant effort. Am I misinformed? Could you shed some light on that issue?

General BURGESS. Sir, IED usage in Afghanistan is up by 15 percent, and most of the precursors and components for those IEDs, while they are assembled in Afghanistan, come through Pakistan.

Senator BLUMENTHAL. That could not be happening if Pakistan were making significant efforts to stem the flow of ammonium calcium nitrate and fertilizer, the components of those roadside bombs. Am I correct in that?

Director CLAPPER. Yes, sir, that is correct. Two of the major companies that produce these materials are located in Pakistan. There is an extensive network from Pakistan into Afghanistan to move these materials.

Senator BLUMENTHAL. We know where those plants are, do we not?

Director CLAPPER. Yes, sir, we do.

Senator BLUMENTHAL. In fact, the congressional delegation that I joined, as recently as August, met with at least one of the owners of those plants who indicated that their production is ongoing and the Pakistanis have the wherewithal to stop the flow of those ingredients into Afghanistan. Do they not, sir?

Director CLAPPER. That is a good question, sir, as to how much the Pakistani Government controls anything in the Federally Ad-

ministered Tribal Areas (FATA) and the FATA regions which border Afghanistan. But it is clear they could probably do more than they have to this point.

Senator BLUMENTHAL. Again, to come to the bottom line here, they have really made no significant effort so far.

Director CLAPPER. Not that I am aware of, no, sir.

Senator BLUMENTHAL. Turning to another area of inquiry, could you shed some light on the talks that are in progress, if there are such talks—as Mr. Karzai has acknowledged in the past few days, there are apparently—involving the three parties—the Taliban, the United States, and Afghanistan?

Director CLAPPER. Yes, sir, there have been. I do not think either General Burgess or I are the authorities on the negotiations with the Taliban. I am sure the Special Representative for Afghanistan and Pakistan, Mark Grossman, is far better informed of that.

But I am sure there has been dialogue. I am sure President Karzai, either directly or through intermediaries, has been discussing reconciliation issues with the Taliban.

Senator BLUMENTHAL. You are aware that such talks are ongoing?

Director CLAPPER. Yes, sir, I believe they are.

Senator BLUMENTHAL. What would be the need then for releasing these currently incarcerated Taliban insurgents if those talks are ongoing at the moment?

Director CLAPPER. Sir, this is part of confidence building. I think that started as a separate track and there are some reciprocity considerations which I would prefer to talk about in closed session.

Senator BLUMENTHAL. I appreciate that. I would just say I would see no need for that kind of release if, in fact, the talks are ongoing, and if, in fact, our adversaries have an interest, a self-interest, in talking, I personally would question the need for any such release, apart from the security issues that have been raised by my colleague from New Hampshire, Senator Ayotte, and others previously.

Let me ask you, if I may, a general question, and I understand you may be reluctant to go into details in this setting. But if you could characterize whether there are differences in the threat assessments from our intelligence about the Iranian nuclear capability and the potential response to Israeli intervention there and the Israelis' intelligence assessments, if you understand my question, which calls for a general answer. I am not asking for the details.

Director CLAPPER. If your question is, just to make sure I understand it, do we and the Israelis largely agree, the answer is, yes.

Senator BLUMENTHAL. Do you agree, General Burgess?

General BURGESS. Sir, I do. We have been in these discussions for many years. I have personally been involved in them in both my time at the Office of the DNI and as Director of DIA. Sir, generally speaking, our assessments track with each other. They comport.

Senator BLUMENTHAL. Thank you.

Let me ask a final question and you may not think it is directly relevant to all of the questions that you have had so far, but we have been in discussions, as recently as a couple of days ago, with

Secretary Panetta and General Dempsey about the overall budget of DOD and the platforms that exist. In terms of platforms for intelligence gathering, are there particular areas where you think the expenditure of resources poses a threat; in other words, to put it more simply, where diminished funding impedes or imperils intelligence gathering by the United States?

Director CLAPPER. Sir, we are going through our own cuts in the Intelligence Community since a large portion of the national intelligence program is embedded in the DOD budget. So we were given the same reduction targets on a proportionate basis. So we are in the mode, for the first time in 10 years, of cutting intelligence resources. We have been on a steady upward slope for the whole decade and that is going to come to a halt. So we will have less capability than we have had in the last 10 years.

That said, I have been through this before. When I served as Director of DIA in the early 1990s and we had to reap the peace dividend after the fall of the wall, we did some profound cutting in the Intelligence Community, and did not do it very well. So we have tried to profit from that experience and place stock in those capabilities that make us resilient and agile so we can respond as we need to wherever hot spots or crises occur in the world.

So as DOD, for example, pivots to the Far East or the Pacific, we will do that as well. Obviously, a major equity for us in the Intelligence Community is support to the military.

Where we are affected, I think, to get to your question, is, for example, as we draw down in Iraq and have a much reduced footprint across the board to include intelligence, that will affect the fidelity of the intelligence that we have previously had on Iraq. I anticipate, when we draw down in Afghanistan and intelligence resources are drawn down proportionately, that we will also not have the fidelity that we have today. So in that context, yes, we will lose some capability.

But the premise of the Intelligence Community and one of the organizing principles I have tried to push, as a result of my experience 20 years ago, is those capabilities that enable global coverage to include for denied areas such as Russia and China, and enable us to adapt and be resilient depending on what the crisis of the day is.

Senator BLUMENTHAL. Thank you very much. Again, thank you both for answering my questions and for being so forthcoming to our committee. Thank you.

Chairman LEVIN. Thank you very much, Senator Blumenthal.

Senator Brown.

Senator BROWN. Thank you, Mr. Chairman.

I will not belabor the points two of my colleagues have made in reference to Iran, and I agree with most of what was said. But I just want to emphasize how important it is that we ensure that Israel has everything it needs from us to close any intelligence capability gaps it has with respect to Iran. Do both of you agree with that recommendation or suggestion?

Director CLAPPER. Yes, sir, and I think both of us have been proponents for sharing intelligence with the Israelis. I will be going there next week to engage with the Israeli intelligence officials to discuss that very point.

Senator BROWN. Great. Thank you.

Director Clapper, also just to add on a little bit more, my colleagues have already mentioned Syria and how the people are enduring serious attacks from Assad. Earlier this week, the head of al Qaeda released a video calling on all Muslims in the countries surrounding Syria to join the fight against the Assad regime. Given that the President and the administration officials continue to say it is not a matter of if, but when, it will fail and fall, are we prepared for the situation of a possible failed state where al Qaeda enjoys a safe harbor and refuge from which to coordinate attacks i.e., like what is the plan if Syria falls?

Director CLAPPER. That is a great question, sir, because who would succeed or what would succeed Assad is a mystery. We certainly do not know—I do not—what would ensue. As the quote that I read in my oral remarks here at the outset of the testimony, quoting the Roman historian Tacitus, when he said the best day after a bad emperor is the first day and after that, I would add, it goes down hill. There is no identifiable group that would succeed him. So there would be a vacuum, I think, that would lend itself to extremists operating in Syria, which is particularly troublesome in light of the large network of chemical warfare, chemical and biological weapons storage facilities and other related facilities that there are in Syria.

Senator BROWN. I agree. I have a concern that AQI is moving towards Syria and consolidating themselves there now. Do you have any evidence of that?

Director CLAPPER. Yes, sir, we do. We have seen evidence of Sunni extremists. I cannot label them specifically as al Qaeda, but a similar ilk, who are infiltrating the oppositionist groups, in many cases probably unbeknownst to those opposition groups.

Senator BROWN. Just to shift gears a little bit to the Fort Hood shooting. I know that there were some recommendations made regarding information-sharing. What is the status of that? Can you tell me a little bit about the Counterintelligence Community and what they are doing to help the leaders on the ground identify potential breakdowns like the one we saw at Fort Hood?

Director CLAPPER. I am not sure what you are asking.

Senator BROWN. Key reforms have yet to be completed, particularly in the area of information-sharing which continues, I think, to put our Nation at risk for homegrown terrorism and insider threats. Are you getting all the information you need from U.S. agencies to adequately address our domestic threats, do you think?

Director CLAPPER. Sir, I will put it this way. I think we have come a long way in the last 10 years in information-sharing. It is a big focus for me for the Office of the DNI, sharing vertically across the agencies, as well as—or horizontally and vertically, as well with the Federal, State, local, tribal, and private sector. There has been a lot of work done towards that. It is an emphasis area for me, and I do think we have made great improvements.

At the same time, of course, we have had episodes like Wikileaks which reminds us of the need to balance sharing and security. So we always have that fine line to draw between those two. But I think we have improved, but there is always more to do.

Senator BROWN. Very well. Thank you both.

Chairman LEVIN. Thank you very much, Senator Brown.

Senator Udall.

Senator UDALL. Mr. Chairman, I'm sorry, but I would like to yield to Mr. Manchin. I know he has a scheduling conflict, but I would like to keep my place in the queue, if I might.

Senator MANCHIN. We are just flip-flopping, Mr. Chairman.

Chairman LEVIN. We always appreciate those kind of courtesies.

Senator Manchin.

Senator MANCHIN. Thank you so much, Mr. Chairman.

Director Clapper, I am reading a book, finishing it up. It is called "The Coming Jobs War" by Jim Clifton. I would recommend it if you all have not seen it. It says basically the coming jobs war is going to be the biggest war that we have facing this world; who is fighting for what jobs. It basically breaks it down: 7 billion human beings on this great planet Earth; 5 billion over the age of 15; 3 billion seeking a job of some sort or working; only 1.2 billion formal jobs in the world today. So we can see the mammoth problem that we are facing.

With that, I think, what I am asking is when you conduct intelligence estimates, do you consider the impact of unemployment and what it will have on the stability of a population and how that increases the likelihood of unrest and terrorism?

Director CLAPPER. Absolutely, sir. I have not read the book, but I will get it. I think the point, even more basic than jobs, is if you project out in the future what the world's supply of food and water is going to be in the face of the growing population, if you project out what the population of the Earth is going to be in the face of declining resources. Yes, absolutely we do account for that in doing any kind of intelligence assessments. An indelible illustration of that, of course, was Arab Spring because of the conditions which actually still exist, the population bulge of high numbers of young, unemployed people, rising economic difficulties and deprivation, the lack of political freedom of expression. Of course, one of our major insights into that is in social media, which has become a major bellwether for the attitudes of people. So the short answer to your question, sir, is absolutely, we do consider that in assessing the potential for disruption.

Senator MANCHIN. Thank you.

General, following up on that, when I read this book and I was thinking our involvement and the amount of money that we have spent in Afghanistan, knowing that when we leave, they have no economy; they have had no economy; the only economy they have is us. Knowing that the unrest, instability, terrorism, or the ability to foster terrorism will be the same—and I have a very, very hard time understanding why we are still there, and I know I have talked to everybody and I feel very strong about that.

What I will say is this, sir. There are reports that North Korea and Iran have possession of U.S. drones that crashed in December and will likely try to reverse engineer them so they would have them at their disposal. Why on earth did we not design or request a design of destruction when we lost those drones under any circumstance, that we could have destroyed them so they could not have been copied and reproduced back to use against us?

Director CLAPPER. I would be happy to discuss that with you in closed session, sir.

Senator MANCHIN. I understand.

General Burgess, what does the succession of Kim Jong Un mean for the security of the Korean Peninsula, and what does it mean for the North Korean nuclear program and the Six Party Talks that are going on?

General BURGESS. Sir, what I would tell you so far, as we have watched the succession, it is unfolding as we had thought it would. It is actually moving as has been designated. At this time, we see no change to any of their policies and we actually see no impact on the way they are going about conducting business at the present time.

Senator MANCHIN. Concerning al Qaeda, al Shabaab, the terrorist insurgent group in Somalia, formally joined al Qaeda this past week. Some Somalian Americans have traveled from the United States to join al Shabaab and fight the transitional government in Somalia. I would like to know from you, sir, what are we going to be doing to respond to this threat?

Director CLAPPER. First of all, I would play down a bit the significance of this union between al Shabaab and al Qaeda. I think the core al Qaeda is an organization under siege and is in decline. Al Shabaab, for its part, is under pressure by virtue of both of the Ethiopian and Kenyan incursions into Somalia. They have lost territory and are under the gun. So I think we will continue to do what we have always done with these two organizations. Al Shabaab, for its part, has been largely focused on regional issues, that is, within the Horn of Africa as opposed to projecting out a homeland threat. What is bothersome about al Shabaab, of course, are the number of foreign fighter recruits that they bring in and train and then fight.

Senator MANCHIN. Finally, to both of you all, on Tuesday, General Dempsey testified that the military government in Egypt is aware that they stand to lose $1.3 billion of aid from the United States, and we have been a solid partner. According to press reports, the same government General Dempsey spoke of is losing power to anti-American factions. Some of these factions are a campaign to end the U.S. aid to Egypt.

Based on your intelligence assessments, will we be able to rely on a future Egyptian Government to uphold the 1979 peace treaty with Israel?

Director CLAPPER. That is an excellent question, sir, and I think that will depend very much on the continuation of the transitional process in Egypt, particularly when they write their constitution and what the constitution may or may not say about the treaty with Israel. I think under any circumstance—I cannot foresee a circumstance with any civilian government that emerges after the Supreme Council of the Armed Forces transitions or hands off in June that there will not at least be a review of the treaty. But how that will come out we do not know.

[The information referred to follows:]

General BURGESS. Sir, I would agree with Director Clapper.

Senator MANCHIN. Let me just say thank you to both of you for your outstanding service to this country of ours.

With that, I want to thank my gracious colleague, most generous colleague from Colorado.

Chairman LEVIN. Thank you, Senator Manchin.

Senator Graham.

Senator GRAHAM. Thank you, Mr. Chairman.

Thank you both for your service to our country.

I think it was mentioned that the intelligence budget is wrapped up in the DOD budget. Secretary Panetta said that if we did sequestration, if we took another $500 billion to $600 billion on top of the $487 billion being planned, it would be devastating. It would be irresponsible on the DOD side. Would it have the same effect, Director Clapper, on the intelligence side?

Director CLAPPER. Absolutely, sir.

Senator GRAHAM. Would you agree with me that if America ever needed a smart intelligence network, it is now? Because the enemies we are fighting really do not care if they die. They just want you to go with them.

Director CLAPPER. That and other reasons, yes, sir.

If I may add, the provisions, as they pertain to intelligence, are actually even more onerous because we would not have any latitude to move or pick and choose where we would reduce. It is stipulated for us that every single program within intelligence would have to take a proportional hit. So we would be faced with the prospect of RIFing a lot of employees, which would have a devastating effect not only on them, but the employees who were not, as well as it would affect virtually every major acquisition system we have in the Intelligence Community because they would all be wounded. So it would be a disaster.

Senator GRAHAM. Would you say it would result in destroying the ability of the Intelligence Community to adequately defend this country?

Director CLAPPER. Sir, I would have a hard time saying, as the DNI, that I could face a group like this and say I have any degree of confidence that I can provide adequate intelligence for the safety and welfare of this Nation if that happened.

Senator GRAHAM. In many ways, America would go blind in terms of intelligence gathering.

Director CLAPPER. It would, sir, over time.

Senator GRAHAM. Over time, okay.

Let us go to Iran. Keep this at the 30,000-foot view. The regime's goal, do you not think, is survival? Right? Do you both agree with that?

Director CLAPPER. Yes, sir.

Senator GRAHAM. Do you think they have made a decision that maybe the best way to survive is to develop a nuclear weapon?

Director CLAPPER. Sir, we have said consistently that they will base this on a cost-benefit analysis.

Senator GRAHAM. Do you think they are trying to develop a nuclear weapon? Do you think that is their goal?

Director CLAPPER. They are putting themselves—they are sustaining the industrial infrastructure to enable them, if they make that decision, yes, sir.

Senator GRAHAM. Do you think they are building these power plants for peaceful nuclear power generation purposes?

Director CLAPPER. That remains to be seen.

Senator GRAHAM. Do you have doubt about the Iranians' intentions when it comes to making a nuclear weapon?

Director CLAPPER. I do.

Senator GRAHAM. So you are not so sure they are trying to make a bomb?

Director CLAPPER. I am sorry?

Senator GRAHAM. You doubt whether or not they are trying to create a nuclear bomb?

Director CLAPPER. I think they are keeping themselves in a position to make that decision, but there are certain things they have not yet done and have not done for some time.

Senator GRAHAM. How would we know when they have made that decision?

Director CLAPPER. I am happy to discuss that with you in closed session.

Senator GRAHAM. I guess my point is that I take a different view. I am very convinced that they are going down the road of developing a nuclear weapon. I cannot read anyone's mind, but it seems logical to me that they believe if they get a nuclear weapon, they will become North Korea and nobody really in the future is going to bother them.

Let us talk about nuclear capability in the hands of the Iranians. Is that a good outcome for U.S. national security interests if they were able to have nuclear capability?

Director CLAPPER. Obviously not, if they were to have a nuclear weapon and the means of delivering it.

Senator GRAHAM. Right.

The reason being, it would create a nuclear arms race most likely in the Middle East.

Director CLAPPER. That is certainly a potential and likely outcome.

Senator GRAHAM. Arab Sunni states would not take kindly to Persian Shias having a nuclear trump card.

Director CLAPPER. Correct.

Senator GRAHAM. The likelihood of a terrorist organization being able to access nuclear materials in the hands of the Iranian ayatollahs would be greater, not less. Would you not think?

Director CLAPPER. Probably so, and of course, that is the nexus of a terrorist group and WMD.

Senator GRAHAM. So when President Obama says it is unacceptable for the Iranians to achieve nuclear capability, do you agree with that?

Director CLAPPER. Yes, sir, I do.

Senator GRAHAM. Congress is about to introduce a resolution that says containment of a nuclear-capable Iran is not a good national security strategy. So we are going to be backing up the President, and I am glad to hear you agree with that proposition, that we should not as a Nation try to contain a nuclear-capable Iran. We should try to prevent it. As you said, sanctions may work. I hope they do. I am not in the camp of believing that all is lost.

Do you also believe that all options should remain on the table when it comes to stopping them from getting a nuclear capability?

Director CLAPPER. Sir, that is a personal view. That is not the Intelligence Community's policy, but certainly I do.

Senator GRAHAM. Just personally.

Yes. That is what the President said and I certainly agree with him.

Now, let us get back to Iraq. Has the security environment deteriorated since we left Iraq militarily?

Director CLAPPER. I think it is about the same. We have recently done an assessment on the prospects in Iraq for the next 18 months, and I think the view is that while there are challenges and uncertainties, we believe, at least for the next year or so, that the Iraqi Government will continue. It appears that the Sunnis at this point believe that their best prospect for protecting their interests is to participate in the government.

Senator GRAHAM. So do you believe that us withdrawing all of our forces from Iraq has really had no effect on the Iraqi security environment?

Director CLAPPER. I would not say no effect.

Senator GRAHAM. Would you say minimal effect?

Director CLAPPER. I think there are certain enabler capabilities that they no longer have by virtue of our absence. But at the same time, as General Burgess indicated in his statement, they have done reasonably well and they have a reasonably capable CT force.

Senator GRAHAM. Do you know why Vice President Hashimi, a Sunni Vice President, why they tried to indict him days after we left and not before?

Director CLAPPER. I do not know why the timing other than, I guess, the implication would be that our presence there, although we were doing all we could diplomatically—I do not know why the timing.

Senator GRAHAM. Is it generally viewed by the Sunnis and the Kurds that when America left Iraq, that was a boon to Iranian influence?

Director CLAPPER. Sir, I do not really know how——

Senator GRAHAM. Have you talked to the Sunnis and Kurds about this?

Director CLAPPER. I have not.

Senator GRAHAM. I would suggest that you do.

Now, when it comes to Afghanistan.

Director CLAPPER. There is no question they are concerned about——

Senator GRAHAM. I would suggest you sit down with some leading Sunnis and Kurds and have a discussion about what they think is happening in Iraq.

Now, Afghanistan. The Strategic Partnership Agreement is really the last card to be played in many ways—is that not correct—via Afghanistan?

Director CLAPPER. I am not sure what you mean by "last card."

Senator GRAHAM. Mr. Chairman, just if I could have 30 additional seconds here, I will be quick.

The bottom line is if we have an American military presence post 2014 at the request of the Afghan Government and people that

would allow a CT capability, American air power, that would always give the edge to the Afghan security forces and probably be the end of the Taliban militarily. Do you agree with that construct?

Director CLAPPER. I do. I think that would be a very positive thing not only in Afghanistan, but regionally.

Senator GRAHAM. Would be the best way to negotiate with the Taliban saying you are never going to take this country back over militarily. You need to get involved in the political system.

Director CLAPPER. At a minimum, that the Taliban would not provide a reservoir or harbor or safe haven for the likes of al Qaeda.

Senator GRAHAM. Thank you.

Chairman LEVIN. Thank you, Senator Graham.

Senator Udall.

Senator UDALL. Mr. Chairman, I am again going to yield to a colleague, Senator Hagan, who chairs the Emerging Threats and Capabilities Subcommittee, who has to preside on the floor in a few minutes. So if I might, I would yield to her.

Chairman LEVIN. Of course. Senator Hagan?

Senator HAGAN. Thank you, Mr. Chairman, and certainly thank you, Senator Udall.

I wanted to follow up on Senator Graham's question concerning Iraq, but I also wanted to state how much I appreciate both of you being here today testifying but, in addition, your leadership and long-term security interests in our country. So thank you.

Director Clapper, in your prepared testimony, you state AQI, despite its weakened capabilities, remains capable of high-profile attacks and some Shia militant groups will continue targeting U.S. interests, including diplomatic personnel.

What is the Intelligence Community's assessment of the capabilities of Iraqi CT forces to continue similar operations against AQI in the absence of our U.S. forces? General Burgess?

General BURGESS. Ma'am, I would tell you that our assessment is that the CT force that was left there is a capable force but also AQI is a capable and formidable foe. So while the Iraqis have some capability, there are certainly some things that we are still looking at doing to help them from an intelligence standpoint and some others with some of the resources——

Senator HAGAN. How about protecting our diplomatic forces?

General BURGESS. Ma'am, we put a lot of resources against that as the United States and we work with our Iraqi friends.

Senator HAGAN. Thank you.

Let me move to Libya and the proliferation of their weapons stockpiles. When Qaddafi's regime fell, it was discovered he had undeclared stocks of chemical weapons, as well as large quantities of conventional weapons. Can you tell me if the chemical weapons are secured?

Director CLAPPER. Yes, they are.

Senator HAGAN. Were these weapons produced by Libya or whether they had help in producing these weapons?

Director CLAPPER. We do not know and have not been able to determine that.

Senator HAGAN. What about your assessment of what happened to all the stockpiles of conventional weapons such as missile and artillery?

Director CLAPPER. The principal area of concern, of course, are the so-called Manportable Air-Defense Systems (MANPADS), or shoulder-fired anti-aircraft weapons, and the estimate was, going into the upheavals there, of about 20,000 MANPADS. In fact, Libya had more MANPADS than any non-producing country in the world.

There has been an active and aggressive program run by the Department of State (DOS) to recover MANPADS, and through that program, the estimate—they have recovered about a quarter of them, about 5,000 MANPADS. There are some number of others that were probably destroyed in the course of the air campaign that were in depots and other storage places, but the truth is that MANPADS and other weapons are distributed all over the place, in homes, in factories, in schoolhouses. It is all over. So there is a concern, obviously, about recovery of these weapons.

I would say, though, that the transitional government in Libya is on schedule and is moving towards elections and reforming the government. Their oil refinery capacity has recovered faster than we anticipated. They are up to, we estimate, about 1 million barrels a day, and their pre-upheaval level was about 1.6 million. So there are problems there, but there is some room for optimism.

Senator HAGAN. How did you estimate 20,000 MANPADS and then 5,000 recovered?

Director CLAPPER. The 5,000 recovered is by count.

Senator HAGAN. Right.

Director CLAPPER. That was the best intelligence assessment that we had based on all-source analysis of the number of MANPADS they had before the demonstrations and the like started.

Senator HAGAN. In recent weeks, we have seen a spike in violent attacks by the Boko Haram in Nigeria. Are some of these weapons getting into Nigeria, especially the MANPADS that you are discussing?

Director CLAPPER. We do not have any evidence of a direct relationship between weapons in Libya and Nigeria, no.

Senator HAGAN. According to press reports, al Qaeda in the Arabian Peninsula (AQAP), partially as a result of the ongoing political crisis in Yemen's capital, continues to gain territory in the southern region of Yemen. AQAP's gains are a cause for concern, obviously, for many reasons, including the fact that it potentially creates a sanctuary for planning of external operations.

My question is what is the Intelligence Community's assessment of AQAP's territorial gains in southern Yemen and has it provided planning and training space for the potential AQAP external operations.

Director CLAPPER. Obviously, we are very concerned about that, particularly to the extent that it would provide a haven for training facilities. We are monitoring that very carefully and also watching. I think it interesting when a terrorist group like al Qaeda and AQAP all of a sudden has municipal responsibilities and just how they deal with that and whether that will be a distraction to their foreign plotting. I think AQAP, though, as one of the al Qaeda

franchises, is probably the organization that we are most concerned about in terms of potential threats to Europe or the Homeland.

Senator HAGAN. What is your assessment of the ability of the Yemeni security service to confront AQAP and regain the government's control of this space?

Director CLAPPER. To this point, we continue to have good cooperation with the Yemeni intelligence and security organizations, and hopefully that will be sustained even as the government transitions.

Senator HAGAN. Thank you, Mr. Chairman.

Thank you, gentlemen.

Chairman LEVIN. Thank you very much, Senator Hagan.

Senator Cornyn.

Senator CORNYN. Thank you, Mr. Chairman.

Thank you for your service, gentlemen. You have our respect and admiration.

I just have a few questions I want to ask you about the economy. Director Clapper, on page 28 of your prepared remarks, you talk about the challenges to the global economy and also to energy. I want to specifically ask you about the red lines that Secretary Panetta identified with regard to blockades of the Strait of Hormuz which I do not think it takes a fertile imagination to see if there was some sort of action by Israel against Iran because of concern about their nuclear capability, that there would be retaliation and part of that could well be a blockade of the Strait of Hormuz, and I am confident we could break that blockade.

But I just want to ask you when 20 percent of the world's oil supply transits the Strait of Hormuz, what is the impact on oil prices of the geopolitical issues that we see in the Middle East? In other words, does the threat of a possible action by Israel against Iran and possible retaliation, which would include a blockade of the Strait of Hormuz, affect worldwide oil prices?

Director CLAPPER. Yes, sir, it does, and, of course, for the reasons you cite, if the strait were blocked, that would have profound impact not only in the region but in the rest of the world. It would have great impact, obviously, on the price of oil. Of course, that is one thing we have to manage very carefully with the NDAA provisions on imposing more sanctions on Iran so that we do not end up in the worst of both worlds. But you are quite right. It is a very delicate balance here and clearly would have impacts on the price of oil and the world economy.

Senator CORNYN. A blockade of the Strait of Hormuz, because of the blockade of the oil trade—would you see that that would have a negative impact not only on the global economy in terms of the projections of growth—and what I am getting at is, obviously, we are coming out of a very tough patch and projections by the Congressional Budget Office and the Federal Reserve are for a relatively slow rate of growth and higher unemployment here for the next several years. I just would like to get your impressions of the possibility of a blockade—what that would do in terms of the rate of expected growth of our economy here and related topics.

Director CLAPPER. Sir, I would have to take that one under advisement. I am not an economist, and I would want the experts to—if there is the possibility for projecting what the impacts would

be globally on the economy and individually, and it would vary from country to country depending on how dependent they are on oil that transits the Strait. I think the general answer is, it is hard to see a good effect for any number of reasons if a blockade were allowed to stand.

Senator CORNYN. We have been debating a payroll tax holiday. An estimate is that it would provide an extra $20 a week for a person making $50,000 a year, but in 2011, the average family spent more than $4,000 in gasoline. So my concern is, in terms of our economy, the geopolitical uncertainty that we have been talking about, and what impact that would have on families here in the United States and what impact it would have to perhaps dampen, if not wipe out, our economic recovery. I know you know that is the direction I was heading in.

Let me ask you. Because I am from Texas, obviously Mexico is our southern neighbor. Senator McCain had some questions about Mexico, and obviously, it is a matter of continual concern.

The Department of Justice, and more particularly the Bureau of Alcohol, Tobacco, and Firearms, had a program called "Fast and Furious" that you are aware of whereby approximately 2,000 weapons were allowed to walk from gun dealers in the United States by the Bureau of Alcohol, Tobacco, and Firearms. I believe the last estimate I saw is that roughly only about a quarter of those weapons have actually been recovered. Of course, one of them—or two of them, actually were found at the scene of the death of U.S. Border Patrol Agent Brian Terry.

Could you shed any light or do you have any opinion on what the impact of the transit of those firearms would have on the cartels and the violence and the crime that we might see as a result?

Director CLAPPER. Sir, this is not an intelligence issue. Fortunately, it is one aspect that I do not have any responsibility for. It is a very unfortunate incident. Obviously, guns, whether in a case like this or by any other means, that find their way from the United States into Mexico certainly do not help the situation.

Senator CORNYN. I am advised Mexico Government officials were not advised by the Department of Justice or the Bureau of Alcohol, Tobacco, and Firearms about this "Fast and Furious" program. Do either of you have anything you can tell us about their reaction to this diplomatic breakdown?

Director CLAPPER. No, I cannot, sir. Again, it was not an issue conducted in intelligence channels. So I do not know anything about it.

[The information referred to follows:]

General BURGESS. Sir, I would agree with Director Clapper.

Senator CORNYN. Thank you very much.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Cornyn.

Senator Udall.

Senator UDALL. Thank you, Mr. Chairman.

Gentlemen, good morning to you. Thanks for the incredible breadth and depth of your work and the tour that you have taken us on touching on many of the hot spots in the world. I also want

to thank you for your service, which has included many, many years.

Let me turn to a comment that Secretary Gates made at West Point. He said, "I must tell you when it comes to predicting the nature and location of our next military engagements, since Vietnam our record has been perfect. We have never once gotten it right from Mayaguez to Grenada, Panama, Somalia, the Balkans, Haiti, Kuwait, Iraq, and more. We had no idea, a year before any of these missions, that we would be so engaged."

Do you agree with Secretary Gates on this point, and if so, what can we do and what can you do to address that failing? I guess I presupposed, Director Clapper, you would agree with me and Secretary Gates, but if you disagree, please feel free to do so.

Director CLAPPER. I am a great fan of Secretary Gates. We are good friends and have known each other, so I am loathe to disagree with him.

I would say that as far as our obligation, our responsibility is to provide as much insight for decisionmakers and policymakers, which we are not, what the implications are, what the threat situation is, what kind of a situation we are getting ourselves into for any military operation overseas.

Senator UDALL. General Burgess, do you care to comment and particularly if there are any thoughts you have of changes, additional resources?

General BURGESS. No, sir, I would not. Like Director Clapper, I would probably never publicly disagree with Secretary Gates.

But having said that, as we have discussed even last year in front of this committee having this same discussion as we looked at the Arab Spring, as it was called then, I am one of those that think that the Intelligence Community did, in fact, paint the picture of the environment and the situation and things that were going on. Did we make the tactical call in some cases? No, sir. Can we be faulted for that? Sure, because there is intelligence failure and operational success as we say.

Senator UDALL. I think it is important to note that Secretary Gates said we have a perfect record—I am paraphrasing—when it comes to predicting the nature and location of our next military engagements. He did not necessarily imply that our intelligence did not give us some indication or that we were not prepared with some understanding of those cultures and societies.

Let me piggyback on your comment about the Arab Spring and direct a question to both of you. I would be interested to see what you have to say. What has the Intelligence Community learned in the wake of the Arab Spring?

Director CLAPPER. We have learned that in our focus on CT, where we were in many of these countries engaged with local liaison services on that subject and maybe were not paying as much attention to the back yard that we were in at the time, so there is that lesson.

Certainly, we put a lot of emphasis on the use of social media as an indicator. It is not a panacea. It is not the cure-all and it is not clairvoyant, but it is certainly a great indicator of the general attitudes and tenor of a citizenry. That, as well as how a host government may try to suppress that social media. So that is some-

what a new thing for us which I think was brought home to us very clearly as a result of Arab Spring.

Senator UDALL. General Burgess, do you have anything else to add?

General BURGESS. I have nothing to add.

Senator UDALL. I am slightly loathe to even mention it here, but it is in the general information that North Korea's citizens now have more access, Director Clapper, to new media technologies.

Director CLAPPER. Well, not much. There are certain elite that have access to that sort of thing, but the general citizenry, unless it is smuggled in from the outside, do not. Of course, the North Korean regime realizes that and what social media means in terms of the outside world and freedom of information.

Senator UDALL. There is an opportunity there but also fraught with danger for their citizens, obviously.

Let me turn to Pakistan. We know that it is a fractious environment there. It is a regime divided. Who determines there the level of cooperation on CT and on the counterinsurgency efforts?

Director CLAPPER. Sir, the Pakistani Government is in the throes of reexamining a reset, if I can use that term, of just what the relationship will be with the United States. That is a subject their parliament is going to take up, and so we will await the outcome of that.

Senator UDALL. How do you assess the current economic situation in Pakistan?

Director CLAPPER. They have their challenges. It is a tough situation there for them.

Senator UDALL. Another question on Pakistan. Your assessment, General Burgess and Director Clapper, on the likelihood of another military coup in Pakistan over the next year to 2 years. Is that a closed session topic?

Director CLAPPER. The history has been that they have never had an administration that saw the completion of its whole term. I am moderately optimistic that this one may succeed despite all its current challenges and the court proceeding that is going on there now. But I do not think it is the inclination of the current army leadership, specifically General Kayani, who I think is very sensitive to the independence of the military and not doing that.

Senator UDALL. I see Senator Shaheen is here. Let me ask one last question.

Would you describe—and I know you speak in plain English, but I will put it that way as well—the magnitude of the cyber threat facing the country? We were privy to some important briefings as you all participated in these last few weeks on the Senate side.

Director CLAPPER. Sir, we discussed this quite a bit, and both of us have spoken to it in our written testimony and it is quite profound. In my oral remarks, I just highlighted the fact that CT, proliferation, and cyber are our three major concerns that we highlighted in the oral testimony. The National Counterintelligence Executive, which is part of my staff, issued a report on the impact of economic espionage in this country, which was put out in October, which called out both Russia and China, particularly China because of the grand theft of intellectual property in this country. So

it is quite a profound threat, and that is one reason why we are supportive of the Lieberman, Collins, Rockefeller, Feinstein bill.

Senator UDALL. You included it in your three central threats?

Director CLAPPER. I did.

Senator UDALL. Thank you again. Thanks for your service and thank you for spending all morning with us. I appreciate it. Thank you.

Chairman LEVIN. Thank you, Senator Udall.

Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman.

Thank you, Director Clapper and General Burgess, for being here. I hate to keep you past the noon hour, so I will try and be quick.

Last year, in the midst of the Libyan operation, Senator Collins and I wrote to the administration expressing our concerns that I know you share about Libya's vast arsenal of unsecured MANPADS. Considering that these pose a continuing threat and there are an estimated 20,000 still out there, I am not going to ask you to speak to that because we asked that the Intelligence Committee give us a report as part of the NDAA. I just wanted to say that I look forward to hearing from you about that subject because it is clearly going to continue to be a concern.

Director CLAPPER. It is a concern, and you are quite right about the estimate, the all-source estimate we had before the anti-Qaddafi demonstrations started of about 20,000 MANPADS in Libya. DOS is managing an aggressive program to recover MANPADS, and to this point it has recovered about 25 percent of them, about 5,000. There are many others that we are certain, although we cannot count them all, that were destroyed by virtue of the fact they were in ammo depots and bunkers and this sort of thing that were destroyed during either the contest between the opposition and regime or the NATO air strikes. That said, there is a large number that are unlocated and will be very problematic in recovering since they have them all over the place. Libya was awash in weaponry.

So we will continue with the program to do what we can to either account for the ones destroyed or damaged during the demonstrations and encounters and, as well, continue, I would guess, with the recovery program that the DOS team is running.

Senator SHAHEEN. How often are we seeing these come up with the militias in Libya as there is continuing conflict there?

Director CLAPPER. There is. Many of the Libyan militias have not folded under a central government yet and many of them are keeping their weapons for one reason or another. So that too is another issue that we are trying to watch.

Senator SHAHEEN. I want to pick up on Senator Udall's questioning about Pakistan, which I believe continues to be one of the most dangerous parts of the world, and especially given the continued back-and-forth in our relationship with Pakistan. Can you talk about what the current vulnerabilities are of their nuclear program and the potential to lead to proliferation of sensitive technology or material?

Director CLAPPER. I would be pleased to discuss that with you in closed session.

Senator SHAHEEN. I thought that is what you might say, but can you talk about how confident you are that the Pakistani nuclear program has the appropriate safeguards and protections?

Director CLAPPER. I am reasonably confident they do.

Senator SHAHEEN. Are we also feeling like the next level of military leadership down from General Kayani also shares the same commitment to safeguarding that arsenal that we have seen from the top leadership in the military?

Director CLAPPER. I believe they do.

Senator SHAHEEN. Thank you.

Obviously, Pakistan's relations with India play a role in their defense plans and operations. There has been some small good news in terms of the potential for a thaw in that relationship in the last year or so. Can you talk about how you assess the potential for improved ties between the two countries and how that might affect stability in that region?

Director CLAPPER. Obviously, from Pakistan's standpoint, they view India as an existential threat, but as you alluded, there have been some encouraging breaks here in the context of dialogue between the two countries. I know from having traveled and dialogued with—the Indians would be very interested as well in relaxing tensions, but there are longstanding, fundamental issues there that, I think, will be hard to overcome. Obviously, if they did reach some agreement, it would be huge, but there are lots of countervailing factors, I think, that are again best left for discussion in closed session that I think are going to make that difficult.

Senator SHAHEEN. When we were there last summer—I was there with Chairman Levin, and this issue came up. The political leadership was quick to reassure us that they were taking measures to try and thaw relations. Is our assessment that there is a commitment at the top levels in both India and Pakistan to try and address this longstanding conflict that has existed between the two countries?

Director CLAPPER. I think that is probably a fair assessment. I think at the top levels, they would both see advantages, mutual advantages.

Senator SHAHEEN. Thank you.

General Burgess, for nearly 2 decades, the submarine force is a major priority and its military modernization has been something that we have seen from China. To what extent do those ongoing modernization efforts and its focus on expanding its submarine force raise concerns with our Navy and our ability to respond to that Chinese buildup?

General BURGESS. I think across the board the Chinese are making modernization improvements, whether it be in their air force, in their navy, and other aspects of what they are doing. They are taking a very holistic approach. Submarines are part of that.

We in DIA, along with the Navy and others, are watching that very carefully and we continue to watch their developments.

Senator SHAHEEN. Thank you.

Director Clapper, I want to go back to Russia. I chair the European Affairs Subcommittee in the Senate Foreign Relations Committee, and so we have been watching very closely what is happening in Russia right now, the protests, the reaction to Putin's an-

nouncement that he would switch from being Prime Minister to being President again. You talked in your January testimony about Putin's return to the presidency is resulting in more continuity than change.

Can you talk about how we view, first of all, the impact of demonstrations in Russia and what change that might effect as we are looking at a changeover in Putin's role there?

Director CLAPPER. I think I find this evolution in Russia very interesting. Again, this is another manifestation of the impact of social media. I think the Russian Government, the Russian elite are finding real challenges in putting that free information flow via social media genie back in the bottle. I often wonder whether Mr. Putin will rue the day he decided to come back. He might have been better served to quit while he was ahead. I think he comes from the old school, and I do not think the old order is going to work in Russia. I think the thousands of people willing to turn out in a bitter, bitter Moscow cold in January and February is a great testament to some profound change I believe is going on in Russia.

Senator SHAHEEN. Thank you both very much.

Chairman LEVIN. Thank you very much, Senator Shaheen.

I have a few questions which may be the beginning and the end of round two, depending if any other Senators arrive.

First, in response to a question about how long an Israeli military attack on Iran would postpone Iran getting a bomb, Secretary of Defense Panetta said, "that at best it might postpone it maybe 1, possibly 2 years". Does the Intelligence Community agree with that?

Director CLAPPER. I do not disagree with it, but I think there are a lot of factors that could play here. How effective such an attack was, what the targets were, what the rate of recovery might be. So there are a lot of imponderables there that could affect a guesstimate—and that is all it is—about how long it would take to resume.

Chairman LEVIN. Has the Intelligence Community made an estimate of that issue, how long it would take to resume after an Israeli military attack?

Director CLAPPER. We have not come up with a single number for the reasons I just alluded to. It would be hard to come up with a number because it would have to be an assessment as well as how well the Iranians could recover and how much damage—how effective the attack was.

Chairman LEVIN. Okay. Now, you indicated that our Intelligence Community and the Israeli Intelligence Community are aligned on issues relative to Iran. Do the Israelis agree with you that Iran has not made a decision as to whether or not to have a nuclear weapon? Do they agree with that?

Director CLAPPER. I am happy to discuss that with you in closed session, sir.

Chairman LEVIN. Thank you.

By the way, I do not believe there is going to be a need today for that closed session to give us all hope for lunch.

Director Clapper, what is the Intelligence Community's assessment of the performance of the ANSF in providing security in those areas where they have assumed the lead?

Director CLAPPER. I think so far, so good. The areas that have been turned over in the initial tranche, I think, have performed reasonably well, but let me ask General Burgess if he wants to add to that.

Chairman LEVIN. Thank you. General?

General BURGESS. Sir, I think the Intelligence Community would agree with what you just stated, and, in fact, this is one of the places where the Intelligence Community is in agreement with the commanders on the ground in terms of how the Afghan forces are performing.

Chairman LEVIN. That is, that they are performing?

General BURGESS. They are performing well when they are backed up by enablers from ISAF.

Chairman LEVIN. Thank you.

In a DOD press briefing recently, Lieutenant General Scaparadi, Commander of the ISAF Joint Command, and who is in charge of operations in Afghanistan, described some signs of progress by the ANSF. He indicated that he gave a positive view of the progress to build the capabilities of the ANA and the ANP. I think, General Burgess, you have indicated you just basically share that view, and I think also Director Clapper indicated pretty much the same thing.

This is my question to you, General. Do you share General Dempsey's assessment—that was just a couple days ago—that the ANSF are on track to assume the lead for providing security throughout Afghanistan by 2014 while still requiring support from coalition forces for key enablers like intelligence and lift?

General BURGESS. Yes, sir, I would be in agreement.

Chairman LEVIN. A question on Pakistan. According to news reports, a leaked NATO report titled "State of the Taliban 2012" included claims by Taliban detainees that Pakistan is providing support to the insurgency, and it reportedly also portrayed, though, a strained and a distrustful relationship between the Pakistani intelligence, the ISI, and key insurgent groups, including the Haqqani network. This is what the document reportedly stated: "There is a widespread assumption that Pakistan will never allow the Taliban the chance to become independent of ISI control."

Do you share that same assumption that Pakistan will never allow the Taliban a chance to become independent of ISI control?

Director CLAPPER. I have not seen this report, sir.

I think the Pakistanis via the ISI would want to maintain visibility and influence. I am not sure I would go so far as to say they would insist on dominance, but they certainly want to have insight and influence in Afghanistan, particularly in a post-2014 context, remembering that their primary interest is India.

Chairman LEVIN. General, in your assessment, does the Pakistan military have the intention to take steps to stop the Haqqani's use of the FATA or the KP province as a safe haven for conducting cross-border attacks into Afghanistan?

Director CLAPPER. The Pakistani army, within its capabilities and in light of its other obligations, has done a lot in the FATA and has lost a lot of soldiers in that process.

Chairman LEVIN. My question, though, is whether they have the intention to take steps to stop the Haqqanis.

Director CLAPPER. I do not think so.

General BURGESS. Sir, I would agree with that. If you look at what the Pakistan army has done, they have actually cut forces from 2010 to now in terms of the number of brigades that are in there because they have a sustainment issue.

Chairman LEVIN. Okay. Relative to the reconciliation talks, Director, what are the Taliban's motivations for participating in the reconciliation talks?

Director CLAPPER. That is a great question, sir. I think they want to, I believe, achieve some legitimacy. They want to be players in some form in a Government of Afghanistan. Of course, they obviously see us as key to that end.

Chairman LEVIN. Thank you.

Senator Portman.

Senator PORTMAN. Thank you, Mr. Chairman.

Gentlemen, I will not prolong this because it looks like I may be between you and a much-deserved break for lunch.

First of all, thank you for your testimony today. I had two other hearings. So I bounced around a little.

But I got to hear some of the opening and I also listened to Senator McCain and his opening. He talked a little about the increasing reports of a link between al Qaeda and Iran.

Director Clapper, last year the Treasury Department designated a number of high-ranking members of al Qaeda who operate a facilitation network from inside of Iran. There was a press release announcing the designations from David Cohen, the Under Secretary. He says—and I quote—"Iran is the leading sponsor of state-sponsored terrorism in the world today. By exposing Iran's secret deal with al Qaeda and allowing it to funnel funds and operatives through its territory, we are illuminating yet another aspect of Iran's unmatched support for terrorism." That is a pretty troubling statement.

What is your understanding of this secret so-called deal between Iran and al Qaeda?

Director CLAPPER. Iran and al Qaeda have had a, to a certain extent, shotgun marriage. I think Iran has harbored al Qaeda leaders, facilitators but under house arrest conditions, remembering of course that Iran is a Shia state and al Qaeda is Sunni. So they do not agree ideologically in the first place. I think Iran, of course, pays attention to our pursuit of al Qaeda and what we have done in Afghanistan and Iraq, next door neighbors to them. So on the one hand, they have had this sort of standoff arrangement with al Qaeda allowing them to exist there but not to foment any operations directly from Iran because they are very sensitive about, hey, we might come after them there as well. So it has been this longstanding, as I say, kind of a shotgun marriage or a marriage of convenience. I think probably the Iranians may think that they might use perhaps al Qaeda in the future as a surrogate or proxy.

Senator PORTMAN. Would they think, Mr. Director, that they might use them as a hedge against an attack from the West?

Director CLAPPER. That is what I meant. They may have that in mind for future use, but I think for now—and the history has been that they have not allowed them to operate freely in Iran.

Senator PORTMAN. You think they have not allowed them to conduct operations using Iran as a platform.

Director CLAPPER. I do not think they have, sir, not directly, not in the sense, say, by core al Qaeda in Pakistan.

Senator PORTMAN. Speaking of core al Qaeda and core al Qaeda leadership, it seems as though some significant progress has been made. Your statements today say that there is a diminishing operational importance of the core al Qaeda leadership and that they play an increasingly symbolic role.

Director CLAPPER. That assumes we sustain the pressure on them, though.

Senator PORTMAN. Okay. That is one of my questions. Having dedicated a lot of resources to that effort over the years to go after the core leadership and we have not had success in attritting their numbers and their role, what do you think our resource level needs to be going forward, and what happens to the lower-level al Qaeda in Pakistan if the final elements of the core leadership are taken out?

Director CLAPPER. They are about down to that. I think what we have to ensure is that they do not regenerate, that they do not recruit and continue to operate there. So we will always have to be vigilant to prevent a recurrence or regeneration of the al Qaeda leadership centering its planning and operational planning from the safe haven in Pakistan.

Senator PORTMAN. If we are successful in the continued effort, how would you prioritize resources that we are currently using targeting the core? Would you think those resources would have to continue to be devoted to the al Qaeda threat?

Director CLAPPER. Well, yes, sir, because of the franchises, so-called, notably AQAP which currently we view as the primary threat to the homeland because of their planning and intent to attack either in Europe or the United States. Then there are the variants in AQIM in Africa. So as these franchises emerge, drawing on the ideology of al Qaeda wherever they are, I think we will always be in the mode of being vigilant to their reemergence.

Senator PORTMAN. I thank you.

General Burgess, thank you for your leadership with the National Air and Space Intelligence Center and all the other intelligence work that your folks are doing to provide us with the information that we need as a country to be able to respond to these threats. As the ranking member of the Emerging Threats and Capabilities Subcommittee, I am continually impressed by the good work of your folks. So thank you for that.

Mr. Chairman, I am going to allow these witnesses, who have spent a lot of time here today, the opportunity now to take a much-deserved break. Thank you.

Chairman LEVIN. I know you want to allow it, but I am going to ask two more questions. So despite your good suggestion, Senator Portman, I am going to just finish up with a couple of questions.

My last question had to do with the motivation of the Taliban. My next question relating to the reconciliation talks that they are apparently engaging in has to do not with their motivation, which

you addressed, but what your assessment is of the prospects of success in any degree of those talks.

Director CLAPPER. Sir, I do not know and we will not know until we actually engage.

Chairman LEVIN. Do you have an assessment?

Director CLAPPER. No, I do not. I honestly do not know. I do know that Taliban objectives——

Chairman LEVIN. I am talking about prospects. Do you think you are likely to advance the cause of some kind of a positive success in Afghanistan?

Director CLAPPER. It could, and I believe that is the reason that such negotiations are being pursued, to see whether there is a path there that may buttress or support reconciliation and resolution.

Chairman LEVIN. Like a number of other members of the committee, I have expressed some real concern at the reports that the administration is considering transferring some Taliban detainees from Guantanamo to Qatar, and I have expressed this both publicly and to the administration privately. It seems to me that such transfers would be premature and should only be considered after the Taliban has engaged in positive discussions on reconciliation. I think you heard at least one or maybe more of our members express similar concerns this morning, and I just want to let you know that there is some real concern by many members of this committee about such a transfer in the absence of some real progress and real showing of good faith in meeting some of the other conditions.

We are aware that the Secretary of Defense has to certify certain things before that takes place, but in addition to that certification, there are some real feelings that the people who would be released, even though they may be contained in Qatar, nonetheless could have an effect on the battle by some control, by some propaganda that they might utilize, and in other ways.

So I want you to be aware of that feeling on the part of many members of this committee—I do not know if all of us feel that way, but there has been so much expression that you should be aware of it.

My question, though, has to do with this. Has the decision been made regarding the transfer of detainees to Guantanamo?

Director CLAPPER. No, sir.

Chairman LEVIN. Okay.

Now, Mr. Director, you stated that there has been about a decade of funding increases to the Intelligence Community and now, as part of the defense budget, cuts that have been mandated by the law that was passed by Congress, that there is now going to be a reduction in the DOD budget and that includes in the Intelligence Community budget as well and that that would reduce some capability. My question is whether you are able to administer the cut in a way that any reduction in capability is manageable and acceptable.

Director CLAPPER. Yes, sir, we can. Now, just to be clear, that is under the Budget Control Act. If we were to go to sequestration, that is quite a different matter.

Chairman LEVIN. No. My question was the Budget Control Act.

Under the 2013 budget request, which does follow the Budget Control Act, that came in from the administration a few days ago, that request, including the request relative to your budget and any reduction in the budget, has your support.

Director CLAPPER. Yes, sir, it does.

Chairman LEVIN. Senator Portman? So you can take some of the brunt for delaying their lunch. After all your good instincts and your sensitivity, I took that on myself.

Thank you both for your fine testimony, your service to our Nation, for all of the people who work with you in the Intelligence Community, for the great work that they do. We frequently talk about our troops and we consider people in the Intelligence Community to be very much like our troops with the dedication that they show, the risks that many of them take. So we are thankful to you and to them and to their families because families need to support your community as they do our troops.

This hearing will stand adjourned.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR CLAIRE MCCASKILL

SYRIA

1. Senator MCCASKILL. Director Clapper, we all agree that the conduct of the Asad regime in Syria is an outrage and that the slaughter must come to an end. With this escalating violence in Syria, some have called for the United States to work toward the removal of the Asad regime by arming the opposition forces fighting it and the state security forces. However, the prospect of arming opposition forces in Syria—whether directly or indirectly—has been something many observers have cautioned against. Specifically, the dynamics of the opposition appear uncertain, and some believe arming the opposition groups could have new negative effects on U.S. security interests and regional stability. The actors under the umbrella of the Free Syrian Army appear to have little unity, and the opposition as a whole is complicated by competing regional, tribal, and sectarian interests. You also testified before this Committee that al Qaeda's Iraqi affiliate group appears to have infiltrated Syrian opposition groups and was likely responsible for recent suicide bombings in Damascus and Aleppo in Syria. I am concerned that the situation in Syria will allow for al Qaeda's operations to grow alongside or outside of the opposition's command. Based on our intelligence of the make-up of the opposition, would it be possible for the international community to provide arms to the rebels without running the risk that those weapons could fall into the hands of al Qaeda forces operating in Syria?

Director CLAPPER. [Deleted.]

2. Senator MCCASKILL. Director Clapper, what are the most significant risks of providing arms to the Syrian opposition?

Director CLAPPER. [Deleted.]

3. Senator MCCASKILL. Director Clapper, what other options should the international community consider that would reduce the chance of providing support to groups that run counter to U.S. security interests, such as al Qaeda, while still applying pressure against the Asad regime?

Director CLAPPER. [Deleted.]

IRAN

4. Senator MCCASKILL. Director Clapper, Secretary Panetta and President Obama have made it clear that it is unacceptable for Iran to acquire nuclear weapons capabilities—a position I firmly agree with—and that, accordingly, all options remain on the table as international tensions rise. As we saw years ago in Iraq, it is clear that intelligence plays a critical role in the decision to commit diplomatic or military resources to achieve our national security goals. The past decade has shown that the quality and utility of our intelligence can have significant consequences on our inter-

national political standing, as well as tremendous costs in blood and treasure. Therefore, it is essential that we critically assess our intelligence. In light of the recent boasts of advances in its nuclear program, what analyses are being done to determine the credibility of the Iranian regime's assertions?

Director CLAPPER. [Deleted.]

5. Senator MCCASKILL. Director Clapper, are we confident in the strength of our intelligence in regards to Iran's nuclear capabilities and intentions?

Director CLAPPER. [Deleted.]

6. Senator MCCASKILL. Director Clapper, what steps do we take to address the credibility and veracity of our intelligence on such sensitive issues that could impact major national security decisions in light of past failures to more critically assess our intelligence and to affectively seek additional information?

Director CLAPPER. [Deleted.]

COUNTERTERRORISM

7. Senator MCCASKILL. General Burgess, even as we wind down our military operations in Afghanistan, we continue to face the threat of violent extremism around the globe. Extremist and militant groups such as al Qaeda in the Arabian Peninsula and the Islamic Maghreb and Al Shabaab in Somalia remain a threat to U.S. security interests. It is clear today that our operations in Afghanistan placed immense pressure on our fiscal and military resources, and it is critical to our national security that our counterterrorism (CT) strategy moving forward be as effective as possible. In the current environment, from what location is an attack against our Homeland most likely to emanate?

General BURGESS. [Deleted.]

8. Senator MCCASKILL. General Burgess, where do you feel the greatest threat to our national security exists today?

General BURGESS. [Deleted.]

9. Senator MCCASKILL. General Burgess, do you feel that our CT operations in the Horn of Africa and the Arabian Peninsula are resourced properly to achieve their operational goals of preventing safe havens for terrorists and countering extremist groups?

General BURGESS. [Deleted.]

10. Senator MCCASKILL. General Burgess, in light of the recent political instability in Yemen, are you confident that the United States will be able to continue operations to counter extremist groups in that country?

General BURGESS. [Deleted.]

11. Senator MCCASKILL. General Burgess, where is al Qaeda most active in the world today?

General BURGESS. [Deleted.]

PAKISTAN

12. Senator MCCASKILL. General Burgess, as we wind down U.S. combat operations in Afghanistan, there is great concern that al Qaeda and other extremist groups could work toward reestablishment in that country. Pakistan remains a key player in countering such reemergence, but senior U.S. military officials have raised blunt concerns that the Pakistani Inter-Services Intelligence (ISI) has supported insurgent networks that engage in attacks on U.S. targets in Afghanistan. Given concerns about Pakistan's implicit or explicit support of extremist groups such as the Haqqani network, how confident are you in Pakistan's commitment to continuing to being a CT partner in the region once U.S. military operations have ended in Afghanistan?

General BURGESS. [Deleted.]

QUESTIONS SUBMITTED BY SENATOR MARK UDALL

COMMERCIAL IMAGERY

13. Senator UDALL. Director Clapper, in light of language regarding commercial imagery in the National Defense Authorization Act of 2012 and the Intelligence Authorization Act of 2012, how is the Office of the Director of National Intelligence assisting the Department of Defense (DOD) to conduct the requirements, performance, and cost review required by both bills?
Director CLAPPER. [Deleted.]

14. Senator UDALL. Director Clapper, how are the J–8 and the combatant commands involved in the imagery requirements and industrial base study ordered by the White House?
Director CLAPPER. [Deleted.]

15. Senator UDALL. Director Clapper, in light of multiple presidential policies (to include Presidents Clinton, Bush, and Obama) and directives that stress the use of commercial imagery to the maximum extent possible, how do you justify the fiscal year 2013 proposed reduction for commercial imagery?
Director CLAPPER. [Deleted.]

QUESTIONS SUBMITTED BY SENATOR JOHN MCCAIN

IRANIAN NUCLEAR CAPABILITY

16. Senator MCCAIN. Director Clapper, in response to questions from Senator Lieberman regarding Iran making a decision to build a nuclear weapon, you stated that there are "certain things they [Iran] have not done which I'd be happy to discuss in a closed session that would be key indicators that they have made such a decision." Please identify these key indicators.
Director CLAPPER. [Deleted.]

CYBER SECURITY

17. Senator MCCAIN. Director Clapper, earlier this year in a speech at Fordham University, General Keith Alexander, USA, Commander of U.S. Cyber Command (CYBERCOM) and the Director of the National Security Agency (NSA), asserted that if a significant cyber attack against this country were to take place there may not be much that he and his teams at either CYBERCOM or NSA can legally do to stop it in advance. According to General Alexander, "in order to stop [a cyber attack] you have to see it in real time, and you have to have those authorities. Those are the conditions we've put on the table . . . Now how and what Congress chooses, that'll be a policy decision." Do you agree with General Alexander's assessment?
Director CLAPPER. [Deleted.]

18. Senator MCCAIN. Director Clapper, to date, legislative proposals before Congress have done very little to address this real concern. Why hasn't more been done to ensure that DOD and NSA have the tools necessary to protect the Homeland from cyber attacks?
Director CLAPPER. [Deleted.]

19. Senator MCCAIN. Director Clapper, after the release of the DOD cyber security strategy in September of last year, General Cartwright, the former Vice Chairman of the Joint Chiefs of Staff, stated that DOD is spending 90 percent of its time playing defense against cyber attacks and 10 percent playing offense and that DOD should invert this defense-offense ratio to assert that there will be consequences to a cyber attack against the United States. Do you agree with General Cartwright's statements?
Director CLAPPER. [Deleted.]

20. Senator MCCAIN. Director Clapper, what do you view as the appropriate direction DOD and the Nation as a whole should be headed with respect to cyber deterrence?
Director CLAPPER. [Deleted.]

21. Senator MCCAIN. Director Clapper, do you view this as a matter of urgency?
Director CLAPPER. [Deleted.]

QUESTIONS SUBMITTED BY SENATOR ROGER F. WICKER

IRAN AND ISRAEL

22. Senator WICKER. General Burgess, Iran continues its path toward a nuclear weapons capability. Sanctions have clearly begun to affect the Iranian economy but do not appear, as of yet, to have altered their nuclear weapons efforts. Just yesterday, Iran threatened to cut oil exports to several European Union countries and unveiled advances in its nuclear fuel programs. The United States has certain intelligence capabilities that our allies do not. Broadly speaking, do you believe your counterparts in the Israeli Ministry of Defense and Israeli Security Services are pleased with the level of cooperation and mutual trust with DOD and our Intelligence Community?

General BURGESS. [Deleted.]

23. Senator WICKER. General Burgess, what would be the implications of an attack by Israel against Iran for our regional allies?

General BURGESS. [Deleted.]

SYRIA

24. Senator WICKER. Director Clapper, the situation in Syria continues to deteriorate. Thousands of innocent Syrians have been brutally murdered and countless have been wounded. President Obama said in his State of the Union Address that in Syria, he has "no doubt that the Assad regime will soon discover that the forces of change can't be reversed, and that human dignity can't be denied." How do you judge the capabilities of the Free Syrian Army?

Director CLAPPER. [Deleted.]

25. Senator WICKER. Director Clapper, members of the administration have stated we will exhaust all diplomatic options in an effort to avoid any military confrontation, though there have been reports that the United States is beginning to rethink its military strategy and support. What would this entail?

Director CLAPPER. [Deleted.]

26. Senator WICKER. Director Clapper, what is the extent of the Syrian chemical stockpile?

Director CLAPPER. [Deleted.]

27. Senator WICKER. Director Clapper, what can be done to secure the Syrian chemical stockpile if the Assad regime loses control?

Director CLAPPER. [Deleted.]

28. Senator WICKER. Director Clapper, are we working with the Israelis to ensure these weapons do not get into the wrong hands?

Director CLAPPER. [Deleted.]

29. Senator WICKER. Director Clapper, what, if any, military options do you see for DOD?

Director CLAPPER. [Deleted.]

EGYPT

30. Senator WICKER. Director Clapper, just over a year ago, the Egyptian people took to the streets and overthrew President Hosni Mubarak. Today, it appears that Islamist factions are poised to take control of the Egyptian Government and the country's future. How would you characterize our current relationship with the Egyptian intelligence services?

Director CLAPPER. [Deleted.]

31. Senator WICKER. Director Clapper, has their cooperation and relationship with DOD and the Intelligence Community changed since last year?

Director CLAPPER. [Deleted.]

32. Senator WICKER. Director Clapper, what is your assessment of the Muslim Brotherhood?

Director CLAPPER. [Deleted.]

33. Senator WICKER. Director Clapper, what impact will a Brotherhood-led government have on relations between the U.S. military and the Egyptian military?
Director CLAPPER. [Deleted.]

34. Senator WICKER. Director Clapper, how are we strategically adapting to the new role the military is taking within the Egyptian Government?
Director CLAPPER. [Deleted.]

35. Senator WICKER. Director Clapper, it appears that the Egyptian Government has little, if no, control over Sinai. What is the impact of that likely to be in our security calculations for the upcoming year?
Director CLAPPER. [Deleted.]

REGIONAL EVENTS AND ISRAEL'S SECURITY

36. Senator WICKER. Director Clapper, events of recent months have highlighted the unique role Israel plays in the Middle East as a reliable, stable, and democratic U.S. ally who not only shares our interests, but also our values. That said, the uncertainty of the regional tumult has raised questions about Israel's qualitative military edge (QME). Maintaining Israel's QME has been a longstanding cornerstone of U.S. policy in the Middle East. What strategy is in place to ensure Israel's QME as the security situation in the region continues to change?
Director CLAPPER. [Deleted.]

37. Senator WICKER. Director Clapper, there have been reports that the joint military drill with Israel has been rescheduled for the fall. Why are we participating in such a drill at this time, and what benefits do we hope to achieve from the exercise?
Director CLAPPER. [Deleted.]

TROOP WITHDRAWAL FROM AFGHANISTAN

38. Senator WICKER. General Burgess, I do not see any tactical or diplomatic sense in your recent announcement about telling the enemy the date we are going to pull out troops. This gives the enemy an advantage on the ground and also eliminates any incentive for the Taliban to engage in substantive political negotiations with the Afghan Government. Our strategy in Afghanistan must be based solely on the conditions on the ground and not on the politics of the 2012 election. Political expediency should never be an excuse for a rush to judgment on public policy—let alone our national security. How does DOD plan to execute this announced withdrawal while not further endangering the lives of our troops and still meeting operational demands?
General BURGESS. As this question concerns Department of Defense (DOD) plans and policy, the Defense Intelligence Agency (DIA) defers to the appropriate DOD planning and policy element.

39. Senator WICKER. General Burgess, in your testimony you stated that "the Afghan Government will struggle to fill the vacuum left by the International Security Assistance Forces (ISAF) and resources, while continuing to support ongoing ISAF efforts in nontransitioned areas." What specific struggles are you referring to?
General BURGESS. [Deleted.]

FOREIGN LANGUAGE TRAINING AND RETENTION OF QUALIFIED PERSONNEL

40. Senator WICKER. Director Clapper and General Burgess, I am a strong proponent of foreign language and cultural training at the military academies, ROTC cadets and midshipmen, as well as similar training and incentives for college students interested in the Intelligence Community. These initiatives include the Center for Intelligence and Security Studies at the University of Mississippi, which prepares undergraduate students for careers in intelligence analysis. To what extent do you believe education and training in foreign languages and cultures are important in preparing the next generations of military officers and civilian analysts?
Director CLAPPER. [Deleted.]
General BURGESS. Education and training in foreign languages and cultures are exceptionally important to the Nation at this time in history. The need for language, cultural proficiency, and regional expertise is only going to grow—not just within the Intelligence Community and DOD, but across all parts of society that touch an

increasingly interconnected world. For all concerned, it is a very dynamic strategic environment. More than ever, language, cultural proficiency, and regional/area expertise are the keys that open hard targets. They are prerequisites for success.

41. Senator WICKER. Director Clapper and General Burgess, can you elaborate on the Intelligence Community's—and DIA's—ongoing efforts to recruit and retain qualified and capable Active Duty and civilian analysts and operators, and what challenges you face?

Director CLAPPER. [Deleted.]

General BURGESS. DIA recently moved to Centralized Recruitment, Hiring, and Placement. Under this initiative, DIA centrally manages staffing to meet the mission and skills requirements while shaping the next generation of intelligence professionals. This initiative allows DIA to hire and retain the required skills and competencies through an increased focus on hiring at the developmental level and retaining our best and brightest by affording them career developmental opportunities. Specifically, DIA has developed programs to advance employee careers, including Joint Duty Assignments, the Upward Mobility Program, and the Accelerated Career Transition Program. DIA's primary programs to attract external talent include summer internships, cooperative education, and Wounded Warrior. Future challenges include budget constraints and a constantly changing environment; however, we are confident that Centralized Recruitment, Hiring, and Placement will allow DIA to meet our mission.

QUESTIONS SUBMITTED BY SENATOR JOHN CORNYN

FUTURE U.S. NUCLEAR REDUCTIONS

42. Senator CORNYN. Director Clapper and General Burgess, in April 2009, President Obama declared his intention to "seek the goal of a world without nuclear weapons." While such an outcome would be nice, I see this goal as, at best, the stuff of pure fantasy, and, perhaps more accurately, incredibly misguided and perilous for our Nation's long-term security. In December 2010, the Senate ratified the President's New Strategic Arms Reduction Treaty (START). I voted against it, partly because of the fantastical nature of the President's stated long-term goal of a nuclear-free world. Earlier this week, Chairman of the Joint Chiefs of Staff, General Martin Dempsey, USA, testified that a nuclear posture review was underway. According to recent reports, DOD is exploring scenarios that could reduce our nuclear weapons stockpile by up to 80 percent. I am deeply troubled by this. Iran continues to make progress in its pursuit of nuclear weapons, North Korea's nuclear weapons program remains a serious threat to regional security and stability, and we do not know the full extent of the Chinese nuclear arsenal. Nuclear weapons exist in the world, and this is not a genie that we can put back in the bottle. If, in his pursuit of a zero-nuke world, President Obama succeeds in eliminating the entire U.S. nuclear arsenal, what effect would that have on the global threat picture for the United States?

Director CLAPPER. [Deleted.]

General BURGESS. [Deleted.]

43. Senator CORNYN. Director Clapper and General Burgess, are you on board with the President's goal of eliminating the U.S. nuclear arsenal?

Director CLAPPER. [Deleted.]

General BURGESS. As an intelligence agency, DIA provides analysis to executive branch policymakers to inform policy decisions. However, we do not comment on policy.

CHINA

44. Senator CORNYN. Director Clapper and General Burgess, according to DOD, China's official defense budget has grown by an average of 12.1 percent each year since 2001. According to reports earlier this week, China's defense budget is now expected to double by 2015, making it more than all the rest of the Asia-Pacific regions combined. What is your assessment of the strategic intent behind China's military modernization, both in the region and globally?

Director CLAPPER. [Deleted.]

General BURGESS. [Deleted.]

TAIWAN

45. Senator CORNYN. General Burgess, you note in your prepared testimony that "Defense against U.S. forces in a regional contingency over Taiwan is currently among the highest priorities for the Peoples Republic of China military's planning, weapons development, and training." Since 2006, Taiwan has sought unsuccessfully to purchase 66 new F–16 C/D fighters from the United States in order to bolster its defensive capabilities and address a massive shortfall in fighter aircraft that is looming. In your view, what would be the impact on U.S. interests in the region if the size of Taiwan's fighter fleet is cut in half through retirements of aging and obsolete aircraft, as is projected?

General BURGESS. [Deleted.]

46. Senator CORNYN. General Burgess, if Taiwan's existing capacity to defend its skies against Chinese military aggression is diminished, what new risks would the United States face?

General BURGESS. [Deleted.]

CYBER ATTACKS

47. Senator CORNYN. Director Clapper and General Burgess, in recent years, our Nation has experienced an increasing volley of cyber attacks and cyber theft emanating from China, and this is of great concern to many senators. According to an October 2011 report by the Office of the National Counterintelligence Executive, "Chinese actors are the world's most active and persistent perpetrators of economic espionage." The report goes on to highlight that "computer networks of a broad array of U.S. Government agencies . . . were targeted by cyber espionage; much of this activity appears to have originated in China." What is your assessment of this growing threat?

Director CLAPPER. [Deleted.]

General BURGESS. [Deleted.]

48. Senator CORNYN. Director Clapper, you also note that Russia is of particular concern in this area, as entities within Russia are "responsible for extensive illicit intrusions into U.S. computer networks and theft of U.S. intellectual property." Please elaborate on this point, and compare it to the scope of the cyber threat emanating from China.

Director CLAPPER. [Deleted.]

IRAN

49. Senator CORNYN. General Burgess, you note in your testimony that the Iranian Revolutionary Guard Corps trains and provides weapons and logistical support to Lebanese Hizballah, which in turn trains insurgents in Iraq at Iran's behest, "providing them with tactics and technology to attack U.S. interests." Furthermore, you state that in Afghanistan, Iran also provides "weapons, funding, and training to insurgents, while maintaining ties with the Government in Kabul." Would you agree that Iran is directly responsible for the death of U.S. servicemembers in Iraq and Afghanistan over the past several years?

General BURGESS. DIA, as an intelligence agency, defers to legal counsel at the policy level within the executive branch for a response to this question which requests legal determinations or characterizations concerning the activities of a foreign nation state.

50. Senator CORNYN. General Burgess, do you consider those actions to be acts of war?

General BURGESS. DIA, as an intelligence agency, defers to legal counsel at the policy level within the executive branch for a response to this question which requests legal determinations or characterizations concerning the activities of a foreign nation state.

POTENTIAL ISRAELI ATTACK ON IRAN

51. Senator CORNYN. Director Clapper and General Burgess, our friend and ally, Israel, sees an existential threat to their east—Iran. Media speculation continues to mount about a potential Israel strike on Iran's nuclear facilities. If the Israelis do

attempt to take out these sites in Iran, what can you tell me about Iran's likely retaliation?

Director CLAPPER. [Deleted.]

General BURGESS. [Deleted.]

52. Senator CORNYN. Director Clapper and General Burgess, how might this play out, and what U.S. interests would be most at risk in such a situation?

Director CLAPPER. [Deleted.]

General BURGESS. [Deleted.]

IRAQ

53. Senator CORNYN. Director Clapper and General Burgess, you, Director Clapper, made clear in your prepared statement that Iraqi Security Forces (ISF) "are capable of planning and executing security operations, and Iraqi CT forces have demonstrated they are capable of targeting remaining terrorists and insurgents." Yet, General Burgess stated "the ISF are unable to maintain external security and will be unable to secure Iraq's borders or defend against an external threat over the next year." These seem like two very different conclusions. Please explain the inconsistency.

Director CLAPPER. [Deleted.]

General BURGESS. [Deleted.]

54. Senator CORNYN. General Burgess, you note that "Tehran generally has strong relations with Baghdad, but over the long-term, Iran is concerned a strong Iraq could once again emerge as a regional rival." Do you believe Iran's influence has grown in Iraq since the last U.S. troops were withdrawn in December?

General BURGESS. [Deleted.]

WITHDRAWAL TIMETABLES

55. Senator CORNYN. Director Clapper and General Burgess, Secretary Panetta recently stated "by the mid- to latter-part of 2013, the United States would transition from a combat role to a training, advise, and assist role." I remain concerned by this administration's insistence on timetables for the future U.S. drawdown in Afghanistan. You both state that the ISAF are essential, providing oversight and direct support to the Afghan police and army. If we withdraw our forces precipitously and the Afghan Government fails, we would be left with a failed state not much different than the pre-September 11 Afghanistan. In your opinion, is this a realistic timeline and, if the Afghans cannot "fill the vacuum left by ISAF troops and resources," what are the implications for our own national security?

Director CLAPPER. [Deleted.]

General BURGESS. [Deleted.]

56. Senator CORNYN. Director Clapper and General Burgess, do you think explicitly stating our military timetables makes it easier for the Taliban and its affiliates to formulate their strategy and plan for the future?

Director CLAPPER. [Deleted.]

General BURGESS. [Deleted.]

FUTURE OF EGYPT

57. Senator CORNYN. Director Clapper and General Burgess, just over a year ago, the Egyptian people took to the streets and overthrew President Hosni Mubarak. Today, it appears that Islamist factions are poised to take control of the Egyptian Government and the country's future. What is your assessment of the risks posed to U.S. interests by the Muslim Brotherhood?

Director CLAPPER. [Deleted.]

General BURGESS. [Deleted.]

MEXICO

58. Senator CORNYN. General Burgess, you note that Mexican President Felipe Calderon's aggressive campaign against transnational criminal organizations has resulted in Mexican security forces having captured or killed 21 of Mexico's 37 most

wanted traffickers. What is your assessment of the progress that has been made since Calderon took office in December 2006?

General BURGESS. [Deleted.]

59. Senator CORNYN. Director Clapper and General Burgess, Mexico will hold presidential elections this summer. In your opinion, if the next president of Mexico loses focus of the necessity to combat the drug cartels and strengthen the rule of law, what would the impact be?

Director CLAPPER. [Deleted.]

General BURGESS. [Deleted.]

60. Senator CORNYN. Director Clapper and General Burgess, can the progress that has been made since 2006 be sustained if the Mexican Government's attention is focused elsewhere?

Director CLAPPER. [Deleted.]

General BURGESS. [Deleted.]

61. Senator CORNYN. Director Clapper and General Burgess, how would an increased level of threat from the drug cartels most likely impact the United States?

Director CLAPPER. [Deleted.]

General BURGESS. [Deleted.]

INDIA

62. Senator CORNYN. General Burgess, in your prepared testimony, you note that Pakistan views India as its greatest threat, and while India continues to carefully monitor events in Pakistan, it also views China as a long-term challenge. As a result, you highlight India's efforts to increase economic and military engagement with countries in East and Southeast Asia. Director Clapper notes that "India has expressed support for a strong U.S. military posture in East Asia and U.S. engagement in Asia." How do you view the importance of U.S.-India military-to-military engagement?

General BURGESS. [Deleted.]

63. Senator CORNYN. General Burgess, what contributions to regional security and stability does increased U.S.-India military cooperation offer?

General BURGESS. [Deleted.]

[Whereupon, at 12:26 p.m., the committee adjourned.]

