

**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 THIRTEENTH CONGRESS
FIRST SESSION

APRIL 18, 2013

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

THURSDAY, APRIL 18, 2013

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

The committee met, pursuant to notice, at 10:03 a.m. in room SD-106, Dirksen Senate Office Building, Senator Carl Levin (chairman) presiding.

Committee members present: Senators Levin, Reed, Nelson, Blumenthal, Donnelly, King, Inhofe, McCain, Ayotte, Graham, and Cruz.

Committee staff members present: Peter K. Levine, staff director; and Leah C. Brewer, nominations and hearings clerk.

Majority staff members present: Richard W. Fieldhouse, professional staff member; Creighton Greene, professional staff member; Michael J. Kuiken, professional staff member; Jason W. Maroney, Counsel; Thomas K. McConnell, professional staff member; William G.P. Monahan, counsel; Michael J. Noblet, professional staff member; and Russell L. Shaffer, counsel.

Minority staff members present: John A. Bonsell, minority staff director; Adam J. Barker, professional staff member; William S. Castle, minority general counsel; Thomas W. Goffus, professional staff member; and Daniel A. Lerner, professional staff member.

Staff assistants present: John L. Principato, Bradley S. Watson, and Lauren M. Gillis.

Committee members' assistants present: Carolyn Chuhta, assistant to Senator Reed; Mara Boggs and Patrick Hayes, assistants to Senator Manchin; Marta McLellan Ross, assistant to Senator Donnelly; Karen Courington, assistant to Senator Kaine; Steve Smith, assistant to Senator King; Paul C. Hutton IV and Elizabeth Lopez, assistants to Senator McCain; T. Finch Fulton and Lenwood Landrum, assistants to Senator Sessions; Todd Harmer, assistant to Senator Chambliss; Brad Bowman, assistant to Senator Ayotte; Craig Abele, assistant to Senator Graham; and Brooke Bacak, assistant to Senator Cruz.

OPENING STATEMENT OF SENATOR CARL LEVIN, CHAIRMAN

Chairman LEVIN. Good morning, everybody. The committee meets this morning to hear from the Director of National Intelligence (DNI), the Honorable James R. Clapper, Jr.; and from Lieutenant General Michael T. Flynn, USA, Director of the Defense In-

telligence Agency (DIA), on current and future worldwide threats to our national security. The DIA along with the National Security Agency, the National Geospatial-Intelligence Agency (NGA), the National Reconnaissance Office, and the intelligence components of the Military Services, are parts of the Department of Defense (DOD) that are also elements of the Intelligence Community (IC) that Director Clapper heads.

Director Clapper, while much of the information that you provide to policymakers, including Members of Congress, cannot be shared with the public because of its sensitivity and classification, the people who elected us to serve deserve the best information that we can publicly provide them. So we're glad that you and General Flynn are with us this morning to do just that.

Among the challenges that we face is a self-inflicted wound, one with effects that Director Clapper has rightly said amplify the other threats that we confront around the world. That challenge is the unprioritized cuts required by sequestration. This committee is interested in hearing from both of you today about the impact of the fiscal year 2013 sequestration and the impact that it is having on the IC's ability to provide us with the timely and the accurate information that we need for our national security.

This self-inflicted wound is all the more unfortunate because our national security professionals already have plenty to worry about. As the most open and interconnected society on Earth, the United States is uniquely vulnerable to attacks on computer networks that are critical to our economy, to the provision of public services, and to national security. Hostile nations such as Iran and North Korea are clearly trying to acquire offensive capabilities in cyber space and are widely believed already to be responsible for some such attacks.

China and Russia possess formidable capabilities for cyber theft, such as the theft of valuable intellectual property, as well as the more traditional areas of espionage such as spying on our military weapons systems, plans, and capabilities. China, in particular, appears to observe no limits on the theft of American commercial technology. That cyber theft is a threat that cannot be tolerated, and I hope we'll hear from our witnesses about the extent of the problem and the steps that we can and should take to counter it.

In the Asia-Pacific region, another round of belligerence from the dictatorial regime in North Korea has caused concern here in the United States and among our allies in the Pacific. That regime has announced its intention to resume plutonium production, has tested a nuclear device in February that appears to have had a greater yield than previous tests, and has threatened at any time to launch a missile that could further exacerbate tensions.

We have read about conflicting intelligence assessments of North Korea's ability to put a nuclear warhead on a long-range missile. We hope our witnesses will be able to clear that issue up.

In the Middle East, Iran continues to flout the international community in pursuit of a nuclear program that is a significant challenge to our Nation and to most of the world. While a diplomatic arrangement in which Iran joins, or rejoins, the responsible community of nations remains the preferred outcome, obviously, there is a consensus in much of the world that a nuclear-armed Iran is

not acceptable, and that all options must remain on the table to prevent such an outcome. We look forward to our witnesses' assessment of Iran's nuclear program, the impact of international sanctions on Iran, the significance of the upcoming Iranian elections, and related issues.

Yesterday afternoon we received an update from the Secretary of Defense and the Chairman of the Joint Chiefs of Staff (CJCS) on the situation in Syria. That situation continues to grow worse by the day, with an estimated 75,000 dead and a population of refugees and internally displaced Syrians now running in the millions.

Yesterday the Secretary and the Chairman indicated that questions about issues like Syria's use of chemical weapons, the nature and composition of the Syrian opposition, and the extent of the times between the al Nusra Front and al Qaeda in Iraq (AQI) would be better directed to today's witnesses.

Syria is just one of many Arab or Muslim nations experiencing rapid political change and upheaval. While the rise of long-oppressed citizens of these nations holds promise, we've also seen in Libya, Egypt, Syria, and elsewhere that it can also have undesired effects. Our witnesses' assessment of this phenomenon and the challenges and opportunities that it presents us would be very welcome.

We've been engaged for more than a decade now in Afghanistan and, despite the media's focus on the negative, there are real signs of progress. Afghan forces are increasingly taking the fight to the Taliban on their own and plans to end our major combat presence there by 2014 are on track.

The greatest challenge to Afghanistan's security isn't the Taliban, but the Pakistan-based sanctuaries for militant extremists launching cross-border attacks into Afghanistan. I hope our witnesses can provide us with their assessment of whether there is any evidence of a growing Pakistani willingness to take action against the Afghan Taliban, which has been given sanctuary in Pakistan.

A common thread connecting many troubled areas of the world is illicit trafficking of people, weapons, drugs, and money. From weapons trafficking in North Africa that has helped empower al Qaeda there to Iran's network of terrorist and criminal organizations that enable its reckless pursuit of a nuclear weapons capability, those flows directly threaten our national security and the world's well-being. Our government has not yet fully developed an effective range of tools to identify and disrupt such networks, particularly with regard to facilitation and financing mechanisms.

Our witnesses this morning hold vital positions in helping us assess, understand, and counter these and other threats. We are grateful for your service, for your advice, as we consider the President's budget request.

Before I ask Senator Inhofe for his opening remarks, let me remind everyone that if necessary a closed session will be held following the open portion of this hearing.

Senator Inhofe.

STATEMENT OF SENATOR JAMES M. INHOFE

Senator INHOFE. Thank you, Mr. Chairman.

One of the reasons my opening remarks are always shorter is because I cross off things that you've already said and that dramatically shortens mine, because I am in total agreement with your comments, Mr. Chairman, and I thank our witnesses for being here.

The hearing comes at a time when our Nation's security is being challenged like never before. When you look around the world today, the inability and violence raging throughout North Africa, Central Africa, and the Middle East, rising tensions in the Korean Peninsula, Iran's pursuit of nuclear weapons and an intercontinental ballistic missile (ICBM) to deliver it, and the growing cyber threats against our infrastructure, it's hard to take seriously the President's claim that the tide of war is receding. I'm greatly concerned that such claims underlie the foundation of this administration's naive view of the world.

It's driving the administration's misguided search for a peace dividend that I don't believe exists. We went through that once before back in the 1990s. I always remember that discussion. It's driving drastic cuts to our military that undermine readiness and capabilities, and it's driving reductions to our nuclear arsenal at a time when our adversaries are expanding theirs and we should be expanding ours.

Further, the cuts associated with sequestration are having a significant impact on the capabilities and the reach of our IC just at a time when we are really needing it the most. Director Clapper, when asked about the effects of sequestration on the IC, you stated—and I will quote now and I've quoted you several times on this; I think it's very profound: "We're cutting real capability and accepting greater risk. For intelligence, this is not quite like shorter hours for public parks or longer lines at the airports. For intelligence, it's insidious. The capability we cut out today, you won't know about that until you notice it. The public won't notice it. You will notice it only when we have a failure."

I believe in that, and that's the reason for this hearing today. That's exactly what I'm concerned about. Not only will our military be less prepared to deal with growing threats around the world, but we know less and less about the true nature of these threats as our IC loses capability. We're going down a foolhardy and dangerous path. It's out of touch with reality and it's making America less safe.

I look to our witnesses to explain how the current budget cuts will impact their ability to understand and accurately assess these threats, particularly in places like Africa that already suffer from a lack of resources. We've talked about the lack of intelligence, surveillance, and reconnaissance (ISR) in Africa relative to other continents.

What this all comes down to is risk, and risk means lives, and we're very much concerned about that. As the challenges to our security and interests around the world are proliferating, we're on track to cut over \$1 trillion from our national security budget. Contrary to the best wishes of some, the threats to our security are growing, not decreasing. Again, the issue there does affect American lives.

So thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator Inhofe.
Director Clapper.

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

Mr. CLAPPER. Chairman Levin, Ranking Member Inhofe, and distinguished members of the committee:

We're here to present the 2013 worldwide threat assessment, although between the two statements much of this, I think, will be repetitive. I'm joined today by my friend and colleague DIA Director Lieutenant General Mike Flynn. These remarks and our two statements for the record, one from each of us that is unclassified, and a much more detailed classified one, reflect the collective judgments of the extraordinary men and women of the U.S. Intelligence Community.

As you alluded, the topic that's foremost on the minds of the IC leadership this year is sequestration. I raise this in this hearing because the effects of sequestration amplify and magnify the threats that face this Nation. You haven't seen a lot of public discourse on the impact of these indiscriminate cuts on intelligence, so let me now be blunt for you and for the American people. Sequestration forces the IC to reduce all intelligence activities and functions without regard to impact on our mission. In my considered judgment as the Nation's senior intelligence officer, sequestration jeopardizes our Nation's safety and security and this jeopardy will increase over time.

Now, in response to this we started with the premise that our mission comes first. Therefore, our two highest priorities are: One, to protect our most valuable resource, our civilian workforce, so it can focus on the threats we face; and two, to support overseas operations.

Let me emphasize that we're not arguing against taking our share of budget reductions. What I am saying is that we must adjust to this budget crisis and sustain our vital missions, but in doing so accept the inevitable risk that we're incurring.

I must tell you, I've seen this movie before, as Senator Inhofe alluded. 20 years ago I served as Director of DIA, the job Mike Flynn has now, and we were then enjoined to reap the peace dividend occasioned by the end of the Cold War. We reduced the IC by about 23 percent. During the mid- and late-1990s we closed many Central Intelligence Agency (CIA) stations, reduced human intelligence (HUMINT) collectors, cut analysts, allowed our overhead architecture to atrophy, neglected basic infrastructure needs such as power, space, and cooling, and let our facilities decay. Most damagingly, we badly distorted the workforce.

All that, of course, was reversed in the wake of September 11. Thanks to the support of Congress, over the last decade we've rebuilt the IC into the premier capability we have today. But now if we're not careful we risk another damaging downward spiral.

Just to repeat the quote, unlike more directly observable sequestration impacts like shorter hours in the parks or longer security lines at airports, the degradation to intelligence will be insidious. It'll be gradual and almost invisible, until, of course, we have an intelligence failure.

With that preface as a backdrop, let me turn now to a brief wavetop review of global threat trends and challenges, many of which, Chairman Levin, you've already alluded to. I will say that in my almost 50 years of intelligence, I do not recall a period in which we confronted a more diverse array of threats, crises, and challenges around the world. To me at least, this makes sequestration even more incongruous.

This year's threat assessment illustrates how dramatically the world and our threat environment is changing. Threats are more interconnected and viral. Events which at first blush seem local and irrelevant can quickly set off transnational disruptions that affect U.S. national interests.

I'd like to turn now to a few of the issues we identify in our statements for the record. Our statements this year lead with cyber. As more and more state and nonstate actors gain cyber expertise, its importance and reach as a global threat cannot be overstated.

This year our discussion of natural resources is also more prominent because shifts in human geography, climate, disease, and competition for natural resources have huge national security implications. Many countries important to the U.S. interests are living with extreme water and food stress that can destabilize governments, force human migrations, and trigger conflicts.

On the issue of terrorism, the threat from al Qaeda and the potential for a massive coordinated attack on the United States may be diminished, but the jihadist movement is more diffuse. As the President stated on Tuesday about the Boston Marathon bombing, we don't know yet whether the attack was planned and executed by a terrorist organization, foreign or domestic, or if it was an individual act. Lone wolves, domestic extremists, and jihad-inspired or affiliated groups are certainly determined to attack.

The turmoil in the Arab world has brought a spike in threats to U.S. interests. The rise of new governments in Egypt, Tunisia, Yemen, and Libya, along with ongoing unrest in Syria and Mali, provide openings for opportunistic individuals and groups. In these and other regions of the world, extremists can take advantage of diminished counterterrorism capabilities, porous borders, easy availability of weapons, and internal stresses, most especially a high proportion of unemployed, frustrated young males who deeply resent our power, wealth, and culture.

Weapons of mass destruction (WMD) development and proliferation is another persistent threat to U.S. interests. As you alluded, North Korea has already demonstrated capabilities that threaten the United States and the security environment in East Asia. North Korea announced in February that it conducted a third nuclear test and vowed to restart its nuclear reactor at Yongbyon, and last year about this time displayed what appears to be a road-mobile ICBM.

We believe Pyongyang has already taken initial steps towards fielding this system, although it remains untested. It also used its Taepoedong-2 launch vehicle to put a satellite in orbit in December, thus demonstrating its long-range missile technology. These developments have been accompanied with extremely belligerent, aggressive public rhetoric toward the United States and South Korea.

North Korea has not, however, fully developed, tested, or demonstrated the full range of capabilities necessary for a nuclear-armed missile. Characterizing such capabilities for us in intelligence is a complex and nuanced process requiring sophisticated and highly technical analysis. It is indeed rocket science. We're dealing with many shades of grey here, not black and white.

I'll digress here briefly to comment on last week's revelation of a DIA assessment on North Korean nuclear weapons capabilities. The statement in question was one sentence in a seven-page classified report and was mistakenly miscategorized as unclassified. But this revelation is illustrative of the standard dilemma we face in the IC in portraying what we know to be fact in contrast to what we attempt to impute from those facts.

We lack uniform agreement on assessing many things in North Korea. Its actual nuclear capabilities are no exception. As DIA or others in the IC have similar or differing positions, there can also be varying degrees of confidence in those positions. This is where the subtleties really play havoc with certitude.

For those looking to find infighting within the IC on North Korea, I'm sorry to disappoint. To the contrary, this reflects an integrated, collaborative, and competitive analysis process that's open to all views.

We are, by the way, in the process of generating an IC assessment on this matter, which will formally engage all members of the IC. If we all agree, great. If we don't, that's healthy, too. We will clearly portray the various views of the community to our consumers, to include Consumer No. 1.

DIA is a crucial part of the IC and its views are valued and respected. I say this having proudly served as its director 2 decades ago. I have confidence in the agency, its great people, and its current Director, Mike Flynn. He and I would welcome the opportunity to discuss details of this with you further in closed session.

I make this request in the interest of both protecting the fragile intelligence we do have on North Korea as well as avoiding further advancement of Kim Jung Un's narrative by yet more public discussion and media hyperventilation. As I can attest, another hard-won lesson: Adversaries watch these proceedings, too.

Let me again add some historical perspective. While I served as Director of NGA in the early 2000s, I put my fingerprints on the infamous National Intelligence Estimate on WMD in Iraq published almost 10 years ago. Afterwards the community was roundly criticized for group-think for not vetting sources, for not questioning assumptions, for suppressing dissent, and for dismissing alternative views. So we've learned some hard lessons from that experience, I can assure you. That all said, the IC continues to monitor developments in anticipation of North Korea's next provocative step.

Moving elsewhere, Iran continues to develop technical expertise in uranium enrichment, nuclear reactors, weaponization, and ballistic missiles from which it could draw if it decides to build missile-deliverable weapons, nuclear weapons. Clearly, Tehran has the scientific, technical, and industrial capacity to produce them. So the central issue is its political will to do so. Such a decision, we

believe, will be made by the Supreme Leader and, at this point, we don't know if he'll eventually decide to build nuclear weapons.

The United States and our allies are tracking Syria's munitions stockpiles, particularly its chemical and biological warfare agents, which are all part of a large, complex, and geographically dispersed program. Its advanced chemical weapons program has the potential to inflict mass casualties. The increasingly beleaguered regime, having found that its escalation of violence through conventional means is not working, appears quite willing to use chemical weapons against its own people. All the worse, nongovernmental groups or individuals in Syria could also gain access to such materials.

We receive many claims of chemical warfare use in Syria each day and we take them all seriously and we do all we can to investigate them. We can't provide additional details on these efforts in this setting, to protect the fragile critical intelligence we need to assess the situation, but we certainly can talk about this in closed session.

Looking at geographic threats around the world, some nations in the Mideast and North Africa are making progress towards democratic rule, but most are experiencing violence and political backsliding. In Iran, leaders are exploiting the unrest in the Arab world to spread influence and undermine the United States and our allies. But Tehran also faces a worsening financial outlook and the fall of the Assad regime in Syria would be a huge strategic loss for Iran.

In Iraq, tensions are rising between the majority Shia and the minority Sunni, as well as with the Kurds. To this point, AQI has not mustered the strength yet to overwhelm Iraqi security forces and Iraq is producing and exporting oil at its highest levels in 2 decades.

Islamic actors have been the chief beneficiaries of the political openings in Islamist parties in Egypt, Tunisia, and Morocco and they'll probably solidify their influence this year.

After more than 2 years of conflict in Syria, the erosion of the regime's capabilities is accelerating. We see this in its territorial losses, military manpower shortfalls, and logistics deficiencies. The opposition is slowly but surely gaining the upper hand. Assad's days are numbered. We just don't know the exact number.

The regime's aggressive violence and the deteriorating security conditions have led to increased civilian casualties, now estimated at at least 70,000. The violence and economic dislocation have also led to approximately 3.6 million Syrians being displaced and a further 1.3 million refugees having fled Syria, which intensifies the pressure on its neighbors.

Egyptian elections, originally scheduled for this month, will now probably be pushed to the fall. The longer they are postponed, the greater the potential for more public dissatisfaction, even violence in the streets, particularly against the backdrop of Egypt's profound economic challenges.

In sub-Saharan Africa, we're monitoring unresolved discord between Sudan and South Sudan, fighting in Somalia, extremist attacks in Nigeria, the collapse of governance in northern Mali, and renewed conflict in the Great Lakes region. Mali's security hinges on France's efforts to undermine terrorist networks in the region,

as well as by efforts by the African-led International Support Mission to Mali or by future United Nations (U.N.) peacekeeping operations. West African countries have deployed troops to help stabilize northern Mali.

Moving to Asia, the Taliban-led insurgency has diminished in some areas of Afghanistan, but it is still resilient and capable of challenging U.S. and international goals. The coalition drawdown will have an impact on Afghanistan's economy, which is likely to decline after 2014. In Pakistan, the government has not instituted much-needed policy and tax reforms, and the country faces no real prospects for sustainable economic growth. On a somewhat more positive note, this past year the armed forces continued their operations in the Federally Administered Tribal Areas (FATA), which have been safe havens for al Qaeda and the Taliban. Pakistan has established national provincial assembly elections for May 11 that will mark an historic first if they transition to the new government peacefully.

In China, last month Xi Jinping became president. His country continues to supplement its growing and impressive military capabilities by bolstering maritime law enforcement to support its claims and the South and East China Seas.

Russia will continue to resist putting more international pressure on Syria or Iran. It will also continue to display great sensitivity to missile defense.

Closer to home, despite positive trends toward democracy and economic development, Latin America and the Caribbean contend with weak institutions, slow recovery from devastating natural disasters, and drug-related violence and trafficking. In Venezuela, the presidential election occurred 4 days ago to decide a 6-year term in the wake of former President Chavez's death in early March. Officially announced results indicate ruling party candidate Nicolas Maduro won in a narrow victory.

So in sum, given the magnitude and complexity of our global responsibilities, insightful, persistent, and comprehensive intelligence, at least in my mind, has never been more important or more urgent. So I have trouble reconciling this imperative with sequestration.

With that, I thank you for your attention and now turn to General Flynn for his statement.

[The prepared statement of Mr. Clapper follows:]

PREPARED STATEMENT BY HON. JAMES R. CLAPPER, JR.

INTRODUCTION

Chairman Levin, Ranking Member Inhofe, and members of the committee, thank you for the invitation to offer the U.S. Intelligence Community's 2013 assessment of threats to U.S. national security. My statement reflects the collective insights of the Intelligence Community's extraordinary men and women, whom it is my privilege and honor to lead.

This year, in both content and organization, this statement illustrates how quickly and radically the world—and our threat environment—are changing. This environment is demanding reevaluations of the way we do business, expanding our analytic envelope, and altering the vocabulary of intelligence. Threats are more diverse, interconnected, and viral than at any time in history. Attacks, which might involve cyber and financial weapons, can be deniable and unattributable. Destruction can be invisible, latent, and progressive. We now monitor shifts in human geography, climate, disease, and competition for natural resources because they fuel tensions

and conflicts. Local events that might seem irrelevant are more likely to affect U.S. national security in accelerated timeframes.

In this threat environment, the importance and urgency of intelligence integration cannot be overstated. Our progress cannot stop. The Intelligence Community must continue to promote collaboration among experts in every field, from the political and social sciences to natural sciences, medicine, military issues, and space. Collectors and analysts need vision across disciplines to understand how and why developments—and both state and unaffiliated actors—can spark sudden changes with international implications.

The Intelligence Community is committed every day to providing the nuanced, multidisciplinary intelligence that policymakers, diplomats, warfighters, and international and domestic law enforcement need to protect American lives and America's interests anywhere in the world.

Information as of 7 March 2013 was used in the preparation of this assessment.

GLOBAL THREATS

CYBER

We are in a major transformation because our critical infrastructures, economy, personal lives, and even basic understanding of—and interaction with—the world are becoming more intertwined with digital technologies and the Internet. In some cases, the world is applying digital technologies faster than our ability to understand the security implications and mitigate potential risks.

State and nonstate actors increasingly exploit the Internet to achieve strategic objectives, while many governments—shaken by the role the Internet has played in political instability and regime change—seek to increase their control over content in cyberspace. The growing use of cyber capabilities to achieve strategic goals is also outpacing the development of a shared understanding of norms of behavior, increasing the chances for miscalculations and misunderstandings that could lead to unintended escalation.

Compounding these developments are uncertainty and doubt as we face new and unpredictable cyber threats. In response to the trends and events that happen in cyberspace, the choices we and other actors make in coming years will shape cyberspace for decades to come, with potentially profound implications for U.S. economic and national security.

In the United States, we define cyber threats in terms of cyber attacks and cyber espionage. A cyber attack is a non-kinetic offensive operation intended to create physical effects or to manipulate, disrupt, or delete data. It might range from a denial-of-service operation that temporarily prevents access to a website, to an attack on a power turbine that causes physical damage and an outage lasting for days. Cyber espionage refers to intrusions into networks to access sensitive diplomatic, military, or economic information.

Increasing Risk to U.S. Critical Infrastructure

We judge that there is a remote chance of a major cyber attack against U.S. critical infrastructure systems during the next 2 years that would result in long-term, wide-scale disruption of services, such as a regional power outage. The level of technical expertise and operational sophistication required for such an attack—including the ability to create physical damage or overcome mitigation factors like manual overrides—will be out of reach for most actors during this timeframe. Advanced cyber actors—such as Russia and China—are unlikely to launch such a devastating attack against the United States outside of a military conflict or crisis that they believe threatens their vital interests.

However, isolated state or nonstate actors might deploy less sophisticated cyber attacks as a form of retaliation or provocation. These less advanced but highly motivated actors could access some poorly protected U.S. networks that control core functions, such as power generation, during the next 2 years, although their ability to leverage that access to cause high-impact, systemic disruptions will probably be limited. At the same time, there is a risk that unsophisticated attacks would have significant outcomes due to unexpected system configurations and mistakes, or that vulnerability at one node might spill over and contaminate other parts of a networked system.

- Within the past year, in a denial-of-service campaign against the public websites of multiple U.S. banks and stock exchanges, actors flooded servers with traffic and prevented some customers from accessing their accounts via the Internet for a limited period, although the attacks did not alter customers' accounts or affect other financial functions.

- In an August 2012 attack against Saudi oil company Aramco, malicious actors rendered more than 30,000 computers on Aramco's business network unusable. The attack did not impair production capabilities.

Eroding U.S. Economic and National Security

Foreign intelligence and security services have penetrated numerous computer networks of U.S. Government, business, academic, and private sector entities. Most detected activity has targeted unclassified networks connected to the Internet, but foreign cyber actors are also targeting classified networks. Importantly, much of the Nation's critical proprietary data are on sensitive but unclassified networks; the same is true for most of our closest allies.

- We assess that highly networked business practices and information technology are providing opportunities for foreign intelligence and security services, trusted insiders, hackers, and others to target and collect sensitive U.S. national security and economic data. This is almost certainly allowing our adversaries to close the technological gap between our respective militaries, slowly neutralizing one of our key advantages in the international arena.
- It is very difficult to quantify the value of proprietary technologies and sensitive business information and, therefore, the impact of economic cyber espionage activities. However, we assess that economic cyber espionage will probably allow the actors who take this information to reap unfair gains in some industries.

Information Control and Internet Governance

Online information control is a key issue among the United States and other actors. However, some countries, including Russia, China, and Iran, focus on "cyber influence" and the risk that Internet content might contribute to political instability and regime change. The United States focuses on cyber security and the risks to the reliability and integrity of our networks and systems. This is a fundamental difference in how we define cyber threats.

The current multi-stakeholder model of Internet governance provides a forum for governments, the commercial sector, academia, and civil society to deliberate and reach consensus on Internet organization and technical standards. However, a movement to reshape Internet governance toward a national government-based model would contradict many of our policy goals, particularly those to protect freedom of expression and the free flow of online information and ensure a free marketplace for information technology products and services.

- These issues were a core part of the discussions as countries negotiated a global telecommunications treaty in Dubai in December. The contentious new text that resulted led many countries, including the United States, not to sign the treaty because of its language on network security, spam control, and expansion of the U.N.'s role in Internet governance. The negotiations demonstrated that disagreements on these issues will be long-running challenges in bilateral and multilateral engagements.

Internet governance revision based on the state-management model could result in international regulations over online content, restricted exchange of information across borders, substantial slowdown of technical innovation, and increased opportunities for foreign intelligence and surveillance operations on the Internet in the near term.

Other Actors

We track cyber developments among nonstate actors, including terrorist groups, hacktivists, and cyber criminals. We have seen indications that some terrorist organizations have heightened interest in developing offensive cyber capabilities, but they will probably be constrained by inherent resource and organizational limitations and competing priorities.

Hactivists continue to target a wide range of companies and organizations in denial-of-service attacks, but we have not observed a significant change in their capabilities or intentions during the last year. Most hactivists use short-term denial-of-service operations or expose personally identifiable information held by target companies, as forms of political protest. However, a more radical group might form to inflict more systemic impacts—such as disrupting financial networks—or accidentally trigger unintended consequences that could be misinterpreted as a state-sponsored attack.

Cybercriminals also threaten U.S. economic interests. They are selling tools, via a growing black market, that might enable access to critical infrastructure systems or get into the hands of state and nonstate actors. In addition, a handful of commer-

cial companies sell computer intrusion kits on the open market. These hardware and software packages can give governments and cybercriminals the capability to steal, manipulate, or delete information on targeted systems. Even more companies develop and sell professional-quality technologies to support cyber operations—often branding these tools as lawful-intercept or defensive security research products. Foreign governments already use some of these tools to target U.S. systems.

TERRORISM AND TRANSNATIONAL ORGANIZED CRIME

Terrorism

Terrorist threats are in a transition period as the global jihadist movement becomes increasingly decentralized. In addition, the Arab Spring has generated a spike in threats to U.S. interests in the region that likely will endure until political upheaval stabilizes and security forces regain their capabilities. We also face uncertainty about potential threats from Iran and Lebanese Hizballah, which see the United States and Israel as their principal enemies.

Evolving Homeland Threat Landscape

Al Qaeda in the Arabian Peninsula (AQAP). Attacks on U.S. soil will remain part of AQAP's transnational strategy; the group continues to adjust its tactics, techniques and procedures for targeting the West. AQAP leaders will have to weigh the priority they give to U.S. plotting against other internal and regional objectives, as well as the extent to which they have individuals who can manage, train, and deploy operatives for U.S. operations.

Al Qaeda-Inspired Homegrown Violent Extremists (HVE). Al Qaeda-inspired HVEs—whom we assess will continue to be involved in fewer than 10 domestic plots per year—will be motivated to engage in violent action by global jihadist propaganda, including English-language material, such as AQAP's Inspire magazine; events in the United States or abroad perceived as threatening to Muslims; the perceived success of other HVE plots, such as the November 2009 attack at Fort Hood, TX, and the March 2012 attacks by an al Qaeda-inspired extremist in Toulouse, France; and their own grievances. HVE planning in 2012 was consistent with tactics and targets seen in previous HVE plots and showed continued interest in improvised explosive devices (IED) and U.S. Department of Defense (DOD) targets.

Core al Qaeda. Senior personnel losses in 2012, amplifying losses and setbacks since 2008, have degraded core al Qaeda to a point that the group is probably unable to carry out complex, large-scale attacks in the west. However, the group has held essentially the same strategic goals since its initial public declaration of war against the United States in 1996, and to the extent that the group endures, its leaders will not abandon the aspiration to attack inside the United States.

The Global Jihadist Threat Overseas: Affiliates, Allies, and Sympathizers

In 2011, al Qaeda and its affiliates played little or no role in the uprisings in the Middle East and North Africa and, with the exception of AQAP, were not well positioned to take advantage of events. At the same time, the rise of new or transitional governments in Egypt, Tunisia, Yemen, and Libya, and ongoing unrest in Syria and Mali, have offered opportunities for established affiliates, aspiring groups, and like-minded individuals to conduct attacks against U.S. interests. Weakened or diminished counterterrorism capabilities, border control mechanisms, internal security priorities, and other shortcomings in these countries—combined with anti-U.S. grievances or triggering events—will sustain the threats to U.S. interests throughout the region. The dispersed and decentralized nature of the terrorist networks active in the region highlights that the threat to U.S. and Western interests overseas is more likely to be unpredictable. The 2012 attack on the U.S. facilities in Benghazi, Libya, and the 2013 attack on Algeria's In-Amenas oil facility demonstrate the threat to U.S. interests from splinter groups, ad hoc coalitions, or individual terrorists who can conduct anti-U.S. operations, even in the absence of official direction or guidance from leaders of established al Qaeda affiliates.

- Al Qaeda in Iraq's (AQI) goals inside Iraq will almost certainly take precedence over U.S. plotting, but the group will remain committed to al Qaeda's global ideology. Since the 2011 withdrawal of U.S. forces, AQI has conducted nearly monthly, simultaneous, coordinated country-wide attacks against government, security, and Shia civilian targets. AQI's Syria-based network, the Nusra Front, is one of the best organized and most capable of the Sunni terrorist groups.
- Somalia-based al-Shabaab will remain focused on local and regional challenges, including its longstanding leadership rivalries and its fights against forces from the Somali and Ethiopian Governments and the African Union

Mission in Somalia (AMISOM). The group will probably also continue to plot attacks designed to weaken regional adversaries, including targeting U.S. and Western interests in East Africa.

- Al Qaeda in the Land of the Islamic Maghreb's (AQIM) intentions and capability remain focused on local, U.S., and Western interests in north and west Africa.
- Nigeria-based Boko Haram will continue to select targets for attacks to destabilize the country and advance its extreme vision of Islamist rule.
- Pakistan-based Lashkar-e-Tayibba (LT) will continue to be the most multifaceted and problematic of the Pakistani militant groups. The group has the long-term potential to evolve into a permanent and even HAMAS/ Hizballah-like presence in Pakistan.

Iran and Lebanese Hizballah

The failed 2011 plot against the Saudi Ambassador in Washington shows that Iran may be more willing to seize opportunities to attack in the United States in response to perceived offenses against the regime. Iran is also an emerging and increasingly aggressive cyber actor. However, we have not changed our assessment that Iran prefers to avoid direct confrontation with the United States because regime preservation is its top priority.

Hizballah's overseas terrorist activity has been focused on Israel—an example is the Bulgarian Government's announcement that Hizballah was responsible for the July 2012 bus bombing at the Burgas airport that killed five Israeli citizens. We continue to assess that the group maintains a strong anti-U.S. agenda but is reluctant to confront the United States directly outside the Middle East.

Transnational Organized Crime

Transnational organized crime (TOC) networks erode good governance, cripple the rule of law through corruption, hinder economic competitiveness, steal vast amounts of money, and traffic millions of people around the globe. (Cybercrime, an expanding for-profit TOC enterprise, is addressed in the Cyber section.) TOC threatens U.S. national interests in a number of ways:

Drug Activity. Drug trafficking is a major TOC threat to the United States and emanates primarily from the Western Hemisphere. Mexico is the dominant foreign producer of heroin, marijuana, and methamphetamines for the U.S. market. Colombia produces the overwhelming majority of the cocaine that reaches the United States, although the amount of cocaine available to U.S. consumers has substantially decreased in the past 5 years due to Colombian eradication and security efforts, U.S. transit zone interdiction and capacity-building activities, and warfare among Mexican trafficking organizations. However, high U.S. demand—still twice that of Europe—the capacity of Colombia's remaining drug trafficking organizations, and weak penal and judicial institutions suggest that Colombia's decades-long struggle with the drug threat will continue for a number of years. In addition to the threat inside the United States, the drug trade undermines U.S. interests abroad; for example, it erodes stability in West and North Africa and remains a significant source of revenue for the Taliban in Afghanistan.

Facilitating Terrorist Activity. The Intelligence Community is monitoring the expanding scope and diversity of "facilitation networks," which include semi-legitimate travel experts, attorneys, and other types of professionals, as well as corrupt officials, who provide support services to criminal and terrorist groups.

Money Laundering. The scope of worldwide money laundering is subject to significant uncertainty but measures more than a trillion dollars annually, often exploiting governments' difficulties coordinating law enforcement across national boundaries. Criminals' reliance on the U.S. dollar also exposes the U.S. financial system to illicit financial flows. Inadequate anti-money laundering regulations, lax enforcement of existing ones, misuse of front companies to obscure those responsible for illicit flows, and new forms of electronic money challenge international law enforcement efforts.

Corruption. Corruption exists at some level in all countries; however, the interaction between government officials and TOC networks is particularly pernicious in some countries. Among numerous examples, we assess that Guinea-Bissau has become a narco-state, where traffickers use the country as a transit hub with impunity; and in Russia, the nexus among organized crime, some state officials, the intelligence services, and business blurs the distinction between state policy and private gain.

Human Trafficking. President Obama recently noted that upwards of 20 million human beings are being trafficked around the world. The U.S. State Department and our law enforcement organizations have led U.S. Government efforts against human trafficking, and the Intelligence Community has increased collection and

analytic efforts to support law enforcement and the interagency Human Smuggling and Trafficking Center. Virtually every country in the world is a source, transit point, and/or destination for individuals being trafficked.

- For example, in 2012 a Ukrainian National was sentenced to life-plus-20-years in prison for operating a human trafficking organization that smuggled young Ukrainians into the United States. For 7 years, he and his brothers arranged to move unsuspecting immigrants through Mexico into the United States. With debts of \$10,000 to \$50,000, victims were forced to live in squalid conditions, enslaved, and subjected to rape, beatings, and other forms of physical attack. Threats against their families in Ukraine were used to dissuade them from attempting to escape.

Environmental Crime. Illicit trade in wildlife, timber, and marine resources constitutes a multi-billion dollar industry annually, endangers the environment, and threatens to disrupt the rule of law in important countries around the world. These criminal activities are often part of larger illicit trade networks linking disparate actors—from government and military personnel to members of insurgent groups and transnational organized crime organizations.

WEAPONS OF MASS DESTRUCTION PROLIFERATION

Nation-state efforts to develop or acquire weapons of mass destruction (WMD) and their delivery systems constitute a major threat to the security of our Nation, deployed troops, and allies. The Intelligence Community is focused on the threat and destabilizing effects of nuclear proliferation, proliferation of chemical and biological warfare (CBW)-related materials, and development of WMD delivery systems.

Traditionally, international agreements and diplomacy have deterred 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 also diffuse globally and rapidly.

Iran and North Korea Developing WMD-Applicable Capabilities

We assess Iran is developing nuclear capabilities to enhance its security, prestige, and regional influence and give it the ability to develop nuclear weapons, should a decision be made to do so. We do not know if Iran will eventually decide to build nuclear weapons.

Tehran has developed technical expertise in a number of areas—including uranium enrichment, nuclear reactors, and ballistic missiles—from which it could draw if it decided to build missile-deliverable nuclear weapons. These technical advancements strengthen our assessment that Iran has the scientific, technical, and industrial capacity to eventually produce nuclear weapons. This makes the central issue its political will to do so.

Of particular note, Iran has made progress during the past year that better positions it to produce weapons-grade uranium (WGU) using its declared facilities and uranium stockpiles, should it choose to do so. Despite this progress, we assess Iran could not divert safeguarded material and produce a weapon-worth of WGU before this activity is discovered.

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. In this context, we judge that Iran is trying to balance conflicting objectives. It wants to advance its nuclear and missile capabilities and avoid severe repercussions—such as a military strike or regime threatening sanctions.

We judge Iran would likely choose a ballistic missile as its preferred method of delivering a nuclear weapon, if one is ever fielded. Iran's ballistic missiles are capable of delivering WMD. In addition, Iran has demonstrated an ability to launch small satellites, and we grow increasingly concerned that these technical steps—along with a regime hostile toward the United States and our allies—provide Tehran with the means and motivation to develop larger space-launch vehicles and longer-range missiles, including an intercontinental ballistic missile (ICBM).

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 arsenal. Iran's growing ballistic missile inventory and its domestic production of anti-ship cruise missiles (ASCM) and development of its first long-range land attack cruise missile provide capabilities to enhance its power projection. Tehran views its con-

ventionally armed missiles as an integral part of its strategy to deter—and if necessary retaliate against—forces in the region, including U.S. forces.

North Korea's nuclear weapons and missile programs pose a serious threat to the United States and to the security environment in East Asia, a region with some of the world's largest populations, militaries, and economies. North Korea's export of ballistic missiles and associated materials to several countries, including Iran and Syria, and its assistance to Syria's construction of a nuclear reactor, destroyed in 2007, illustrate the reach of its proliferation activities. Despite the Six-Party Joint Statements issued in 2005 and 2007, 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.

North Korea announced on 12 February that it conducted its third nuclear test. It has also displayed what appears to be a road-mobile ICBM and in December 2012 placed a satellite in orbit using its Taepo Dong 2 launch vehicle. These programs demonstrate North Korea's commitment to develop long-range missile technology that could pose a direct threat to the United States, and its efforts to produce and market ballistic missiles raise broader regional and global security concerns.

Because of deficiencies in their conventional military forces, North Korean leaders are focused on deterrence and defense. The Intelligence Community has long assessed that, in Pyongyang's view, its nuclear capabilities are intended for deterrence, international prestige, and coercive diplomacy. We do not know Pyongyang's nuclear doctrine or employment concepts. Although we assess with low confidence that the North would only attempt to use nuclear weapons against U.S. forces or allies to preserve the Kim regime, we do not know what would constitute, from the North's perspective, crossing that threshold.

WMD Security in Syria

We assess Syria has a highly active chemical warfare (CW) program and maintains a stockpile of sulfur mustard, sarin, and VX. We assess that Syria has a stockpile of munitions—including missiles, aerial bombs, and possibly artillery rockets—that can be used to deliver CW agents. Syria's overall CW program is large, complex, and geographically dispersed, with sites for storage, production, and preparation. This advanced CW program has the potential to inflict mass casualties, and we assess that an increasingly beleaguered regime, having found its escalation of violence through conventional means inadequate, might be prepared to use CW against the Syrian people. In addition, groups or individuals in Syria could gain access to CW-related materials. The United States and our allies are monitoring Syria's chemical weapons stockpile.

Based on the duration of Syria's longstanding biological warfare (BW) program, we judge that some elements of the program may have advanced beyond the research and development stage and may be capable of limited agent production. Syria is not known to have successfully weaponized biological agents in an effective delivery system, but it possesses conventional and chemical weapon systems that could be modified for biological agent delivery.

COUNTERINTELLIGENCE

Foreign intelligence services, along with terrorist groups, transnational criminal organizations, and other nonstate actors, are targeting and acquiring our national security information, undermining our economic and technological advantages, and seeking to influence our national policies and processes covertly. These foreign intelligence efforts employ traditional methods of espionage and, with growing frequency, innovative technical means. Among significant foreign threats, Russia and China remain the most capable and persistent intelligence threats and are aggressive practitioners of economic espionage against the United States. Countering such foreign intelligence threats is a top priority for the Intelligence Community for the year ahead. Moreover, vulnerabilities in global supply chains open opportunities for adversaries to exploit U.S. critical infrastructure. (For a discussion of cyber espionage, see the Cyber section.)

Threats to U.S. Government Supply Chains

The United States and other national economies have grown more dependent on global networks of supply chains. These web-like relationships, based on contracts and subcontracts for component parts, services, and manufacturing, obscure transparency into those supply chains. Additionally, reliance on foreign equipment, combined with a contracting pool of suppliers in the information technology, telecommunications, and energy sectors, creates opportunities for exploitation of, and increased impact on, U.S. critical infrastructures and systems.

Interdependence of information technologies and integration of foreign technology in U.S. information technology, telecommunications, and energy sectors will increase the potential scope and impact of foreign intelligence and security services' supply chain operations. The likely continued consolidation of infrastructure suppliers—which means that critical infrastructures and networks will be built from a more limited set of provider and equipment options—will also increase the scope and impact of potential supply chain subversions.

COUNTERSPACE

Space systems and their supporting infrastructures enable a wide range of services, including communication; position, navigation, and timing; intelligence, surveillance, and reconnaissance; and meteorology, which provide vital national, military, civil, scientific, and economic benefits. Other nations recognize these benefits to the United States and seek to counter the U.S. strategic advantage by pursuing capabilities to deny or destroy our access to space services. Threats to vital U.S. space services will increase during the next decade as disruptive and destructive counterspace capabilities are developed. In 2007, China conducted a destructive antisatellite test. In a 2009 press article, a senior Russian military leader stated that Moscow was developing counterspace capabilities.

NATURAL RESOURCES: INSECURITY AND COMPETITION

Competition and scarcity involving natural resources—food, water, minerals, and energy—are growing security threats. Many countries important to the United States are vulnerable to natural resource shocks that degrade economic development, frustrate attempts to democratize, raise the risk of regime-threatening instability, and aggravate regional tensions. Extreme weather events (floods, droughts, heat waves) will increasingly disrupt food and energy markets, exacerbating state weakness, forcing human migrations, and triggering riots, civil disobedience, and vandalism. Criminal or terrorist elements can exploit any of these weaknesses to conduct illicit activity and/or recruitment and training. Social disruptions are magnified in growing urban areas where information technology transmits grievances to larger—often youthful and unemployed—audiences, and relatively “small” events can generate significant effects across regions or the world.

Food

Natural food-supply disruptions, due to floods, droughts, heat waves, and diseases, as well as policy choices, probably will stress the global food system in the immediate term, resulting in sustained volatility in global food prices. Policy choices can include export bans; diversions of arable lands for other uses, such as urban development; and foreign land leases and acquisitions. Many resource-strapped countries have been losing confidence in the global marketplace to supply vital resources, and increasingly looking to shield their populations in ways that will almost certainly threaten global food production. For example, emerging powers and Gulf States are buying up arable and grazing land around the world as hedges against growing domestic demand and strained resources. Food supplies are also at risk from plant diseases that affect grain and oilseed crops and from transmittable animal diseases, such as H5N1 and foot and mouth disease. At the same time, agricultural inputs—water, fertilizer, land, and fuel oil—are becoming more scarce and/or costly, exacerbating the upward pressure on food prices.

In the coming year, markets for agricultural commodities will remain tight, due in part to drought and crop failures in the midwestern United States last summer. Rising demand for biofuels and animal feed exerts particular pressures on corn prices, and extreme weather will cause episodic deficits in production. We will also see growing demand and high price volatility for wheat. Significant wheat production occurs in water-stressed and climate-vulnerable regions in Asia, where markets will remain susceptible to harvest shocks. A near-term supply disruption could result when a plant disease known as Ug99 stem rust—already spreading across Africa, Asia, and the Middle East—arrives in South Asia, which is likely to happen within the next few years. Wheat production is growing in Eastern Europe, but output is variable, and governments have demonstrated a readiness to impose export controls.

Although food-related state-on-state conflict is unlikely in the near term, the risk of conflict between farmers and livestock owners—often in separate states—will increase as population growth and crop expansion infringe on livestock grazing areas, especially in sub-Saharan Africa and Central Asia. Disputes over fisheries are also likely to increase as water scarcity emerges in major river basins, and marine fisheries are depleted. Shrinking marine fisheries—for example, in the South China

Sea—will lead to diplomatic disputes as fishermen are forced to travel further from shore. In addition, government grants of state-owned land to domestic and foreign agricultural developers are likely to stoke conflict in areas without well-defined land ownership laws and regulations.

Terrorists, militants, and international crime organizations can use declining local food security to promote their own legitimacy and undermine government authority. Growing food insecurity in weakly governed countries could lead to political violence and provide opportunities for existing insurgent groups to capitalize on poor conditions, exploit international food aid, and discredit governments for their inability to address basic needs. In addition, intentional introduction of a livestock or plant disease might be a greater threat to the United States and the global food system than a direct attack on food supplies intended to kill humans.

Water

Risks to freshwater supplies—due to shortages, poor quality, floods, and climate change—are growing. These forces will hinder the ability of key countries to produce food and generate energy, potentially undermining global food markets and hobbling economic growth. As a result of demographic and economic development pressures, North Africa, the Middle East, and South Asia face particular difficulty coping with water problems.

Lack of adequate water is a destabilizing factor in countries that do not have the management mechanisms, financial resources, or technical ability to solve their internal water problems. Some states are further stressed by heavy dependence on river water controlled by upstream nations with unresolved water-sharing issues. Wealthier developing countries probably will experience increasing water-related social disruptions, although they are capable of addressing water problems without risk of state failure.

Historically, water tensions have led to more water-sharing agreements than violent conflicts. However, where water-sharing agreements are ignored, or when infrastructure development—for electric power generation or agriculture—is seen as a threat to water resources, states tend to exert leverage over their neighbors to preserve their water interests. This leverage has been applied in international forums and has included pressuring investors, nongovernmental organizations, and donor countries to support or halt water infrastructure projects. In addition, some nonstate terrorists or extremists will almost certainly target vulnerable water infrastructure to achieve their objectives and continue to use water-related grievances as recruitment and fundraising tools.

Many countries are using groundwater faster than aquifers can replenish in order to satisfy food demand. In the long term, without mitigation actions (drip irrigation, reduction of distortive electricity-for-water pump subsidies, access to new agricultural technology, and better food distribution networks), exhaustion of groundwater sources will cause food demand to be satisfied through increasingly stressed global markets.

Water shortages and pollution will also harm the economic performance of important U.S. trading partners. Economic output will suffer if countries do not have sufficient clean water to generate electrical power or to maintain and expand manufacturing and resource extraction. In some countries, water shortages are already having an impact on power generation, and frequent droughts are undermining long-term plans to increase hydropower capacity. With climate change, these conditions will continue to deteriorate.

Minerals: China's Monopoly on Rare Earth Elements

Rare earth elements (REE) are essential to civilian and military technologies and to the 21st century global economy, including development of green technologies and advanced defense systems. China holds a commanding monopoly over world REE supplies, controlling about 95 percent of mined production and refining. China's dominance and policies on pricing and exports are leading other countries to pursue mitigation strategies, but those strategies probably will have only limited impact within the next 5 years and will almost certainly not end Chinese REE dominance. REE prices spiked after China enacted a 40-percent export quota cut in July 2010, peaking at record highs in mid-2011. As of December 2012, REE prices had receded but still remained at least 80 percent, and as much as 600 percent (depending on the type of REE), above pre-July 2010 levels.

Mines in Australia, Brazil, Canada, Malawi, the United States, and Vietnam are expected to be operational in less than 5 years. However, even as production at non-Chinese mines come online, initial REE processing outside of China will remain limited because of technical difficulties, regulatory hurdles, and capital costs associated with the startup of new or dormant processing capabilities and facilities. China will

also continue to dominate production of the most scarce and expensive REEs, known as heavy REEs, which are critical to defense systems.

Energy

Oil prices will remain highly sensitive to political instability in the Middle East, tensions with Iran, and global economic growth. In 2012 increasing U.S., Iraqi, and Libyan output, combined with slow economic growth, helped ease upward pressure on prices. In the coming year, most growth in new production probably will come from North America and Iraq, while production from some major producers stagnates or declines because of policies that discourage investment.

Sustained oil prices above \$80 per barrel would support the growth in North American oil production. That growth is being propelled by the production of tight oil, due to the application of horizontal drilling and hydrolic fracturing. Many Organization of the Petroleum Exporting Countries (OPEC) members are increasingly dependent on high oil prices to support government spending. However, the budgets of countries that subsidize domestic fuel consumption will come under greater stress with high oil prices and rising domestic demand.

Natural gas prices will remain regionally based, with North American consumers probably paying one-third the price of European importers and one-fourth that of Asian consumers. With the prospects for U.S. liquefied natural gas (LNG) exports made possible by the growth in shale gas production, along with other global LNG exports, major European and Asian importers probably will continue to pressure their suppliers to de-link their prices from oil. Weather, economic indicators, and energy policies in Japan probably will have the strongest influence on global LNG prices. Australia is poised to become a top LNG exporter but faces project cost inflation that could slow development.

Climate Change and Demographics

Food security has been aggravated partly because the world's land masses are being affected by weather conditions outside of historical norms, including more frequent and extreme floods, droughts, wildfires, tornadoes, coastal high water, and heat waves. Rising temperature, for example, although enhanced in the Arctic, is not solely a high-latitude phenomenon. Recent scientific work shows that temperature anomalies during growing seasons and persistent droughts have hampered agricultural productivity and extended wildfire seasons. Persistent droughts during the past decade have also diminished flows in the Nile, Tigris-Euphrates, Niger, Amazon, and Mekong river basins.

Demographic trends will also aggravate the medium- to long-term outlooks for resources and energy. Through roughly 2030, the global population is expected to rise from 7.1 billion to about 8.3 billion; the size of the world's population in the middle class will expand from the current 1 billion to more than 2 billion; and the proportion of the world's population in urban areas will grow from 50 percent to about 60 percent—all putting intense pressure on food, water, minerals, and energy.

HEALTH AND PANDEMIC THREATS

Scientists continue to discover previously unknown pathogens in humans that made the “jump” from animals—zoonotic diseases. Examples are: a prion disease in cattle that jumped in the 1980s to cause variant Creutzfeldt-Jacob disease; a bat henipavirus that in 1999 became known as the human Nipah Virus; a bat corona virus that jumped to humans in 2002 to cause Severe Acute Respiratory Syndrome (SARS); and another SARS-like corona virus recently identified in individuals who have been in Saudi Arabia, which might also have bat origins. Human and livestock population growth and encroachment into jungles increase human exposure to cross-overs. No one can predict which pathogen will be the next to spread to humans, or when or where such a development will occur, but humans will continue to be vulnerable to pandemics, most of which will probably originate in animals.

An easily transmissible, novel respiratory pathogen that kills or incapacitates more than 1 percent of its victims is among the most disruptive events possible. Such an outbreak would result in a global pandemic that causes suffering and death in every corner of the world, probably in fewer than 6 months. This is not a hypothetical threat. History is replete with examples of pathogens sweeping populations that lack immunity, causing political and economic upheaval, and influencing the outcomes of wars—for example, the 1918 Spanish flu pandemic affected military operations during World War I and caused global economic disruptions.

The World Health Organization has described one influenza pandemic as “the epidemiological equivalent of a flash flood.” However, slow-spreading pathogens, such as HIV/AIDS, have been just as deadly, if not more so. Such a pathogen with pandemic potential may have already jumped to humans somewhere; HIV/AIDS entered

the human population more than 50 years before it was recognized and identified. In addition, targeted therapeutics and vaccines might be inadequate to keep up with the size and speed of the threat, and drug-resistant forms of diseases, such as tuberculosis, gonorrhoea, and *Staphylococcus aureus*, have already emerged.

MASS ATROCITIES

Mass atrocities continue to be a recurring feature of the global landscape. Most of the time they occur in the context of major instability events. Since the turn of the last century, hundreds of thousands of civilians have lost their lives as a result of atrocities occurring during conflicts in the Darfur region of Sudan and in the eastern Congo (Kinshasa). Recent atrocities in Syria, where tens of thousands of civilians have lost their lives within the past 2 years, have occurred against a backdrop of major political upheaval, illustrating how most mass atrocities tend to be perpetrated by ruling elites or rebels who use violence against civilians to assert or retain control. Consistent with this trend, mass atrocities also are more likely in places where governments discriminate against minorities, socioeconomic conditions are poor, or local powerbrokers operate with impunity. In addition, terrorists and insurgents might exploit such conditions to conduct attacks against civilians, as in Boko Haram's attacks on churches in Nigeria. Less frequently, violence between sectarian or ethnic groups can create the conditions for mass atrocities.

REGIONAL THREATS

MIDDLE EAST AND NORTH AFRICA

Arab Spring

Although some countries have made progress towards democratic rule, most are experiencing uncertainty, violence, and political backsliding. The toppling of leaders and weakening of regimes have also unleashed destabilizing ethnic and sectarian rivalries. Islamist actors have been the chief electoral beneficiaries of the political openings, and Islamist parties in Egypt, Tunisia and Morocco will likely solidify their influence in the coming year. The success of transitioning states will depend, in part, on their ability to integrate these actors into national politics and to integrate—or marginalize—political, military, tribal, and business groups that were part of or benefitted from the old regimes. At the same time, transitions that fail to address public demands for change are likely to revive unrest and heighten the appeal of authoritarian or extremist solutions.

Three issues, in particular, will affect U.S. interests:

- **Ungoverned Spaces.** The struggles of new governments in places like Tripoli and Sanaa to extend their writs, as well as the worsening internal conflict in Syria, have created opportunities for extremist groups to find ungoverned space from which to destabilize the new governments and prepare attacks against western interests inside those countries.
- **Economic Hardships.** Many states face economic distress—specifically, high rates of unemployment—that is unlikely to be alleviated by current levels of Western aid and will require assistance from wealthy Arab countries as well as reforms and pro-growth policies. Failure to meet heightened popular expectations for economic improvement could set back transitions in places such as Egypt and destabilize vulnerable regimes such as Jordan. Gulf states provide assistance only incrementally and are wary of new governments' foreign policies and their ability to absorb funds.
- **Negative Views of the United States.** Some transitioning governments are more skeptical than their predecessors about cooperating with the United States and are concerned about protecting sovereignty and resisting foreign interference. This has the potential to hamper U.S. counterterrorism efforts and other initiatives to engage transitioning governments.

Egypt

Since his election in June 2012, Egyptian President Muhammad Mursi has worked to consolidate control of the instruments of state power and loosen the Egyptian military's grip on the government. Mursi has taken actions that have advanced his party's agenda and his international reputation, including his late-2012 role brokering a HAMAS-Israeli cease-fire. However, his decree in November 2012 that temporarily increased his authorities at the expense of the judiciary angered large numbers of Egyptians—especially secular activists—and brought protesters back to the streets.

Quelling popular dissatisfaction and building popular support for his administration and policies are critical for Mursi and will have a direct bearing on the Free-

dom and Justice Party's success in upcoming parliamentary elections. A key element of Mursi's ability to build support will be improving living standards and the economy; GDP growth fell to 1.5 percent in 2012 from just over 5 percent in 2010, and unemployment was roughly 12.6 percent in mid-2012.

Syria

Almost 2 years into the unrest in Syria, we assess that the erosion of the Syrian regime's capabilities is accelerating. Although the Asad regime has prevented insurgents from seizing key cities—such as Damascus, Aleppo, and Homs—it has been unable to dislodge them from these areas. Insurgent forces also have been gaining strength in rural areas of northern and eastern Syria, particularly Idlib Province along the border with Turkey, where their progress could lead to a more permanent base for insurgent operations. Prolonged instability is also allowing al Qaeda's Nusra Front to establish a presence within Syria. (For details on Syria's weapons and chemical and biological warfare programs, see the Proliferation section.)

- Sanctions and violence have stifled trade, commercial activity, and foreign investment, and reduced the regime's financial resources—as many as 2.5 million people are internally displaced and roughly 700,000 have fled to neighboring countries since March 2011. The Syrian economy contracted by 10 to 15 percent in 2012, which has forced the regime to prioritize security spending and cut back on providing basic services, food and fuel, and health and education services for the public.

Iran

Iran is growing more autocratic at home and more assertive abroad as it faces elite and popular grievances, a deteriorating economy, and an uncertain regional dynamic. Supreme Leader Khamenei's power and authority are now virtually unchecked, and security institutions, particularly the Islamic Revolutionary Guard Corps (IRGC), have greater influence at the expense of popularly elected and clerical institutions. Khamenei and his allies will have to weigh carefully their desire to control the 14 June Iranian presidential election, while boosting voter turnout to increase the appearance of regime legitimacy and avoid a repeat of the disputed 2009 election. Meanwhile, the regime is adopting more oppressive social policies to increase its control over the population, such as further limiting educational and career choices for women.

Iran's financial outlook has worsened since the 2012 implementation of sanctions on its oil exports and Central Bank. Iran's economy contracted in 2012 for the first time in more than two decades. Iran's access to foreign exchange Reserves held overseas has diminished, and preliminary data suggest that it suffered its first trade deficit in 14 years. Meanwhile, the rial reached an all-time low in late January, with the exchange rate falling from about 15,000 rials per dollar at the beginning of 2012 to nearly 40,000 rials per dollar, and inflation and unemployment are growing.

Growing public frustration with the government's socioeconomic policies has not led to widespread political unrest because of Iranians' pervasive fear of the security services and the lack of effective opposition organization and leadership. To buoy the regime's popularity and forestall widespread civil unrest, Iranian leaders are trying to soften the economic hardships on the poorer segments of the population. Khamenei has publicly called on the population to pursue a "resistance economy," reminiscent of the hardships that Iran suffered immediately after the Iranian Revolution and during the Iran-Iraq war. However, the willingness of contemporary Iranians to withstand additional economic austerity is unclear because most Iranians do not remember those times; 60 percent of the population was born after 1980 and 40 percent after 1988.

In its efforts to spread influence abroad and undermine the United States and our allies, Iran is trying to exploit the fighting and unrest in the Arab world. It supports surrogates, including Palestinian militants engaged in the recent conflict with Israel. To take advantage of the U.S. withdrawals from Iraq and Afghanistan, it will continue efforts to strengthen political and economic ties with central and local governments, while providing select militants with lethal assistance. Iran's efforts to secure regional hegemony, however, have achieved limited results, and the fall of the Asad regime in Syria would be a major strategic loss for Tehran. (For details on Iran's weapons programs, see the Proliferation section.)

Iraq

Since the U.S. departure, the Iraqi Government has remained generally stable, with the major parties pursuing change through the political process rather than violence. However, there are rising tensions between Prime Minister Maliki and

Kurdistan Regional Government President Masud Barzani and an increase in anti-regime Sunni protests since the end of 2012. Maliki is pressing for greater authority over disputed territories in northern Iraq, and Barzani is pushing forward to export hydrocarbons independent of Baghdad.

AQI conducted more vehicle and suicide bombings in 2012 than in 2011, almost exclusively against Iraqi targets. However, AQI and other insurgent groups almost certainly lack sufficient strength to overwhelm Iraqi Security Forces, which has put pressure on these groups through arrests of key individuals.

Iraq is producing and exporting oil at the highest levels in two decades, bolstering finances for a government that derives 90 to 95 percent of its revenue from oil exports. Iraq increased production capacity from about 2.4 million barrels per day in 2010 to roughly 3.3 million barrels per day in 2012. However, it is still wrestling with the challenges of diversifying its economy and providing essential services.

Yemen

We judge that Yemen's new president, Abd Rabuh Mansur Hadi, has diminished the power of former President Salih and his family and kept the political transition on track, but Salih's lingering influence, AQAP's presence, and the tenuous economy are significant challenges. Yemen's humanitarian situation is dire, with nearly half of the population considered "food insecure." Obtaining foreign aid and keeping its oil pipeline open will be crucial to Sanaa's potential economic improvement. The next key political milestone will be the successful completion of an inclusive National Dialogue that keeps Yemen on course for elections in 2014, although some southern leaders are threatening non-participation. Hadi's government will also have to maintain pressure on AQAP following a military offensive this past summer that displaced the group from its southern strongholds.

Lebanon

Lebanon's stability will remain fragile during the next year primarily because of the tensions triggered by the Syrian conflict. We expect Lebanon will be able to avoid destabilizing sectarian violence, but it is likely to experience occasional, localized clashes between pro- and anti-Asad sectarian militias. Thus far, political leaders have succeeded in muting popular outrage over the October 2012 bombing that killed a popular Sunni figure, and the Lebanese Armed Forces remain effective at controlling small-scale violence.

Libya

Libya's leaders are struggling to rebuild after the revolution and the collapse of the Qadhafi regime. The institutional vacuum caused by Qadhafi's removal increased terrorist activity and gave rise to hundreds of well-armed regional militias, many of which played key roles in overthrowing the regime but now complicate Libya's stability. The transitional government is struggling to control the militias, but it remains reliant on some to provide security in the absence of cohesive and capable security institutions. Eastern Libya has been traditional hubs of extremists, and if left unchecked by Libyan authorities and allied militias, groups operating from there could pose a recurring threat to Western interests.

The government is also working to rebuild its administrative capacity as it manages the post-revolutionary transition and is overseeing the drafting of a constitution, which will set the stage for elections as soon as this year. Libya has quickly resumed high levels of oil production, which is critical to rebuilding the economy. As of late 2012, it restored crude oil output to near preconflict levels of 1.6 million barrels per day, but Tripoli will need the expertise and support of international oil companies to sustain, if not boost, overall supply.

SOUTH ASIA

Afghanistan

The upcoming presidential election is scheduled for April 2014, while the International Security Assistance Force (ISAF) is completing its drawdown.

We assess that the Taliban-led insurgency has diminished in some areas of Afghanistan but remains resilient and capable of challenging U.S. and international goals. Taliban senior leaders also continue to be based in Pakistan, which allows them to provide strategic guidance to the insurgency without fear for their safety. Al Qaeda's influence on the insurgency is limited, although its propaganda gains from participating in insurgent attacks far outweigh its actual battlefield impact.

Security gains are especially fragile in areas where ISAF surge forces have been concentrated since 2010 and are now transitioning the security lead to Afghan National Security Forces (ANSF). The ANSF will require international assistance through 2014 and beyond. The Afghan National Army and Afghan National Police

have proven capable of providing security in major cities, nearby rural areas, and key ground lines of communication in the vicinity of government-controlled areas. The Afghan Air Force has made very little progress. The National Directorate of Security remains Afghanistan's premier national intelligence service and likely will play a larger role in regime security over time.

In addition, Afghanistan's economy, which has been expanding at a steady rate, is likely to slow after 2014. Kabul has little hope of offsetting the coming drop in Western aid and military spending, which have fueled growth in the construction and services sectors. Its licit agricultural sector and small businesses have also benefited from development projects and assistance from nongovernmental organizations, but the country faces high rates of poverty, unemployment, food insecurity, and poppy cultivation.

Pakistan

Pakistan is preparing for national and provincial assembly elections, which must be held no later than May 2013, and a presidential election later in the year. Pakistani officials note that these elections are a milestone—the first time a civilian government has completed a 5-year term and conducted a transfer to a new government through the electoral process.

Islamabad is intently focused on Afghanistan in anticipation of the ISAF draw-down. The Pakistani Government has attempted to improve relations with Kabul and ensure that its views are taken into consideration during the transition period. The military this year continued operations in the federally Administered Tribal Areas (FATA) and, as of late 2012, had forces in place for an operation against anti-Pakistan militants in the North Waziristan Agency of the FATA. There were fewer domestic attacks by the Tehrik-e-Taliban Pakistan this year than in the previous several years.

Economically, trouble looms. Pakistan, with its small tax base, poor system of tax collection, and reliance on foreign aid, faces no real prospects for sustainable economic growth. The government has been unwilling to address economic problems that continue to constrain economic growth. The government has made no real effort to persuade its disparate coalition members to accept much-needed policy and tax reforms, because members are focused on retaining their seats in upcoming elections. Sustained remittances from overseas Pakistanis (roughly \$13 billion from July 2011 to June 2012, according to Pakistan's central bank) have helped to slow the loss of Reserves. However, Pakistan has to repay the IMF \$1.7 billion for the rest of this fiscal year for money borrowed as part of its 2008 bailout agreement; growth was around 3.5 percent in 2012; and foreign direct investment and domestic investment have both declined substantially.

India

Both India and Pakistan have made calculated decisions to improve ties, despite deep-rooted mistrust. They held a series of meetings in the past year and will probably continue to achieve incremental progress on economic relations, such as trade, while deferring serious discussion on the more contentious issues of territorial disputes and terrorism. Even modest progress, however, could easily be undone by a terrorist attack against India linked to Pakistan, which could trigger a new crisis and prompt New Delhi to freeze bilateral dialogue.

India will continue to support the current Afghan Government to ensure a stable and friendly Afghanistan. India furthered its engagement with Afghanistan in 2012 and signed an additional four memoranda of understanding on mining, youth affairs, small development projects, and fertilizers during President Karzai's visit to New Delhi in November 2012. We judge that India sees its goals in Afghanistan as consistent with U.S. objectives, and favors 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 in the top three nations that Afghans see as helping their country rebuild. As of April 2012, India ranked as Afghanistan's fifth largest bilateral donor.

Neither India nor China currently seeks to overturn the strategic balance on the border or commit provocations that would destabilize the relationship. However, India and China are each increasing their military abilities to respond to a border crisis. Both consider these moves to be defensive, but they are probably fueling mutual suspicion and raising the stakes in a potential crisis. As a result, periodic, low-level intrusions between forces along the border could escalate if either side saw political benefit in more forcefully and publicly asserting its territorial claims or responding more decisively to perceived aggression. However, existing mechanisms, as

well as a shared desire for stability by political and military leaders from both sides, will likely act as an effective break against escalation.

AFRICA

Throughout Africa, violence, corruption, and extremism pose challenges to U.S. interests in 2013. As in 2012, Africa's stability will be threatened not only by unresolved discord between Sudan and South Sudan, fighting in Somalia, and extremist attacks in Nigeria, but also by the collapse of governance in northern Mali and renewed conflict in the Great Lakes region. Elsewhere, African countries are vulnerable to political crises, democratic backsliding, and natural disasters. On the positive side, in parts of the continent, development is advancing—for example, in Ghana—and, in Somalia, international efforts and domestic support are widening areas of tenuous stability.

Sudan and South Sudan

Sudan's President Bashir and the National Congress Party (NCP) are confronting a range of challenges, including public dissatisfaction over economic decline and insurgencies on Sudan's southern and western borders. Sudanese economic conditions have deteriorated since South Sudan's independence, when South Sudan took control of the majority of oil reserves. The country now faces a decline in economic growth that jeopardizes political stability and fuels opposition to Bashir and the NCP. Khartoum is likely to resort to heavy-handed tactics to prevent protests from escalating and will pursue a military response to provocations by Sudan People's Liberation Movement-North (SPLM-N) rebels in Southern Kordofan and Blue Nile States. An uptick in violence in Sudan's western Darfur region toward the end of the rainy season in October 2012 will probably continue through 2013. Islamist extremists remain active in Sudan potentially threatening the security of the Sudanese Government as well as U.S. and other western interests.

South Sudan in 2013 will face issues that threaten to destabilize its fragile, untested, 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 deliver basic services. Despite a series of agreements in the wake of Juba's incursion into Sudan in April 2012, controversial unresolved disputes, such as the future of Abyei, risk a return to conflict between the two countries. Animosity and lack of trust between Khartoum and Juba also threaten to undermine the implementation of agreements signed in September 2012. South Sudan's economy suffered significant setbacks after Juba shut down oil production in early 2012, and it will struggle to rebound because unresolved security conflicts with Sudan have delayed the restart of oil production, despite a signed deal with Khartoum in September 2012. Ethnic conflict in South Sudan is likely to continue as the South Sudanese military struggles to disarm ethnic militias and provide security across the country. We assess the ruling Sudan People's Liberation Movement (SPLM) will continue to turn to the international community, specifically the United States, for assistance.

Somalia

Somalia's political transition in 2012 installed new political players and degraded the influence of old guard politicians responsible for corruption and mismanagement of government resources under the transitional government system. The country's nascent institutions, ill-equipped to provide social services, along with pervasive technical, political, and administrative challenges at the national level, will test Mogadishu's ability to govern effectively in 2013. Command and control of AMISOM forces and their proxies, along with facilitating cooperation between Mogadishu and AMISOM forces operating in southern Somalia, will also be distinct challenges for the government.

Al-Shabaab, the al Qaeda-affiliated insurgency that has terrorized populations and destabilized the transitional government since 2008, is largely in retreat, ameliorating instability and opening space for legitimate governing entities to exert control in southern Somalia. Despite its fractious state, al-Shabaab continues to plan attacks in Somalia and has returned to launching asymmetric attacks in a meager attempt to reassert control in key areas, including Mogadishu and the port city of Kismaayo. The group also poses a threat to U.S. and Western interests in Somalia and regionally, particularly in Kenya, and leverages its operatives and networks in these locales for attacks.

Mali

In January 2012, after the return of heavily armed Tuareg fighters from Libya, the secular-based National Movement for the Liberation of the Azawad (MNLA) and

the extremist Islamist Tuareg rebel group Ansar al-Din launched a rebellion against the Malian Government. Following a 21 March military coup, Ansar al-Din—with help from AQIM—and the MNLA quickly drove the Malian military out of the north. After taking control of northern Mali, AQIM worked closely with Ansar al-Din and AQIM-offshoot Movement for Tawhid and Jihad in West Africa (TWJWA) to consolidate gains in the region and impose a hard-line version of sharia.

Armed conflict between Malian Armed Forces and Islamist forces renewed in early 2013 when Islamist forces attacked Malian military outposts near Islamist-held territory. French forces quickly intervened with ground forces and airstrikes, halting AQIM and its allies' advances and eventually pushing them out of key northern Malian population centers. Regional forces and Chadian troops have begun to deploy to Mali, where European Union trainers will begin the training cycle of designated forces. Several countries have now offered significant contributions to the deploying force but lack adequate troops, training, and logistics to provide a capable force.

Mali's fragile interim government faces an uphill effort to reunite the country and hold democratic elections by mid-2013—especially elections the north perceives as credible. In addition to planning elections, local and regional actors are pursuing diplomatic options, including negotiations, to address instability in northern Mali and counter AQIM's influence.

Nigeria

The Nigerian state is acutely challenged by uneven governance, endemic corruption, inadequate infrastructure, weak health and education systems, and recurring outbreaks of sectarian, ethnic, and communal violence. Abuja also faces Boko Haram—a northern Sunni extremist group with ties to AQIM—whose attacks on Christians and fellow Muslims in Nigeria have heightened religious and ethnic tensions and raised concerns of possible attacks against U.S. interests in the country. Communal violence is down from last year, but Boko Haram has made moves to incite it, and the Nigerian Government is scarcely addressing the underlying causes, such as socioeconomic conditions in troubled northern Nigeria, despite pledges to do so. In the Niger Delta, Abuja is struggling to extricate itself from open-ended financial commitments and has not made progress rehabilitating, retraining, and reintegrating disgruntled former militants. Militant/criminal attacks on land-based oil infrastructure in Nigeria's coastal areas, along with hijackings, kidnappings, and piracy attacks off the coast, continue at a steady pace.

Central Africa

The Great Lakes region of Central Africa has a total population of 128 million and includes parts or all of Burundi, Congo (Kinshasa), and Uganda. Despite gains in peace and security in the past decade, the region endures the chronic pressures of weak governance, ethnic cleavages, and active rebel groups. U.S. Government-sponsored modeling suggests that Burundi, Congo (Kinshasa), and Uganda are all at risk of violent instability during the next year. Rwandan-backed M23 rebels in Eastern Congo in 2012 engaged the Armed Forces of Congo and U.N. peacekeepers in the worst fighting since 2008, displacing more than a quarter-million civilians. Other armed groups will likely increase predatory activity, encouraged by Congolese President Kabila's flawed election in 2011 and his deteriorating control. Several of these nations have become U.S. Government security partners in recent years. Ugandan and Burundian troops compose the vanguard of AMISOM, and Rwanda is a vital part of the peacekeeping mission in Darfur.

Since 2008, Uganda has deployed troops across Congo, South Sudan, and Central African Republic to pursue Joseph Kony and the Lord's Resistance Army (LRA), with U.S. assistance, including approximately 100 U.S. military advisors. While LRA foot soldiers terrorize civilians in the region, Joseph Kony and his top lieutenants evade detection and tracking by keeping low profiles and moving in scattered bands across a remote region.

EAST ASIA

China

Regional Dynamics

During 2012, Beijing adopted strong, uncompromising positions in maritime territorial disputes with several of its neighbors. In each case, China sought to expand its control over the relevant territories and obstructed regional efforts to manage the disputes. Beijing's regional activities appear to be, in part, a response to the U.S. strategic rebalance toward Asia-Pacific, which Chinese leaders believe is aimed at undermining China's position in the region. Globally, Beijing has both assisted and

hindered U.S. policy objectives on such issues as Iran, Syria, Afghanistan, and North Korea, and it continues to expand its economic influence and to try to parlay it into greater political influence.

The leadership transition in Beijing continues to unfold as Chinese leaders grapple with a confluence of domestic problems—including lagging economic indicators, corruption, and pressure for political reform—that are fueling leadership fears about the potential for serious domestic unrest.

The leadership team that is confronting these internal challenges is also likely to maintain uncompromising positions on foreign policy issues, especially those involving maritime and territorial disputes in the South and East China Seas. Meanwhile, China-Taiwan relations remained relatively calm in 2012, due in part to the continuity provided by Taiwan President Ma Ying-jeou's reelection last January. However, progress in cross-strait dialogue almost certainly will continue to be gradual, and the cross-strait military and economic balance will keep shifting in China's favor.

Military Developments

China is pursuing a long-term comprehensive military modernization designed to enable China's armed forces to achieve success on a 21st century battlefield. China's military investments favor capabilities designed to strengthen its nuclear deterrent and strategic strike, counter foreign military intervention in a regional crisis, and provide limited, albeit growing, capacity for power projection. During 2012, China's People's Liberation Army (PLA) introduced advanced weapons into its inventory and reached milestones in the development of key systems, thereby sustaining the modernization program that has been underway since the late 1990s. For example, in August, the PLA Navy commissioned the Liaoning, China's first aircraft carrier, which Beijing probably sees as a significant step in developing a military commensurate with great-power status. Additionally, China has continued to develop advanced ballistic missiles.

Developments in Chinese military capabilities support an expansion of PLA operations to secure Chinese interests beyond territorial issues. To expand operations—specifically in the Indian Ocean—China is pursuing more effective logistical support arrangements with countries in the region. Beijing is also maintaining a multi-ship antipiracy task force in the Gulf of Aden for the fourth straight year to protect commercial shipping. The task force operates independently of international efforts, but is making a tangible contribution to protecting shipping through this heavily pirated area.

China is also supplementing its more advanced military capabilities by bolstering maritime law enforcement (MLE) activities in support of its territorial claims in the South and East China Seas. In the territorial disputes with the Philippines and Japan last year, the Chinese Navy stayed over the horizon as MLE vessels provided Beijing's on-scene presence and response.

North Korea

Kim Jong Un has quickly consolidated power since taking over as leader of North Korea when his father, Kim Jong Il, died in December 2011. Kim has publicly focused on improving the country's troubled economy and the livelihood of the North Korean people, but we have yet to see any signs of serious economic reform.

North Korea maintains a large, conventional military force held in check by the more powerful South Korean-U.S. military alliance. Nevertheless, the North Korean military is well postured to conduct limited attacks with little or no warning, such as the 2010 sinking of a South Korean warship and the artillery bombardment of a South Korean island along the Northern Limit Line. (For information on North Korea's nuclear weapons program and intentions, see the Proliferation section.)

RUSSIA AND EURASIA

Russia

Domestic Political Developments

During the next year, Russia's political system of managed democracy will come under greater strain as the Kremlin grapples with growing social discontent and a society that is increasingly in flux. Important sectors of the Russian public are frustrated with the country's sluggish economy and are no longer content with a political system that lacks any real pluralism and suffers from poor and arbitrary governance and endemic corruption. All of these factors present Russian President Vladimir Putin with far greater challenges than any he faced during his two previous terms in office.

Putin's return to the presidency in 2012 was intended to restore strength and vigor to a system that he believed had weakened under President Dmitry Medvedev. Instead, antipathy over the Putin-Medvedev job swap touched off some of the largest political protests Russia has seen since the breakup of the Soviet Union. Despite these unprecedented protests, the Russian leadership has demonstrated firm resolve to preserve the system, while a disparate opposition movement struggles to become more cohesive, broaden its base, and build momentum. After initially tolerating demonstrations and offering a few political reforms in the hope of dividing the opposition, the Kremlin took a more aggressive approach, adopting measures to restrict opposition activities, such as targeting opposition figures for harassment and using legislative and judicial means to confront, intimidate, and arrest opponents. These actions have helped to thwart the opposition's ability to build momentum and preserve the Kremlin's control of the political system, but they have not addressed the sources of bitterness and dissatisfaction.

Foreign Policy

Russian foreign policy is unlikely to deviate significantly from its current course in the next year, but domestic political factors almost certainly will exert greater influence on foreign policy. Putin is sensitive to any U.S. criticisms of Russian domestic political practices, which he perceives as meddling in Russia's internal affairs. Nevertheless, he sees benefits in cooperating with the United States on certain issues.

Missile defense will remain a sensitive issue for Russia. Russian leaders are wary that in the long run U.S. pursuit of a "missile shield" will result in systems that enable the United States to undercut Russia's nuclear deterrent and retaliatory capabilities. Russian leaders also see aspects of U.S. plans for missile defense in Europe as serious threats to their core national security interests. The Kremlin will continue to look to the United States and our North Atlantic Treaty Organization (NATO) partners for guarantees that any system will not be directed at Russia. On Syria, Russia is likely to remain a difficult interlocutor. The Kremlin will remain focused on preventing outside military intervention aimed at ousting the Assad regime. Moscow is troubled by the Libyan precedent and believes the west is pursuing a reckless policy of regime change that will destabilize the region and could be used against Russia. The Russians point to the rise of the Muslim Brotherhood in Egypt and the terrorist attacks against U.S. diplomats in Libya last September as evidence supporting their arguments.

Moscow is not likely to change its diplomatic approach to Iran's nuclear program. Russia argues that confidence-building measures and an incremental system of rewards are the best ways to persuade Iran to cooperate with the International Atomic Energy Agency. Despite disagreements over missile defense and the problems of Iran's nuclear program and Syria, Moscow supports U.S.-led NATO military operations in Afghanistan. It sees its support of the Northern Distribution Network (NDN) as a pillar of U.S.-Russia relations that also helps stabilize Afghanistan. Nevertheless, Russia is suspicious of U.S. intentions in Afghanistan and wary of any U.S. efforts to maintain a residual military presence after 2014 without a U.N. mandate, which could put Moscow's cooperation beyond this period in doubt.

Although the bilateral relationship with the United States will remain important for Russia, Moscow is most likely to focus its foreign policy efforts on strengthening its influence over the states of the former U.S.S.R. by binding them closer through integration initiatives, such as the Russia-Belarus-Kazakhstan Customs Union or Putin's proposed Eurasian Union.

The Military

Russian military forces, both nuclear and conventional, support deterrence and enhance Moscow's geopolitical clout. Since late 2008 the Kremlin has embraced a wide-ranging military reform and modernization program to field a smaller, more mobile, better-trained, and high-tech force during 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, a 10-year procurement plan was approved 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—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 they 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. 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-a-vis potential opponents with stronger militaries.

The Caucasus and Central Asia

Recent developments in Georgia, following the victory of Prime Minister Bidzina Ivanishvili's Georgian Dream party in the October 2012 parliamentary elections, offer new hope for easing bilateral Russian-Georgian tensions. Prime Minister Ivanishvili has expressed interest in normalizing relations with Russia and has sought to improve the tone of the dialogue with Moscow. However, after nearly a decade of President Mikheil Saakashvili's United National Movement party rule, Georgia faces a challenging political transition and an increased risk of domestic political instability.

The standoff between Armenia and Azerbaijan over the Armenian-occupied Nagorno-Karabakh region remains a 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.

The threat of instability remains in the states of Central Asia. Central Asian leaders have prioritized regime stability over political and economic reforms that could improve long-term governance and legitimacy. Most fear any signs of Arab Spring-type uprisings and repress even small signs of discontent. The Central Asian states have not built constructive relationships with each other; personal rivalries and longstanding disputes over borders, water, and energy create bilateral frictions between neighbors and potential flashpoints for conflict. Ethnic conflicts are also possible and could emerge with little warning. Clashes between ethnic Uzbeks and Kyrgyz in southern Kyrgyzstan following the 2010 overthrow of the government resulted in the deaths of more than 400 people, and in the absence of government efforts to lead reconciliation, tensions between these ethnic groups remain high.

Ukraine, Belarus, and Moldova

In Belarus, Lukashenko has weathered an economic crisis that presented him with the greatest challenge to his rule since he took power in 1994. Corrective measures and financial assistance from Russia have eased some of the more harmful consequences of the crisis, and opposition movements, such as the Revolution through Social Networks, have petered out. Nevertheless, Belarus's economic situation remains precarious, and Lukashenko's refusal to institute structural economic reforms raises the likelihood that Belarus will fall into another economic crisis in 2013.

Under President Yanukovich, Ukraine is drifting towards authoritarianism. The October 2012 parliamentary elections were marred by irregularities and fell far short of Western standards for free and fair elections, representing a step backwards from prior Ukrainian elections. Yanukovich also shows few signs that he intends to release imprisoned opposition leader former Prime Minister Yuliya Tymoshenko any time soon, a key condition to improving Ukraine's relations with the West. The government appears to be "doubling down," preparing additional criminal charges against Tymoshenko that could keep her behind bars for life. In addition, the lack of structural economic reforms coupled with a precarious financial situation raises the risk of economic crisis in 2013.

The status quo in Moldova is likely to prevail during the next year. Electing new leaders in Moldova and in the separatist region of Transnistria has improved the tone of relations between Chisinau and Tiraspol. A renewed focus on confidence-building measures, such as easing restrictions on the movement of people and goods, generated cautious optimism in early 2012 about progress toward eventual settlement of the Transnistria conflict. However, the negotiating positions of both sides later hardened, and a settlement to the conflict is highly unlikely in the next year.

LATIN AMERICA AND THE CARIBBEAN

Positive trends in much of Latin America include the deepening of democratic principles, economic growth, and resilience in the face of the global financial crisis.

Income inequality in the region is also showing a steady decline. In some areas, however, economic stagnation, high rates of violent crime and impunity, ruling party efforts to manipulate democratic institutions to consolidate power, and slow recovery from natural disasters are challenging these strides. Initiatives to strengthen regional integration are leading some countries to try to limit U.S. influence, but they are hampered by ideological differences and regional rivalries.

Iran has been reaching out to Latin America and the Caribbean to decrease its international isolation. President Ahmadinejad traveled to the region twice in 2012. Tehran has cultivated ties to leaders of the Venezuelan-led Alliance for the Peoples of our Americas (ALBA) in Bolivia, Cuba, Ecuador, Nicaragua, and Venezuela, and maintains cordial relations with Cuba and Nicaragua. Relations with Tehran offer these governments a way to stake out independent positions on the international issue of Iran, while extracting financial aid and investment for economic and social projects.

The drug threat to the United States emanates primarily from the Western Hemisphere; the overwhelming majority of drugs now consumed in the United States are produced in Mexico, Colombia, Canada, and the United States. Patterns in drug marketing and trafficking create conditions that could fuel this trend and further undermine citizen security in several countries in the region. Central American Governments, especially Honduras, El Salvador and Guatemala, are trying to cope with some of the highest violent crime and homicide rates in the world. In addition, weak and corrupt institutions in these countries foster permissive environments for gang and criminal activity, limit democratic freedom, encourage systemic corruption, and slow recovery.

Mexico

Recently inaugurated Mexican President Enrique Peña Nieto inherited a complex security situation marked by confrontation between the state and drug cartels, strong public concern over levels of violence, and unprecedented security cooperation with the United States. Peña Nieto has said he will prioritize efforts to reduce violence and push reforms aimed at strengthening the rule of law, including: Mexico's transition to an accusatory system of justice, a more effective counter-illicit finance regime, police professionalization, and bolstered government intelligence capabilities.

President Calderon turned over the presidency to Peña Nieto on 1 December, having made headway against several cartels, in particular Los Zetas, the Beltran Leyva Organization, and the Gulf Cartel. Drug-related homicides have increased significantly since 2007—Calderon's first full year in office—and remain high; more than 50,000 Mexicans have died as a result of drug-related violence since that year.

Peña Nieto promised to push forward Calderon's landmark 2008 constitutional reform to overhaul Mexico's judicial system. The judicial reform process has been uneven across Mexico's states, and many are unlikely to meet the 2016 implementation deadline. On police reform, Peña Nieto plans to create a new gendarmerie, or paramilitary police, to gradually take over policing duties from the military. He also has publicly endorsed efforts to reform and modernize the Federal police, as well as state and municipal-level police forces. Peña Nieto's plans to emphasize anti-money laundering efforts will be strengthened by a recently passed law that restricts high-value dollar and peso purchases commonly used to launder drug proceeds, such as in real estate sales, and requires government entities to provide data to support money-laundering prosecutions.

Venezuela

Venezuelan President Hugo Chavez's death on 5 March has triggered preparations for a new election in which we expect Vice President Nicolas Maduro to compete against Miranda Governor and former presidential candidate Henrique Capriles Radonski. Venezuelan Foreign Minister Elias Jaua announced that Maduro will take over as interim president and that an election will be held within 30 days. Maduro is a long-time Chavez loyalist and will almost certainly continue Chavez's socialist policies.

The Venezuelan Government will be up against the consequences of an increasingly deteriorating business environment and growing macroeconomic imbalances. Debt obligations will consume a growing share of Venezuela's oil revenues, even if oil prices remain high. Lingering citizen concerns that Caracas will face in the next year also include personal safety, which has been threatened by a rising tide of violent crime.

Cuba

Cuban President Raul Castro is proceeding cautiously with economic reforms to reduce the state's direct role in the economy and diversify trade relations, while pre-

servicing socialism and the regime. Measures implemented since 2011 to expand self-employment, permit sales of vehicles and property, and lease state lands to farmers are generally popular but have failed to produce much growth. With their primary patron Hugo Chavez's death, Cuba's leaders are urgently trying to attract foreign investment partners and increase their access to hard currency and foreign credit.

A priority for Cuban leaders is ensuring that economic reform does not increase pressure for a political opening and greater individual rights. 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 regime's grip on power. 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 sensitivity to public access to technology and information beyond its control. Indeed, harsh government repression of peaceful protests and an upswing in short-term arrests of dissidents indicate economic changes will not be coupled with political changes.

Havana recently announced a new travel and migration policy for most Cubans that will no longer require exit permits and extends the time Cubans can remain abroad without forfeiting property and other rights. The new policy has thus far only prompted a modest boost in U.S. visas. The U.S. Interests Section in Havana recently implemented process improvements that dramatically reduced wait times for non-immigrant visa appointments. Countries around the region are watching for any indication of significant increases in Cuban nationals arriving under the new travel policy, but to date they have seen no such increases.

Haiti

Stability in Haiti is fragile because of the country's weak governing institutions. Strained relations between President Michel Martelly, in office since May 2011, and the opposition-dominated legislature are delaying progress on several fronts, including plans to hold overdue Senate and local elections and advance the President's agenda to create jobs, improve education, and attract foreign investment. Although Martelly is generally still popular, the risk of social unrest could grow because of unmet expectations over living conditions and the lack of economic opportunities. President Martelly will likely face continued protests—some possibly violent and organized by his enemies—over rising food costs.

President Martelly and Prime Minister Laurent Lamothe intend to prioritize private-sector-led growth and end dependence on aid. However, Haiti will remain dependent on the international community for the foreseeable future because of the devastating effects of the earthquake in January 2010 on infrastructure and production capacity, several recent natural disasters that ruined staple food crops, and the unsettled political and security climate. Of the estimated 1.5 million Haitians displaced by the earthquake, more than 350,000 are still in tent encampments. We assess that the current threat of a mass migration from Haiti is relatively low because Haitians are aware of the standing U.S. policy of rapid repatriation of migrants intercepted at sea.

EUROPE

Euro-Zone Crisis

European leaders are still grappling with the euro-zone crisis—the euro zone's economy slipped back into recession in 2012 following 2 years of slow economic growth. We noted last year that the outcome of the crisis has major implications not just for the United States but also for the world economy. The risk of an unmanaged breakup of the euro zone is lower this year because European Union (EU) leaders have taken steps to strengthen banking and fiscal integration, but economic deterioration in Europe threatens to depress world growth.

This year, rising anger over austerity could affect Europe's social and political fabric. Given high unemployment—particularly among youth—throughout the peripheral euro-zone states (Greece, Italy, Portugal, and Spain), there has been an uptick in strikes and violent protests. The greatest risk to stability is austerity- and reform-fatigue spreading across Europe. In November 2012, tens of thousands marched—mostly in southern Europe but also in Belgium and France—in the first pan-EU labor union action against budget cuts. The crisis has already led most European states to cut defense spending, reducing the capability of allies to support NATO and other U.S. security interests around the world.

Turkey

Turkey's activist foreign policy has changed fundamentally during the past year, mostly in reaction to Assad's brutal approach to the opposition-led unrest in Syria. Ankara has since begun to support overtly the Syrian political opposition by hosting

its members in Turkey. This is a departure from Turkey's ruling Justice and Development party (AKP)-designed foreign policy approach, which emphasized engagement and incentives for shaping behavior but is now driven by the destabilizing regional effects of the Asad regime's actions. Turkey continues to call on the international community to take action against Asad and is increasingly turning to the United States and NATO for assistance in managing the crisis.

The Turkish Kurdish terrorist group Kurdistan People's Congress (KGK/former PKK) is Ankara's primary security threat. Turkey's Kurdish issue, marked by armed struggle against insurgent KGK forces now entering its fourth decade, is increasingly challenging Ankara domestically with regional implications. KGK-initiated violence inside of Turkey is at its deadliest level in more than a decade. This development is fueling public opposition to much-needed constitutional reforms to address the Turkish Kurdish minority's legitimate demands for political and cultural rights. The sharp rise in violence has pushed Ankara to lean more toward military, vice political, means to deal with the KGK, although efforts are underway to relaunch talks with the KGK leadership. Kurds in Syria are taking advantage of unrest fomented by the opposition to Asad, which is stoking Turkish fears of Kurdish separatism in Turkey.

Turkish relations with Iraq are strained. Turkish leaders are concerned about what they perceive to be increasingly authoritarian tendencies of the Maliki-led government, relations among communities within Iraq, and perceived trends in Iraq's foreign policy. Iraq has been angered by Turkey's efforts to expand political and energy ties with Iraq's semi-autonomous Kurdistan Region without consulting Baghdad.

The Turkey-Israel bilateral relationship remains troubled. In a September 2012 speech, Erdogan said Turkey would not normalize relations with Israel until Israel met Ankara's three conditions: publicly apologizing for the 2010 incident in which Israel interdicted an aid flotilla headed for Gaza and killed nine aboard the ship *Mavi Marmara*; providing reparations to the families of the *Mavi Marmara* victims; and lifting the Gaza blockade. Israel's late 2012 operation against HAMAS and other Palestinian militant groups in Gaza further hardened Turkish attitudes. There seem to be few prospects for improving relations between Israel and Turkey.

The Balkans

Ethnic and internal political divides in the Western Balkans will continue to pose the greatest risk to regional stability in 2013. Many fragile states in the region suffer from economic stagnation, high unemployment, corruption, and weak rule of law. Although the security situation in Kosovo's Serb-majority north has improved since fall 2011, Western diplomatic and security engagement is needed to implement many of the agreements reached in EU-sponsored talks.

As the EU-facilitated dialogue to help normalize relations between Kosovo and Serbia gains traction, the risk of threats and violence by ethnic Serb hardliners in northern Kosovo probably will increase. Serbia gained EU candidacy status in March 2012 and would like a date to begin EU accession talks. However, the relatively new government (elected last May) faces large hurdles in fulfilling EU accession criteria and reconciling Serbia's constitutional claims to Kosovo with the fact that Kosovo is independent. Kosovo's supervised independence ended in September 2012, and Pristina will likely seek to expand its instruments of sovereignty over its territory. The Kosovo Government opened the Mitrovica North Administrative Office in July 2012, extending government services to the Serb-majority region. In June 2013, Kosovo law allows the government to change the mandate of Pristina's potential efforts to transition the Kosovo Security Force (KSF). This warrants attention to avoid negative responses from Belgrade and the Kosovo Serb community in northern Kosovo.

In Bosnia-Herzegovina (BiH), differences among Serb, Croat, and Bosniak elites are intensifying, threatening BiH's state institutions and posing obstacles to further Euro-Atlantic integration. A series of political crises have distracted attention from pursuing needed reforms for EU and NATO integration, and secessionist rhetoric from the leadership of the political entity Republika Srpska has further challenged Bosnia's internal cohesion. In Macedonia, we do not expect a return to the civil war violence of a decade ago. However, disputes between Albanian and Macedonian communities might become more polarized in the coming year. Tension between Macedonia and Bulgaria warrants attention. In addition, Greece's ongoing objection to the country using the name "Macedonia" is another source of friction, and blocks Macedonia's EU and NATO aspirations. In Albania, government institutions suffer from corruption and excessive political influence. In the lead-up to the June 2013 parliamentary elections, there is worry about a return to the heated, partisan con-

flict that erupted after the 2009 parliamentary elections, when the opposition party contested the election and boycotted parliament on-and-off for nearly 2 years.

**STATEMENT OF LTG MICHAEL T. FLYNN, USA,
DIRECTOR, DEFENSE INTELLIGENCE AGENCY**

General FLYNN. Thank you. Good morning, Chairman Levin, Ranking Member Inhofe, and distinguished members of the committee:

Thank you for this opportunity to testify and for your continued support to the dedicated intelligence professionals of the DIA and the entire defense intelligence enterprise, many of whom are forward-deployed directly supporting U.S. and allied military forces in Afghanistan, as well as in 141 countries in 262 locations around the world. I have been the Director of DIA for nearly 8 months now and I cannot overemphasize how proud and privileged I am to serve our Nation in this capacity.

As our defense strategy highlights, our Nation is at a moment of transition. The global security environment, as Director Clapper just stated, presents increasingly complex challenges and a growing list of threats and adversaries. The demands on the U.S. intelligence system have skyrocketed in recent years and these demands are only expected to increase.

The United States faces an uncertain security environment marked by a broad spectrum of dissimilar threats from nation states, non-nation state actors, transnational organized criminal groups, highly adaptive transnational terrorist networks, the proliferation of WMD, and the ever-looming and very dangerous threat of cyber attacks against our defense industrial base as well as against other critical components of our Nation's infrastructure. I view this latter threat as the most dangerous threat we face today.

This opening statement, along with my more thorough statement for the record, reflects DIA's best analysis and it is based on DIA's worldwide human intelligence, technical intelligence, counterintelligence, and measurement and signature intelligence collection, as well as our world-class national-level document and media exploitation capabilities. Additionally, our mission is executed in close collaboration with our IC partners, our international coalition partners, as well as utilizing the full range of open sources available in today's information environment.

Our customers run the gamut from the President of the United States on down to our warfighting combatant commanders. But the most important customer we serve are the soldiers, sailors, airmen, marines, and civilians who serve our Nation around the world and who are willing to stand in harm's way to protect our country.

Without restating what Director Clapper has already addressed, I will simply say we face a complex and interconnected global operational environment characterized by a multitude of actors. This unprecedented array of threats and challenges include the continuing threats from the Taliban insurgency in Afghanistan, al Qaeda and affiliated terrorist organizations in the Middle East and Africa, terrorist havens in Pakistan, the popular upheavals and their aftermath in Syria, Egypt, and elsewhere in the Middle East, Iran's sustained nuclear and missile developments, North Korea's continuing nuclear and missile provocations, the growing serious-

ness of cyber threats to our defense industrial base, our Nation's critical infrastructure, government networks, and the American business community, particularly from China and Iran, and finally the growth in China's economic and military power. All of these factors place significant demands on the DIA and the entire defense intelligence enterprise.

As stated above, I believe the most pressing threat facing our country is the threat from cyber attacks. The daily occurrences of attacks are damaging on a variety of levels and they are not only persistent and dangerous; the likelihood of serious damage to our national security is very real.

Potential adversaries are increasingly more capable of conducting cyber operations. Cyber attacks remain an important and increasing transnational threat to the security of the United States, with state actors such as China, Russia, Iran, and North Korea integrating these capabilities into their intelligence-gathering methods and warfare doctrine. Malicious actors, including terrorist organizations, have also demonstrated the willingness, though limited capability, to use cyber as a means to attack U.S. interests.

One final point regarding cyber attacks that we need to keep in mind: Behind these attacks are human beings. Some are non-state individuals, some part of state-sponsored networks, but each with increasing capabilities and harmful intentions doing damage to our national security.

Lastly, since DIA's mission includes providing our DOD strategic warning, given the enduring impact of the Arab Spring, the ongoing turmoil in Syria, persistent territorial disputes globally, and emerging transnational threats previously described, all these challenges underscore our need for effective strategic warning and long-range foresight to prevent strategic surprise.

Strategic problems such as proliferation of WMD, state-on-state conflict, instability, resource scarcity, and terrorism remain at the forefront of U.S. warning concerns, however strategic surprise not only as a goal of the deliberate deception efforts by our adversaries, but now also stemming from human and social dynamics. Those small and varied interactions with seemingly no immediate relevance to DOD can rapidly evolve and radically alter U.S. policy.

To uncover these challenges, DIA in partnership with the IC, our combatant commands, and our closest international partners, monitors the interactions between military, political, technological, economic, and social developments. We place these events in the context of history, culture, religion, and physical and human geography. Our ability to understand these interactions provides decision advantage in the face of unforeseen events to anticipate surprise.

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

In order to meet these challenges, DIA through our strategy and our transformative Vision 2020, Driving Change Through Integration Project, has undertaken several initiatives intended to increase the efficiency and effectiveness of DIA and the defense intelligence enterprise, the single biggest component of which is our need to take the right lessons learned from a decade of war and more closely integrate our intelligence operations with our uniformed Services, our combatant commands, our IC teammates, and our allies and coalition partners.

To conclude, today's focus on combat operations in Afghanistan against insurgents and transnational terrorism around the world 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 close collaboration with the IC, DIA is strengthening collection and analysis and sharing more information across intelligence disciplines and with our Nation's closest allies.

The men and women of DIA and our entire defense intelligence enterprise know they have a unique responsibility to the American people and take great pride in their work. I am honored and privileged to serve with them and present their analysis to you. On behalf of the men and women of DIA and the entire enterprise, thank you for your continuing confidence. Your support is vital to us as well as our national security, and I look forward to answering your questions. Thank you.

[The prepared statement of General Flynn follows:]

PREPARED STATEMENT BY LTG MICHAEL T. FLYNN, USA

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

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

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

CONFLICT IN AFGHANISTAN

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

The Afghan Army and Police have performed well over the course of 2012. Increasing independent and Afghan-led operations, along with joint operations with ISAF, have countered insurgent influence in key urban centers in southern and eastern Afghanistan. Afghan Security Forces have proven more capable and better coordinated in responding to sustained high-profile attacks in Kabul, managing nationwide civil unrest, and have additionally improved their capability to secure roads and critical transportation corridors in the country's north. As an auxiliary

to Afghanistan's formal security forces, the Afghan Local Police (ALP) have disrupted insurgent activity in rural areas that might otherwise lack central government security presence.

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

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

The Afghan Police are steadily improving although sustained improvements to their development and capability will rely on continued ISAF oversight, partnering, and support. ANP development challenges are further compounded by a difficult dual mission of simultaneously building law enforcement capability and serving as a paramilitary backstop to the ANA. The Afghan Minister of Interior recognizes the strain this dual role places on the ANP's already limited capacity and has pledged to begin shifting the organization's focus toward the law enforcement mission. The Afghan population holds the ANP in lower regard than the Army, chiefly owing to perceptions of ineffectiveness and corruption.

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

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

Regarding Iranian influence in Afghanistan, Iran maintains a degree of economic leverage over Afghanistan, which it has attempted to use to extract political concessions from the Afghan Government. Iran is a key trade partner, providing critical imports of fuel to Afghanistan. Iran also hosts approximately 3 million Afghan refugees and, in May of last year, threatened their expulsion if the Afghan parliament approved the U.S.-Afghan Strategic Partnership Agreement. Although the threat was unsuccessful in deterring the Agreement, a mass deportation from Iran would cause a significant humanitarian crisis inside Afghanistan.

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

TRANSNATIONAL TERRORIST THREAT

Transnational and regional terrorist threat organizations continue to impact governments and U.S. interests around the world, particularly al Qaeda and its associated groups.

AL QAEDA

Several years of sustained counterterrorism pressure have degraded al Qaeda's Pakistan-based leadership. Al Qaeda is now forced to rely on a limited cadre of experienced leaders, who are restricted to operating primarily inside a Haqqani Taliban Network-facilitated safehaven in North Waziristan. This pressure has made it difficult for al Qaeda to replenish its senior ranks with the experienced leaders, trainers, and attack planners it was able to promote in previous years. It has also limited the group's ability to mount sophisticated, complex attacks in the west similar to the attempted 2006 transatlantic airliner plot.

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

In addition, Pakistan-based al Qaeda will retain its leadership role, guiding the al Qaeda-associated movement over the next 6 to 12 months. Even if continued counterterrorism pressure further diminishes the leadership, the remaining al Qaeda senior leaders will retain at least a symbolic leadership role through public statements and strategic guidance to regional nodes.

Yemen-based al Qaeda in the Arabian Peninsula (AQAP) remains resolute in targeting the U.S. Homeland, as well as U.S. and western interests in Yemen and the Arabian Peninsula. However, ongoing counterterrorism efforts against the group's leaders are likely slowing progress of operational coordination. Over the next 6 months, the group will likely focus on attacks against U.S., Western, Yemeni, and Saudi interests in the Arabian Peninsula while simultaneously pursuing external plotting in the west.

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

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

OTHER TERRORIST GROUPS/AREAS OF CONCERN

In the Horn of Africa, Al-Shabaab remains resilient despite the Somali Government, African Union Mission in Somalia, and Ethiopian National Defense Force's coalition ability to maintain pressure on the group. Despite its loss of territory, al-Shabaab will continue asymmetric and terrorist attacks in Somalia and Kenya during 2013. Concurrently, al-Shabaab-associated foreign fighters are expected to increasingly plot attacks regionally.

Iran supports and arms terrorist and militant groups in Afghanistan, Iraq, Yemen, and the Levant. The Iranian Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF) trains and provides weapons and logistic support to Lebanese Hizballah. In turn, Lebanese Hizballah trains Iraqi Shia insurgents and terrorists in Iraq, Iran, Lebanon providing them with tactics and technology which pose a threat to U.S. interests. Iran's security forces, since mid-2012 have also provided training, ad-

vice, money, weapons and equipment for Jaysh al Sha'bi a Syrian pro-regime militia. This training, some of which has taken place in Iran at government facilities, has enabled Jaysh al Sha'bi to operate rifles, mortars and rocket propelled grenades. The October 2011 plot to assassinate the Saudi Ambassador to the United States, the disrupted attacks in Azerbaijan, Thailand, and Kenya, and the February 13, 2012, attacks in India and Georgia illustrate the terrorist threat posed by Tehran.

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

Southeast Asia (SEA) remains a facilitation hub for transnational terrorist groups. Transnational and regional Islamic terrorists and insurgents exploit porous borders and limited security cooperation between SEA nations, enabling movement of personnel and logistics throughout the region. Although authorities have arrested several terrorists with ties to al Qaeda, al Qaeda remains interested in maintaining links to associated networks and persistent efforts by al Qaeda to reestablish a foothold in SEA remain a long-term threat.

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

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

HOMEGROWN VIOLENT EXTREMIST AND INSIDER THREATS

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

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

CYBER THREAT

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

As the United States, the DOD, and our interdependent defense systems and critical infrastructure continue to grow more reliant on the convergence of networks and the Internet, any uncertainty as to how state or non-state actors will use cyber warfare capabilities will threaten our ability to appropriately defend our critical defense systems and infrastructure, as well as our ability to plan for military re-

sponses. The recent Aramco attacks in Saudi Arabia as well as the distributed denial of service against U.S. financial institutions highlight developing challenges in this area.

Some of the most advanced cyber state actors probably will not launch a devastating cyber attack against the United States absent a military conflict or other existential threat within the next 2 years, however, continued cyber reconnaissance and exploitation from a myriad of cyber actors will continue.

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

NATIONS AND REGIONS OF INTEREST

Iran

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

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

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

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

Iran is making steady improvement to its military capabilities. The navy, in particular, is developing faster, more lethal surface vessels, growing its submarine force, expanding its cruise missile defense strategy, and increasing its presence in the Gulf of Oman, the Persian Gulf, and the Caspian Sea. The navy continues to conduct out of area deployments, to include near continuous counter-piracy operations in the Gulf of Aden and southern Red Sea as well as a deployment to the Mediterranean Sea in early 2012, and aspires to travel as far as the Atlantic Ocean.

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

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

Iran's intelligence services also play a vital role projecting Iranian influence beyond its borders. The Qods Force plays a central—yet often hidden—role in formulating and implementing Iran's Foreign Policy, particularly in areas considered vital to Iran's national security interests, like Iraq and Afghanistan. Iran's intelligence

services continue to improve their technical capabilities and expand Iran's influence into Latin American and Africa.

North Korea

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

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

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

In response to United Nations Security Council condemnation of its December Taepo-Dong-2 space launch and apparent nuclear test in February, North Korea has threatened additional coercive actions which may include long range ballistic missile launches and more nuclear tests. While these actions leave North Korea more isolated economically and diplomatically, we believe North Korea's intent ultimately is to convince the United States of the futility of continued sanctions and force the United States back to negotiations on terms more favorable to North Korea.

North Korea's large, forward-positioned military can attack South Korea with little or no warning, but it suffers from logistic shortages, aging equipment, and poor training. Pyongyang likely knows it cannot reunite the Korean Peninsula by force and is unlikely to attack on a scale that would risk the survival of its regime, but has improved its capability to conduct military provocations, especially along the disputed maritime boundary in the Yellow Sea. Pyongyang is also making efforts to upgrade conventional weapons, including modernizing every aspect of its deployed missile forces.

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

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

China

Turning to China, the People's Liberation Army (PLA) is building a modern military capable of defending China's "core interests" of protecting territorial integrity (which includes Taiwan and other territorial and maritime claims around China's border), preserving China's political system and ensuring sustainable economic and social development. Preparation for a Taiwan conflict with U.S. intervention remains the primary driver of the PLA's evolving force structure, weapons development, operational planning and training.

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

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

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

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

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

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

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

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

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

Pakistan

In Pakistan, tension in the U.S.-Pakistan relationship eased with the July 2012 reopening of the U.S./NATO supply lines in Pakistan after an 8-month closure and an apparent decision by Pakistan to reset the relationship. Although dialogue has resumed, anti-U.S. sentiment and criticism of Pakistan's cooperation with the United States among the population remains high.

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

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

Pakistan has taken steps to improve bilateral ties with Kabul over the past year. Tension with Kabul increased after Kabul implicated Islamabad in the 2011 assas-

sination of Afghanistan's High Peace Council Chairman Burhanuddin Rabbani. After bilateral relations resumed in February 2012, Pakistan acquiesced to long-time Afghan requests by publicly calling on the Taliban to join reconciliation efforts and releasing some Taliban prisoners to energize the Afghan peace process. However, longstanding issues including cross-border shelling by Pakistan and alleged Afghan safe havens for anti-Pakistan militant groups continue to impede broader cooperation.

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

India

While the India-Pakistan rivalry continues to overlay regional and military competition between the two nations, relations between New Delhi and Islamabad improved in 2012. India and Pakistan agreed to expand trade, and continue to discuss implementation of Pakistan's decision to grant India Most Favored Nation trade status. They are expected to continue holding talks on nuclear and conventional confidence-building measures through the year.

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

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

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

India is in the midst of a major military modernization effort—undertaken by all three Military Services—to address problems with its aging equipment and to posture itself to defend against Pakistan and to a lesser extent China. Military modernization is progressing slowly due to India's bureaucratic procurement process and a defense industry, which fails to provide equipment to the services that meet requirements. Currently, India fulfills over 70 percent of its Military Service equipment requirements through foreign acquisitions; New Delhi would like to reverse this percentage, sourcing 70 percent of requirements from indigenous defense industries.

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

ARAB SPRING

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

The outcome in countries still facing unrest, such as Syria, is similarly unclear. Syria remains a stalemate between a cohesive, but embattled regime, and a fractured opposition that appears to be gaining ground but has yet to either coalesce into a force capable of overthrowing the regime or convince the majority of the population they are a viable alternative. The regime has lost enough legitimacy that its long-term survival is unlikely, but when and how the stalemate will break is uncertain.

Libya

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

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

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

Syria

After 2 years of unrest, Syrian President Asad's hold on power is becoming tenuous, due to the improved effectiveness of Syria's internal armed opposition and deteriorating security situation in the country. Asad's inner circle appears to be largely cohesive. The Syrian military, despite casualties, desertions, and defections, remains largely cohesive, but is likely stretched thin by constant operations. The military has not been able to quash opposition activity in the vital cities of Damascus and Aleppo—despite employing increasingly lethal tactics—and appears to be straining to maintain operations in other parts of the country.

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

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

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

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

Syria has several hundred SCUD-B, -C, and -D, and SS-21 SRBMs and may have chemical warheads available for a portion of its SCUD missiles. Syria also has

a domestic version of the Iranian 600 mm Fateh-110 SRBM. All of Syria's missiles are mobile and can reach much of Israel and large portions of Iraq, Jordan, and Turkey from launch sites well within the country. Damascus relies on foreign help, mainly from Iran, to advance its solid-propellant rocket and missile development and production capability. Syria's liquid-propellant missile program depends on essential foreign equipment and assistance, primarily from North Korean entities.

Egypt

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

Domestic security remains a challenge for the Mursi Government, as the police are alienate from the public during following their role in tamping down protests during the 2011 revolution. Nearly 2 years following the revolution, the military continues to fulfill some domestic security functions as police and security forces attempt to regain their capabilities and legitimacy. For example, Egyptian security forces struggled to control protests at the U.S. Embassy in Cairo in mid-September, resulting in perimeter breaches. Meanwhile, the Sinai security situation continues to deteriorate and terrorist networks build their capabilities amid the security vacuum.

REMAINING LEVANT

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

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

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

Iraq

Since formally ending the Iraq mission in December 2011, the Iraqi Security Forces (ISF) have demonstrated progress in providing security and will probably be able to maintain internal security over the next year. While sectarian tensions have increased due to the government's unwillingness to share power and the growing crisis in Syria, the violence in Iraq is expected to remain consistent with levels observed since late 2009 as long as the Syrian regime stays in power and the spillover of violence is limited. The ISF is becoming more capable having led Iraqi security operations since late 2010, but can quickly become overwhelmed as they still require training and assistance in a number of areas including logistics, intelligence, and employment of newly acquired equipment. The ISF have demonstrated an ability to put forces on the street, conduct static security of high-profile sites, and operate

checkpoints. However, numerous security vulnerabilities remain due to manning shortages, logistical shortfalls, and overly centralized command and control. The ISF are still unable to defend against external threats especially from the air, having no ability to defend their airspace.

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

Iraq's Sunni population is increasingly distraught over its fortunes in Iraq and continued targeting by the Shia-led government in Baghdad. The arrest of Sunni Finance Minister Rafi al-Issawi's security team only a year after a similar action against former Sunni Vice President Tariq al-Hashimi set off large-scale demonstrations in Iraq's three major Sunni provinces. Although the demonstrations thus far have been mostly peaceful, if Sunnis do not see progress through the political process or concessions from the Iraqi Government, some may seek change through force rather than the ballot box.

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

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

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

Arabian Gulf

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

Bahrain and Saudi Arabia continue to experience opposition protests, however they do not pose existential threats to the regimes. In Bahrain, low-level street violence has become the norm, with radical youth groups regularly using Molotov cocktails, IEDs and other homemade weapons to attack police patrols. There were a number of violent clashes and protests in Bahrain leading up to February 14th, the 2-year anniversary of the Shia uprising; however, Bahraini security forces consistently use less-than-lethal measures to disperse these protests. Shia in Saudi Arabia's Eastern Province also conduct sporadic protests. While the Saudi Government has generally practiced restraint, a few Shia have died during clashes.

Russia

Moscow has serious concerns about missile defense plans in Europe and is using diplomacy and public relations to try to shape implementation of the European Phased Adaptive Approach—the U.S. contribution to a North Atlantic Treaty Orga-

nization missile defense system. Moscow insists on legal guarantees that missile defense systems would not target Russia's strategic capabilities. Russian leaders have threatened to take military countermeasures if the impasse in missile defense negotiations persists.

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

Moscow's 10-year rearmament plan is a top priority for the Armed Forces, but it faces funding and implementation risks owing in part to a potential decline in oil and gas revenues, spending inefficiencies, an aging industrial base, and corruption. Russia spent an announced \$63.2 billion on its Armed Forces this year, and the current budget plan calls for a 9.8 percent inflation-adjusted increase in 2013. Multiple demands on the Russia budget, including President Putin's insistence the current budget fund his social spending decrees, have caused the defense budget to grow at a slower pace than Moscow originally intended.

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

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

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

Russia's space sector has experienced a series of failures in recent years but is taking steps to correct quality control problems within its satellite and space launch vehicle industries. In the past year, Russia completed population of its *GLONASS* navigation satellite constellation and is making gradual improvements to its communications, ballistic missile launch detection, and intelligence-gathering satellites. Moscow has extensive space surveillance and tracking assets, a prerequisite for performing a full range of space activities, and is on track to modernize and expand these capabilities by 2020.

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

Africa

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

ance Army, has been pursued by a regional coalition that relies on U.S. support. Longstanding Chinese influence and growing Iranian involvement pose additional challenges to U.S. interests.

Latin America

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

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

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

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

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

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

OTHER TRANSNATIONAL ISSUES OF CONCERN

WMD and Delivery System Proliferation

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

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

Many advanced nations are cooperating to stop WMD proliferation; however some aspects of WMD-related research and technology are beyond their direct control, including scientific advances, scientists' enthusiasm for sharing their research, and the availability of information about dual-use threats or technologies. For example, the availability of naturally occurring pathogens of proven virulence exploitable

from actual disease outbreaks presents a low-cost, low-risk, low-complexity alternative to obtaining such organisms from either a secured laboratory facility or an environmental reservoir.

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

THEATER BALLISTIC MISSILES

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

GLOBAL NARCOTICS

The multi-billion dollar global narcotics trade is a major and growing source of crime, violence, and political instability in Latin America, Europe, Africa, and Asia undermining the rule of law, sapping legitimate economic development, and inflicting high socio-economic costs. The production and trafficking of the two drugs most associated with conflict, insurgency, and insecurity are cocaine and heroin. The total retail market value of these two drugs alone exceeds \$150 billion while the overall value of the global illicit drug market is over \$320 billion. Traffickers often bribe officials and buy military-grade weapons and sophisticated communications equipment that give them state-like intelligence and security capabilities. As drug consumption expands in the developing world, anti-government groups will increasingly exploit growing drug market opportunities to supplement other sources of funding.

FOREIGN INTELLIGENCE THREATS

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

HARD, DEEP, BURIED TARGETS/UNDERGROUND FACILITIES

The use of underground facilities (UGF) to conceal and protect critical military and civilian assets and functions is widespread and expanding. China, North Korea, Iran, Syria, Russia, Pakistan, and Lebanese Hezbollah have active underground programs. UGFs conceal and increase the survivability of strategic command and control, leadership protection and relocation, military research and development, industrial production, and strategic military assets. A significant trend of concern is the basing of ballistic and cruise missiles and other systems designed for anti-access/area denial weapons directly within UGFs.

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

ADVANCED CONVENTIONAL MUNITION PROLIFERATION

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

GLOBAL HEALTH SECURITY

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

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

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

POTENTIAL FOR STRATEGIC SURPRISE (WARNING)

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

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

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

INVESTMENT STRATEGY FOR SCIENTIFIC AND TECHNICAL INTELLIGENCE ANALYSIS AND COLLECTION

Scientific and Technical Intelligence (S&TI) is foundational to all aspects of DIA's mission. DIA's efforts in the area of S&TI are intended to anticipate development of foreign advanced weapons, provide characteristics and performance of foreign systems, deliver onboard intelligence mission data to maximize the effectiveness of our military systems, characterize advance in denial and deception, and generate warning of the disruptive use of existing and emerging technologies by both state and non-actors. In recent years we have noted, for example, the appearance of sophisticated threats to our naval forces, efforts to counter our advantages in precision guidance and low-observable systems and the ability of terrorist groups and insurgents to rapidly adapt improvised explosive devices to newly introduced countermeasures.

We have also seen the appearance on the horizon of technologies such as quantum computing or electromagnetic weapons that may eventually pose a threat to our information security, computer capabilities, and communications backbone.

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

CONCLUSION

Today's focus on combat operations against insurgents and transnational terrorists does not preclude the potential that other threats will come to the fore, including conflicts among major countries that could intersect vital U.S. interests. Defense intelligence must be able to provide timely and actionable intelligence across the entire threat spectrum.

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

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

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

Chairman LEVIN. Thank you very much, General.

We'll start with an 8-minute first round.

Director Clapper, Iran has been enriching and continues to enrich uranium, and to stockpile that uranium, currently under the International Atomic Energy Agency (IAEA) safeguards. The concern, however, is that Iran might be able to stockpile enough uranium to enrich weapons-grade uranium and to produce nuclear weapons in a relatively short period.

Your prepared statement includes an important assessment that Iran could not divert safeguarded material and produce a weapon's worth of uranium before this activity is discovered. Can you tell us about how much warning you believe we would have?

Mr. CLAPPER. We continue to hold the most likely assessment, our assessment is that if they were to move to highly enriched uranium, which would be a dead giveaway—there's no other reason that it would be produced other than for a weapon—the most likely scenario is they would do that covertly, which would actually slow the time—actually lengthen the time in which they could develop a testable single weapon.

Clearly, if they were to do a breakout using the facilities they have now to enrich uranium, which is, as you indicated, under safeguard and under IAEA supervision, that clearly is a real bellwether. That would be a big warning. If they were to do that, which we think is the least likely scenario, it would be a fairly brief time, as we indicated in the statement.

Chairman LEVIN. A fairly brief time?

Mr. CLAPPER. There are imponderables there on how—because there's an industrial process here involved and so there's all kinds of factors that could affect that time. But we're talking probably a period of months, not years.

Chairman LEVIN. All right. Have they made a decision, in your assessment, to produce nuclear weapons?

Mr. CLAPPER. They have not. We continue to hold that they have not yet made that decision, and that decision would be made singly by the Supreme Leader.

Chairman LEVIN. Can you give us your assessment of the impact of the current sanctions regime against Iran?

Mr. CLAPPER. It is having a huge impact on their economy, there is no question about that. Any measure you use—inflation, unemployment, unavailability of commodities, et cetera, it's having a tremendous impact on their economy by any measure. That said, it has not yet induced a change in their policy.

Chairman LEVIN. General Flynn and Director Clapper both, relative to Pakistan: Has Pakistan changed its strategic calculation with respect to Afghanistan? More specifically, is there any change that we have determined in Pakistan's so far unwillingness to deal with the Afghan Taliban which has been given sanctuary in Pakistan? Is that still their on-the-ground position, that they are not going to take on or deal with or put in jeopardy the Afghan Taliban that is again inside Pakistan?

Mr. CLAPPER. I will say that the tenet to remember here is that the primary strategic interest of Pakistan is India, and so they view whatever they do in Afghanistan through that lens of their preeminent threat, and what they are most consumed with is India. So to the extent that they can maintain visibility and influence in Afghanistan, I believe they will continue to do so.

Chairman LEVIN. So there's no change that we have discerned in Pakistan and so far their unwillingness to take on the Taliban inside Pakistan, the Afghan Taliban?

Mr. CLAPPER. Inside Pakistan, the sect of the Taliban that's in Pakistan certainly poses, does pose a threat to the Pakistanis and they have, when they could—

Chairman LEVIN. The Afghan—

Mr. CLAPPER. They have also, I need to point out, lost thousands of troops in the FATA in pursuit of militants.

Chairman LEVIN. But I'm talking about the Afghan Taliban that they have given sanctuary in Pakistan.

Mr. CLAPPER. That's correct, that's correct.

Chairman LEVIN. Let me ask General Flynn: Is there any change in that?

General FLYNN. Not basically.

Chairman LEVIN. All right. Now, in terms of North Korea, you've indicated, I believe, that the difference that's been publicly stated between the IC, writ large, and the DIA on the issue of whether or not North Korea has a nuclear weapon capable of delivery by a ballistic missile, that is in your judgment a small part of a bigger picture, Director Clapper, and that is a nuanced issue, as you point out.

I would think that because of the public leak here and the description of this that the best way to determine that it's a nuanced difference is to deal with the nuance.

Mr. CLAPPER. The best way to deal with it would be to know about it.

Chairman LEVIN. I understand.

Mr. CLAPPER. So, as I pointed out, the issue here is what we know, in fact, which we've outlined, and what we impute from those facts, and that's where you get into the differences and confidence levels that people have.

Chairman LEVIN. Can you, just since it's now in the public, give us an idea as to why you think it's nuanced, give us what that difference is?

Mr. CLAPPER. The difference has to do with the confidence level in the actual ability of the North Koreans to make a weapon that will work in a missile. Neither we nor the North Koreans know whether that will actually work, whether they have such a capability, if they have it whether it will actually work. So DIA has a higher confidence level than the rest of the community on that, on that capability. That's the difference.

Chairman LEVIN. Okay, that's helpful.

In Syria, the President set forth a red line in terms of chemical weapons. Without getting into the question of that which you prefer to deal with in a classified setting, can you tell us whether, in your judgment, Director, that red line has been crossed?

Mr. CLAPPER. That is a policy question and not one for intelligence to comment on.

Chairman LEVIN. So there is no assessment that you've made—without getting into it in public, have you made an assessment as to whether that red line has been crossed?

Mr. CLAPPER. I have not, and nor will we.

Chairman LEVIN. All right. You talked about the global jihadist movement, Director, in your opening statement. Does the continuing operation of the detention facility at Guantanamo serve as a recruitment tool for a global jihadist movement?

Mr. CLAPPER. I'm sorry?

Chairman LEVIN. Is the continued operation of the facility at Guantanamo a recruiting tool for the global jihadist movement?

Mr. CLAPPER. This has been a long subject of debate ever since Guantanamo was established, and there are those who believe that in the past it has been used or cited certainly in jihadist literature and on their websites.

Chairman LEVIN. General Flynn, do you have an opinion on that?

General FLYNN. I agree with what Director Clapper has stated here. I think that we just have to pay attention to not just Guantanamo, but also other places where individuals are being held by other countries, and pay very close attention to what happens to the disposition of those individuals in those other countries.

Chairman LEVIN. As it might relate to—

General FLYNN. As it might relate to their returning to the battlefield, so to speak.

Chairman LEVIN. Thank you.

Senator Inhofe.

Senator INHOFE. Thank you, Mr. Chairman.

I wasn't going to mention Guantanamo, but just for the record, I've always observed this is one of the few good deals that we have. It's still only \$4,000 a year and about half the time, they don't even bill us for it.

But I'd like, for the record, you to tell me, what do we have—where is an alternative to Guantanamo? Because I think that's a great resource and it's been used, politically, in the wrong way in my opinion.

[The information referred to follows:]

General FLYNN. Within the Department of Defense, this would be handled by the Under Secretary of Defense for Policy.

Senator INHOFE. The statement that you made, Director Clapper, we couldn't find in your written statement. So I sent for it and I found it. I'm going to read this really quickly. I was overwhelmed. You said: "In almost 50 years of intelligence, I don't remember when we've had a more diverse array of threats and crisis situations around the world to deal with."

Mr. Chairman, I think that's about as strong a statement as I've heard.

General Flynn, do you agree with that statement?

General FLYNN. I do.

Senator INHOFE. Director Clapper, I was going to bring up this, the last time we went through this, because I was in the Senate at the time we went through the last peace dividend. I remember the euphoria that was out there. The Cold War is over, we no longer need all of this. We actually did a lot of cuts in terms of—I have one that, it's somewhere around a 30 percent cut in our capability. At the same time, China, during that same decade of the 1990s, was increasing by about 300 percent.

Do you see—what other similarities—now, you've covered that and I appreciate it. What other similarities do you recall that happened during that peace dividend facade back in the 1990s and what we're facing today? Anything else?

Mr. CLAPPER. Looking back, because of the cuts we were taking I often wonder whether we failed to fully appreciate the onset of terrorism. I remember I first got religion about terrorism when I did the Khobar Towers investigation in 1996. I had just left DIA as its Director. That occurred in June 1996 and I had left DIA as Director in September 1995, and had occasion to go back and critique myself, and I saw how little my former agency, now General Flynn's, was devoting to terrorism. A lot of it was because of, I think, the cuts and still trying to get over the preoccupation with the Soviet Union.

Senator INHOFE. You would probably say that we need to remember the lessons of that currently, I'm sure?

Mr. CLAPPER. Absolutely, sir. That's why I said I fear I've seen this movie before.

Senator INHOFE. Yes, sir. That's a good way of putting it.

Director Clapper, I've said sometimes we say things so many times we forget what the original source was. I do remember, though, back in, I think it was 2007, that our intelligence did come to the conclusion that Iran was going to have the capability that we're looking at now by 2015. That's the first time that I remember

that date, and that really hasn't changed much since then. Am I accurate in my recollection?

Mr. CLAPPER. Specifically, sir, what capability are you referring to?

Senator INHOFE. I'm talking about a nuclear capability and delivery system.

Mr. CLAPPER. That date is good. The Iranians are pursuing the development of two systems that potentially could have intercontinental capability and the belief is that about the first time they'd be ready to do that would be as early as 2015.

Senator INHOFE. For both of you: Recently, we had a Senate Armed Services Committee hearing earlier this year when we asked General Mattis this question. We said: "Do you believe that current economic and diplomatic efforts to stop Iran from acquiring a nuclear weapons capability have been successful?" His answer was: "No." Do you agree with his answer?

Mr. CLAPPER. My answer to that—and I've been asked that, to comment on General Mattis's comment—was that the sanctions are having a huge impact on their economy, but it has not yet induced a change in their policy.

Senator INHOFE. How about you, General Flynn?

General FLYNN. I would agree. Their behavior, and their intention, is to achieve that capability.

Senator INHOFE. Okay.

One of the concerns I have, and you did cover it, Director Clapper, briefly anyway, and that is the continent of Africa. We were all concerned back when that was under three commands and now, of course, it's under one command. But the resources for that command come from U.S. European Command (EUCOM). We've talked to both Admiral Stavridis, the current one, and of course General Breedlove is going to become the EUCOM commander, and they're all very much concerned, as I have been for a long time, in the lack of, even currently, without reducing resources due to sequestration, the lack of resources that we have facing the potential threats on that continent.

Now, you talked about Mali, some of what's going on now. We remember going through the Somalia problem. Sudan, Southern Sudan—I've been to Southern Sudan twice and I've seen this new country being developed, and I'm very concerned about the fact that we were short of intelligence in that whole region.

It's not just the countries that you mentioned. You did mention Nigeria. But there's other places in West Africa, all the way from Togo, Ghana, and then down into the gulf, where once they are developing the oil resources down there and that money emerges, problems emerge with it. So we're going to, I'm sure, have to expand our ISR capability in that area.

Do you have any thoughts about the parts of Africa that you did not mention that are potentially a great threat?

Mr. CLAPPER. Sir, I think you covered it very well. I would just comment that if you look at northern Africa, say from Mauritania or Senegal on the west all the way to Sudan on the east, it's about 475 million people, and very porous borders, weak security services, and of course the place is awash in weapons. Most importantly, most importantly, a very high proportion of the population

are young and unemployed males, who are frustrated and are easily attracted to the jihadist causes.

So that whole area I believe is, and the other countries you mentioned, I think is going to be a tremendous challenge, certainly for us in the intelligence business, a big challenge. We don't cover the Earth like Sherwin-Williams paint equally. So we have focused on other areas. So the challenge will be how to bring to bear more, particularly in the ISR arena, capability to Africa.

Senator INHOFE. Yes, Africa is unique in another way, too. You can find a place right now where we have adequate intelligence, there's not a real threat there. But when they change leadership in these countries—look at Cote d'Ivoire. When the Gbagbos were taken over—I know the Department of State (DOS) doesn't agree with my assessment of this, but when they were taken over by this Alassane Ouattara, who is actually from Burkina Faso, all of a sudden you have a new threat that's out there. To stay ahead of that, while it wasn't necessary to get a lot of intelligence prior to that time under the Gbagbo regime, in my opinion, now it is because you're dealing with people who have terrorism in their background.

So I would just hope that we look at some of the potential problems that are there, because they're very real in that country.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator Inhofe.

Senator King.

Senator KING. Director Clapper, you've given us an appalling list of risks today, a long list of threats and problems that we face. You started your testimony talking about the effect of the sequester and I think it's important to emphasize that the sequester is not a 1-year proposition. It is written into law to continue.

Given that list of threats and given the increase in risk that's occasioned, would it be fair to say that the sequester itself is the most serious security risk this country faces right now?

Mr. CLAPPER. It's certainly what—as I indicated in my testimony, it is certainly consuming us, the IC leadership, for what we see happening to the capability and, importantly, the expectations that people seem to have for our having this global insight. That's going to be very hard.

If we sustain sequestration through 2021, which is what the law calls for, in fact, we go through another year of sequestration, as I said in my testimony to the Senate Intelligence Committee and the day before the House Intelligence Committee, we collectively are going to have to rethink what people expect from the IC, because it isn't going to be the same.

Senator KING. General Flynn?

General FLYNN. Yes, if I could add to that, because I just want to reemphasize this as another senior leader in the IC. Just to reemphasize what Director Clapper talked about, we are about people and we do not want to damage that vital component of our capability. The sequestration, as you all know, provides us almost no flexibility, not just this year, but over the long haul.

One other thing I'd like to remind everybody is our adversaries won't take a strategic pause to wait for us to correct ourselves. The real cost—and I think Director Clapper highlighted it very well—is what I would describe as public insecurity and the potential for

strategic surprise. We really won't know what we've missed, given the potential damage that sequestration will have on us. So I think his word "insidious" is appropriate.

Senator KING. We won't know what we've missed until something blows up.

Mr. CLAPPER. Yes, sir.

Senator KING. Let me change the subject to a more specific one. I asked General Dempsey this the other day. In Afghanistan, as we are transitioning out it seems to me one of the key questions is: Who do the people of Afghanistan support? From an intelligence perspective, are they with the Karzai regime? Are they with the government? Are they with the Taliban? What is the status of the on-the-ground public opinion in that country?

Mr. CLAPPER. I think it's very much a mixed bag and I think the forthcoming election, assuming it's held on time, has already generated a great deal of political activity. I think that's going to be a real indicator of where these loyalties lie. In the areas controlled by the Taliban—that's principally in the rural areas—I think they're probably in control and hold sway. In the urban areas, particularly in Kabul, probably the central government under Karzai has more attraction.

But bear in mind, Afghanistan is very much a tribal country, somewhat artificial as a country in the conventional sense that we think about countries. So loyalties, I think, lie mostly on a tribal basis.

Senator KING. One other more specific question on the sequester and the dollars. As I read the figures that you have supplied, Director Clapper, we're talking about absolute cuts in real dollars, not cuts in growth, is that correct?

Mr. CLAPPER. Absolutely. We had to cut about \$4 billion in 7 months and in a classified setting I'd be happy to go through the litany of actual capabilities that we're cutting.

Senator KING. But that continues over time.

Mr. CLAPPER. Absolutely.

Senator KING. It will be some time before you actually reach the amount of nominal dollars that you were at in 2012, is that not correct?

Mr. CLAPPER. If you start with the base of 2012 and take sequestration and the other actions that have been taken, it is a substantial cut and we don't start to get well until about 2022 or 2023.

Senator KING. Thank you.

One other question on Iran. We've had some discussion. This morning in the New York Times there was an article headlining a report led by former Ambassador Pickering, who is very well respected in the field, who argues that the sanctions in Iran are not affecting the decisionmakers and, in fact, may be driving them in the other direction.

Could you comment on that thought?

Mr. CLAPPER. That's certainly one thesis. There are those in the IC that have pointed that out, that that's a possibility, that you would reach a certain tipping point where maybe that would prompt the Supreme Leader to go ahead and build a nuclear weapon. That's clearly a possibility. But at the same time, at least right now, we don't think that decision's been made.

Senator KING. It seems to me the problem with sanctions against countries that are essentially autocratic is that the sanctions affect everybody in the street and they don't necessarily affect the decisionmaker. The Supreme Leader could hang on. He's not going to have any problem getting bread in the marketplace.

Mr. CLAPPER. Right, it won't affect him that way. What they do worry about, though, is sufficient restiveness in the street that would actually jeopardize the regime. I think they are concerned about that.

Senator KING. That was going to be my follow-on question: Does political pressure in a country like Iran mean anything?

Mr. CLAPPER. Political pressure from outside or—

Senator KING. No, no, no. From within, in the streets.

Mr. CLAPPER. Oh, I think it can. I think it can. I think again perhaps—don't know, but perhaps this will play out in the forthcoming Iranian election. You have the Ahmedinejad faction who will put up a candidate not exactly embraced by the Supreme Leader. This could create an interesting political dynamic. But I don't know. We'll have to see.

Senator KING. Thank you.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator King.

Senator McCain.

Senator MCCAIN. I thank the witnesses for their being here and their continued service. I don't want to beat a dead horse here on the sequestration, but I believe both witnesses—is it true that if this continues our ability to provide the necessary intelligence information for the decisionmakers will be jeopardized, thereby jeopardizing our national security? Would you agree with that?

Mr. CLAPPER. I would.

Senator MCCAIN. General Flynn?

General FLYNN. 100 percent.

Senator MCCAIN. We seem to be living in some kind of parallel universe here. We get testimony from you and other military leaders and yet there's nothing from the White House and there's nothing here in Congress, effort to repeal what is clearly a threat to our national security. But some of us will keep on trying.

General Clapper, you and the Secretary of State, as we now know, and then-Secretary of Defense, and the CJCS some time ago had supported arming the rebels. Why did you take that position?

Mr. CLAPPER. Sir, I have never spoken publicly about the position I took in that regard and I don't think it's appropriate for me to do so. Advice I render the President, that's between him and me, and I don't think it's appropriate to talk publicly about it.

Senator MCCAIN. You don't think it's appropriate to talk to Members of Congress about your views on a situation that's going on where some 80,000 people have been massacred?

Mr. CLAPPER. I'll talk about that. Specifically—

Senator MCCAIN. Then the question—

Mr. CLAPPER.—on the advice, the advice I rendered the President on the issue of arming the opposition—

Senator MCCAIN. The question is what advice do you give to Congress as far as arming the rebels?

Mr. CLAPPER. I believe at this point there are lots and lots of weapons in Syria, and if we're going to expend resources in support of the opposition I am not convinced now that arming—our supplying yet additional weaponry to the opposition would have the desired impact, based on cost-benefit.

Senator MCCAIN. Would a no-fly zone do that?

Mr. CLAPPER. That's a possibility. Again, that in the end is a policy thing, not an intelligence question. Certainly if and as the opposition gains control of sufficient geography on the ground, then that's a possibility. But doing a no-fly zone, even a partial one, is not a trivial undertaking. There is, as I mentioned, a tremendous array of weaponry in Syria, to include a very sophisticated air defense capability, depending on who's operating it. So a no-fly zone would not be without cost.

Senator MCCAIN. Even though General Mattis and Admiral Stavridis both testified that we could with cruise missiles and moving the Patriot missiles in the right places, that we could establish a no-fly zone?

Mr. CLAPPER. Patriot missiles, I'm getting out of my league here. It's a better discussion with DOD. But that's essentially a point weapon. The theory is that you could position Patriot missiles outside of Syria and somehow provide security over a zone. Given the nature of the Patriot weapon, which is a point, it's not an area protector, that would be tough.

Senator MCCAIN. You know what's fascinating here, General, is that now you are saying, and so did the CJCS, that the situation has deteriorated so much that you now have questions whether we should supply weapons to the rebels or not, which then argues that we should have supplied them back when you recommended it, according to published reports, as well as the Secretary of State, as well as the CJCS.

It's remarkable. So now you and the administration sit here and say: Well, we don't know where the weapons are going. Well, maybe if we had helped the people who were fighting from the beginning, before all these jihadists flowed into the fighting in Israel, we might have been able to have some beneficial effect. Meanwhile, we sit by and watch 80,000, the countries—would you agree that both Lebanon and Jordan have been destabilized?

Mr. CLAPPER. It's had a huge impact on the neighboring countries. Jordan, Lebanon, Turkey, Iraq have absorbed a huge number of refugees, yes, not to mention the humanitarian aspects, but the spillover of the fighting.

Senator MCCAIN. Thank you.

Is support flown into Syria over Iraqi air space?

Mr. CLAPPER. Happy to talk about all that in closed session.

Senator MCCAIN. Okay. Do you believe Iran will seek to keep Assad in power at all costs?

Mr. CLAPPER. Absolutely. His fall would be a huge strategic loss to Iran.

Senator MCCAIN. A huge strategic loss to Iran. But yet we don't seem to know of any real way to assist them. That's quite remarkable commentary on the capability or the commitment of the United States of America.

How would you characterize Russian interests within Syria?

Mr. CLAPPER. That represents their last bastion, I guess, in the Mideast where they have influence. It's been a huge weapons client of theirs. There is the general aversion to just being in opposition to us, and as well, I think, the Russians have concerns about their own homeland from the standpoint of jihadist influence, particularly in the Caucasus. So there's a number of factors, I think, that motivate the Russians.

But I also think they are concerned about what would follow Assad, in the "be careful what you ask for" department.

Senator MCCAIN. Is Iranian support for the Assad regime increasing? We hear reports, for example, they're taking people to Iran and training them and sending them back to Syria.

Mr. CLAPPER. There's some of that that has been going on, yes.

Senator MCCAIN. There was an article in the Wall Street Journal I think yesterday: "U.S. Fears Syria Rebel Victory For Now." Is that your view?

Mr. CLAPPER. I'm sorry, sir. What was the headline?

Senator MCCAIN. It says: "Senior Obama administration officials have caught some lawmakers and allies by surprise in recent weeks with an amended approach to Syria. They don't want an outright rebel military victory right now because they believe, in the words of one senior official, 'that the good guys may not come out on top.'"

Mr. CLAPPER. That depends on your definition of "good guys." Certainly the jihadists, the Sunni-dominated groups, the fighting groups in the opposition, most notably al Nusra, which has been punching way above its weight in terms of its size, who have recently pledged allegiance to al Qaeda, that is a great concern. They are present in 13 of the 14 provinces in Syria and are starting to establish municipal services, provide humanitarian aid, food, hospitals, and sharia law courts.

Senator MCCAIN. All of this might have been avoided if we hadn't sat by and watched it happen.

I thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator McCain.

Senator Reed.

Senator REED. Thank you very much, Mr. Chairman.

Thank you, gentlemen, for not only your testimony, but for your service.

The issue obviously that you've brought front and center is sequestration. I just have more a procedural question. First of all, as I understand it, your appropriation is part of the defense appropriations bill as a classified annex, that we did, in fact, pass a defense appropriations bill. We didn't do a lot of those. Most agencies have Continuing Resolutions, and that within the context of that bill, were you able to achieve at least flexibility and prioritization in order to cope with what we all recognize as decreased funding?

Mr. CLAPPER. The National Intelligence Program (NIP), which I manage, straddles six Cabinet departments and two independent agencies. The bulk of the program is carried in the DOD budget. So not to get into sequestration arcana here—

Senator REED. Yes, sir.

Mr. CLAPPER.—but the NIP, the program I operate and manage, was divided into 700 Plan Program Activities (PPA), which covers

the entire extent of the NIP. Every one of those 700 PPAs had to be equally taxed. Congress imposed a more onerous, more restrictive array, rule set, limiting my ability to move money from PPA to PPA. So I have these very small PPAs with not a lot of money in them and many of them are only people, and for whatever reason, they decided that there needed to be more control over the NIP.

The effect of the fiscal year 2013 appropriations act did help us in that it allowed us to move some money around so that we could move the money into the pots that we were already committed to by virtue of the fact we were 5 months into the fiscal year before we got a bill. So it would have been a disaster without it.

The down side, of course: It kept the PPA structure. It did allow new starts, which was good, but it also for most accounts, with three specific exceptions which I can't discuss here, it was less money at the end of the day with the appropriations act. Of course, the impact of sequestration was actually doubled because we had to take it in 7 months, so the real cut there was about 13 percent, the realistic impact.

Senator REED. That's helpful because I think it provides more of a context of things we might be able to do.

We have a macro issue with the sequestration which everyone, I think, recognizes has huge and accelerating impacts on your programs. But are there legislative, both authorization, not on this committee but on the Intelligence Committee, and appropriations matters that could at least give you flexibility, give you the ability to, whatever the top line is, spend it more wisely?

Mr. CLAPPER. As I said, we will pay our fair share of the tax here and we have, and by the way done it in such a way we can avoid—where we can protect our people, we think, from furloughs.

So I guess if I had to ask, my wish list of one would be some relief on our PPA structure, or just at least treat me like the big DOD, where I'd have larger PPAs.

Senator REED. Yes, sir. That's something that could be done, not as a macro solution to sequestration, but as a micro—

Mr. CLAPPER. In the bill Senator Feinstein and Senator Chambliss, chair and ranking of the Senate Intelligence Committee, sought to do that, and that failed.

Senator REED. That's valuable insight. Thank you, sir.

I know you have a range of issues and you have multiple programs. But in a simplistic approach, there always seems to be two major areas, HUMINT and technical intelligence. Harking back to the 1990s, one of the things that seemed to be sacrificed was HUMINT, to our chagrin. Can you balance those programs? Without getting into detail, obviously, in open session, is there one area that's going to suffer more than the other? Again it goes back to this question: Can we give you at least flexibility to manage better?

Mr. CLAPPER. Again, not to be a Johnny One-Note, but that's—in this environment, the one thing that I would ask for is more latitude on how we take the cuts and allowing us, the IC leadership, to put the money where the most important payoff is.

With respect to the question you raise, sir, it's an age-old one in intelligence. The approach that I've tried to take here in the last 2 years as our budget's gone down is to try to protect and invest

in those capabilities that give us the most general coverage. That's why I'm very strong on sustaining our overhead reconnaissance capability, because that covers the Earth, denied area or not.

Similarly, even when times were thin in the late 1990s, HUMINT capabilities were extremely important. That's why I am a huge proponent of what Dr. Vickers and General Flynn are doing with the Defense Clandestine Service, which isn't really an increase as much as it is a reshaping, a recasting of an organization I started when I was Director of DIA in 1992 called the Defense HUMINT Service. Better integration with the Federal Bureau of Investigation (FBI) and the CIA, more clandestine case officers, who are worth their weight in gold. That's a unique capability that no other part of the IC can render.

So as we make these reductions, we are going to have to focus much, much more on quality and the quality of our investments, since we're not going to have safety in numbers.

Senator REED. I want General Flynn to be able to just make a comment, but I have one quick question. Syria has come up a number of times, and there is clear evidence, public evidence, of Iranian involvement. My presumption, though, is that there are regional forces who are operating inside Syria who are supporting the efforts of the rebels, opposing Iranian—

Mr. CLAPPER. Yes.

Senator REED. So this is not a situation where there is only one player, one external player in the field, and that's the Iranians. This is actually a complicated situation where there are conscious and capable people from other countries on the ground assisting the rebels.

Mr. CLAPPER. Yes, that's true. It is a very complex situation there. One of the phenomena that makes it even more difficult for us to assess good guys and bad guys is they will portray a different face depending on whether they're looking westward or some other way. So that makes it even more complicated.

One of the great concerns we have is the magnet that Syria has turned into, particularly for foreign fighters. The Europeans are very concerned about the 400-plus Europeans that have gone to Syria to fight the great fight. So it's a very complex situation, and there are bad guys and good guys and a large number of shades of grey in between.

Senator REED. My time has expired. General Flynn, I hope there's a second round and I can come back. I'd just simply say that we in Rhode Island are very proud of you and your brother, almost as proud as your mother. Thank you.

Chairman LEVIN. Thank you very much, Senator Reed.

Senator Ayotte.

Senator AYOTTE. Thank you, Mr. Chairman.

I want to thank the witnesses for being here today and for your service to our country.

I wanted to ask, General Flynn, in your written statement you say that Iran is providing money and funding to the Syrian regime, the Assad regime. We know that Iran also provides funds to Hezbollah. Can you let me know, either Director Clapper or General Flynn, in order to support Hezbollah and the Assad regime is Tehran using the Lebanese banking system or financial sector?

What access to the financial system do they have in contravention to our sanctions and our international sanctions?

Mr. CLAPPER. You're speaking specifically of Iranian financial support to Hezbollah?

Senator AYOTTE. Using the Lebanese banking system. Two things: Hezbollah, Assad regime.

Mr. CLAPPER. It'd probably be better to take that for the record.

Senator AYOTTE. Okay.

Mr. CLAPPER. We'll get back. Off the top of my head, I do not know the specifics of that.

[The information referred to follows:]

[Deleted.]

Senator AYOTTE. Okay. I would appreciate that. Thank you very much.

I also wanted to ask both of you: How has Tehran characterized the U.S. withdrawal from Iraq without a follow-on force?

Mr. CLAPPER. How would they characterize it?

Senator AYOTTE. How have they previously characterized it? As I understand it, in your written testimony, General Flynn, you said that Supreme Leader Khamenei and senior Iranian military officials view the U.S. military withdrawal from Iraq as a strategic defeat for the United States. Is that true?

General FLYNN. I would say that is correct in their perception, what we assess as their perception, yes.

Senator AYOTTE. So how might Tehran characterize a precipitous U.S. withdrawal from Afghanistan? How do you think that would: (a) be viewed by Iran; and (b) what activities do you believe that would precipitate in Afghanistan by the Iranians?

Mr. CLAPPER. The Iranians have never cared for having us on either of their borders. So just as they welcome our departure from Iraq, so will they from Afghanistan. Their interest, of course, is sustaining their influence in both those neighboring countries, as in Iraq. They make that attempt in Afghanistan. Don't think they'll be as successful or influential in Afghanistan as they might have been—might be in Iraq.

Senator AYOTTE. Although I will say that General Dunford expressed concerns about that in the western part of Afghanistan at our hearing the other day.

What is Iran doing now in Iraq and how is Iran using Iraq, including their air space?

Mr. CLAPPER. The main thing, at least I worry about, is their supplying of weaponry or explosives to the western part of Iraq, or Iran—Afghanistan, excuse me.

Mike, do you want to add anything?

General FLYNN. First, on your first issue, I think we have to understand how you're defining "precipitous" and also the implications, also the perception of the region and clearly Iran. As we continue through our transition, I think we all need to be paying attention to how we are doing that, and we need to do it very smartly, and I think General Dunford laid that out very clearly in his testimony. But the perceptions of that region in all the different players are something that we pay very close attention to.

In specifically Iranian influence, I would add potential training to that as well of some of the kinds of capabilities and weapons systems that we have seen applied inside of Afghanistan, particularly out in the west.

Senator AYOTTE. When you say training, what do you mean by that, General?

General FLYNN. Just training on small arms, things like that, that we have become aware of over the years, as we saw applied in Iraq as well.

Senator AYOTTE. Director Clapper, I wanted to ask you about the September 11 attack on our diplomatic facility in Benghazi, and I particularly wanted to ask you about the prior attacks on our consulate, both on April 6 and June 6, that occurred before the September 11 attack, obviously, where four brave Americans were murdered.

I wanted to ask you about the IC's assessment of those attacks and whether you or the DNI briefed President Obama or Secretary Clinton about the two preceding attacks and the deteriorating security situation in Benghazi prior to September 11?

Mr. CLAPPER. I did not personally brief them, but we certainly had reported those in all of our intelligence vehicles.

Senator AYOTTE. Your intelligence vehicles would have included the prior attacks on the consulate?

Mr. CLAPPER. Yes.

Senator AYOTTE. Do you believe that the IC had a sufficient picture of the deteriorating security situation in Benghazi?

Mr. CLAPPER. I think we had a general idea of the situation in eastern Libya. We probably didn't have the fidelity on the exact situation in Benghazi, but we certainly knew the lack of control that the central government in Tripoli had over the militias in that part of the country. That's a historical tradition and that continued even after the fall of Qaddafi.

Senator AYOTTE. You said that the intelligence briefings that would have been prepared by the DNI talked about the prior attacks I just referenced in April and June prior to the September 11 attack. Would they have also included the assessment of the British closing their facility, as well as the Red Cross?

Mr. CLAPPER. Yes.

Senator AYOTTE. Are those the types of intelligence that's reported up the chain of command, despite not having a specific conversation, would you say, with the President?

Mr. CLAPPER. Yes.

Senator AYOTTE. Just to be clear, you didn't have any specific conversations with Secretary Clinton about this issue?

Mr. CLAPPER. We had many conversations about it. I don't recall specifically a conversation with her prior to the attack on September 11. I just don't remember. We could have. I just don't remember.

Senator AYOTTE. I thank both of you.

I also wanted to ask, General Flynn, about the Chinese development of a fifth generation fighter and where they are with that. Also, if you could comment on the Russian development of a fifth generation fighter?

General FLYNN. A couple of more technical answers to that would have to go to closed session. But I would just offer that the capabilities that we are seeing being developed and the investments being made by both China and Russia are concerning. We pay very close attention to these investments and to these capabilities and we work very closely with not only our commands that are out in the various theaters, both EUCOM and U.S. Pacific Command, but also our strong partners out in the region, to ensure that we clearly understand how good these capabilities are.

Senator AYOTTE. Thank you. Thank you, General.

Director Clapper, finally, given the assessment of the IC regarding eastern Libya, what lessons do you take from the situation that happened in Benghazi?

Mr. CLAPPER. One, don't do unclassified talking points for Members of Congress. That's one of the lessons I learned from that experience.

Clearly we've gone to school on that situation, particularly the whole subject of support to both enhancing security and providing intelligence to—more tactical level intelligence for these facilities. That said, we have plans here, but obviously sequestration is going to have an impact on that.

Senator AYOTTE. I know that my time is up, but the lesson can't be not to do talking points for Members of Congress. How about getting the talking points right?

Thank you.

Mr. CLAPPER. They were right.

Chairman LEVIN. Okay. Thank you, Senator Ayotte.

Senator Donnelly.

Senator DONNELLY. Thank you, Mr. Chairman.

Director, thank you. General, thank you.

I apologize if some of these questions have been asked. I had to step out for a few minutes.

When you look at North Korea and the decisionmaking chain there, how is that working exactly right now?

Mr. CLAPPER. That's a great question. I think there isn't much of a chain. It's probably vested in the new young leader, Kim Jong Un. So there isn't a lot of upward flow of information or flow of decision options. I think they're all pretty much centered in one person.

Senator DONNELLY. So for want of a better way to put it, are decisions being made basically in a seat-of-the-pants way?

Mr. CLAPPER. That's kind of my impression, yes, sir. I think he's driven by the need to prove his position, consolidate his power, and a lot of what he's doing and saying are driven by both messages to a domestic audience and the international audience.

Senator DONNELLY. Do the generals play any role other than to tell him what he wants to hear?

Mr. CLAPPER. Pretty much, that's our impression, that it's "Yes, sir, yes, sir, three bags full" from the military there right now.

Senator DONNELLY. The Chinese, is there a point where they are no longer willing to just let them continue this way?

Mr. CLAPPER. I don't know that the Chinese have reached that point, but we see indications that the Chinese are certainly re-

thinking their relationship, particularly with the new administration in China.

Senator DONNELLY. With North Korea, what is the extent, in however much you can tell us, of North Korea and Iran's collaboration on nuclear missile technology?

Mr. CLAPPER. Not much. The Iranians are a little wary of the North Koreans.

Senator DONNELLY. As to sanctions on both countries, are those sanctions working or are you seeing them having an effect? Are they affecting not only the lives of the people in the country, but are they affecting decisionmaking at all?

Mr. CLAPPER. We discussed this a little bit before, but yes, the sanctions are having an impact in Iran. No question they've had huge impact on their economy. By any measure, it's been affected. But has it changed the policy on their nuclear activity? No.

In North Korea, pretty much isolated anyway, the lone benefactor for North Korea is, of course, China, and China in my view—to the extent that anyone has leverage over North Korea it's China.

Senator DONNELLY. Switching neighborhoods, as we draw down in Afghanistan, does the Afghan National Security Forces (ANSF) have the capability to conduct adequate intelligence and counterintelligence operations?

Mr. CLAPPER. That is an enabler that they need continued advice and assistance. Their national organization, the National Directorate of Security, is pretty good. They've had a long relationship with us. But I think their military intelligence and counterintelligence probably need more work.

Senator DONNELLY. Is that going to be one of the things that we focus on as we draw down our people who are remaining?

General FLYNN. A couple of things on the ANSF. First, I think it just needs to be stated that we're achieving the numbers that we said we were going to achieve, and I think the number is around 352,000. I was in Afghanistan in June 2002 when we graduated the very first battalion. So to be able to see the growth and the development and certainly the capability to get to this level—what we assess, as you are highlighting, is they still have challenges with what we would call enabling capabilities, and intelligence is clearly one of them, as well as a few others.

But their ability to do on a scale of—on one end would be high-end operations, totally independent, to another scale which would be just being able to run a basic checkpoint, there's a range in the middle there. But they range that full scale. They have certainly some units that have full capability to do completely independent operations, all the way down to where they need a lot of advice and assist, and we'll continue to do that.

Senator DONNELLY. As to their ability to do intelligence and counterintelligence, how do you see that moving forward? Is that an area that we're going to have to work closely with them on?

General FLYNN. It is, and we do constantly. Particularly within the entire defense structure, the defense intelligence structure, we are all engaged with our counterparts there on a daily basis in helping them develop that capability, teaching them, training them, working with them. We'll continue to do that as we transition.

Senator DONNELLY. As you look at Afghanistan, in the border areas and just across in Pakistan, and especially in the frontier provinces, those areas, once the Taliban goes in there, is there any pressure from the Pakistan army or any efforts on the part of the Government of Pakistan to try to push back up there? Or is their greatest danger our drones and other methods?

General FLYNN. We were talking about this earlier, but the Pakistan military has been engaged for the last decade conducting operations inside their own territory to help not only themselves with some of these militias and terrorist organizations, insurgent organizations, in their own country, but also to help us out on the Afghan side. There's been a lot of cooperation, border cooperation, between our units in Regional Command East, South, Southwest, with some of their counterparts in the various corps along the Pakistani border.

So a lot has occurred. A lot of action has taken place. More needs to be done. We need to continue to keep the dialogue open between not only the international community and the region there, Afghanistan and Pakistan particularly, but also between the Afghan military and the Pakistani military. We have to help move that dialogue along.

But as Director Clapper said earlier, he mentioned that Pakistan's number one issue is how they view India, and that's really the bigger, wider regional issue.

Senator DONNELLY. Is the Inter-Services Intelligence (ISI) buying into this effort to try to work and clean up the frontier areas as well?

Mr. CLAPPER. I'd be happy to talk to you about that in closed session. John Brennan, the new Director of CIA, was just out there and had a pretty good meeting with the Director of ISI. I'd be happy to fill you in on that in closed session.

Senator DONNELLY. That's fair.

Thank you very much.

Chairman LEVIN. Thank you, Senator Donnelly.

Senator Cruz.

Senator CRUZ. Thank you, Mr. Chairman.

Gentlemen, thank you both for your testimony today and thank you also for your service at a time of great risk throughout the world. I'd like to ask questions focusing on two regions of the world: first of all, Benghazi; and then second, North Korea.

With respect to Benghazi, during the 7½ hours of the attack on September 11 in Benghazi did either of you, Director Clapper, General Flynn, during those 7½ hours have any conversations with the President concerning what was happening there?

Mr. CLAPPER. I did not during that period, no.

General FLYNN. I did not.

Senator CRUZ. Did either of you during those 7½ hours have any conversations with Secretary Clinton during that attack?

Mr. CLAPPER. I did not.

General FLYNN. No, Senator.

Senator CRUZ. Okay, thank you.

Previously this committee had a hearing with then-Defense Secretary Leon Panetta and General Dempsey in which Benghazi was discussed at considerable length. General Dempsey at the time ex-

pressed his views—and I'm paraphrasing, but—that the nature of the attack, and in particular the fact that multiple mortar shells hit a rooftop, demonstrated to him at the time that it was an organized military attack. He said something to the effect of that he thought it was obvious that it was an organized military effect.

I would be interested with both of you if you agree with that assessment that it was obvious at the time?

Mr. CLAPPER. No, sir, it was not. The one thing they did—there were really two or three phases of the attack. I would characterize the attack on the Temporary Mission Facility much more of a vandalism and looting thing. The mortar attack which took place, it took about 10 or 11 minutes, demonstrated some operational proficiency.

I would commend to you, which I don't know if you've seen it, sir, a briefing that we put together that visually recreates as best we could what were the actual events. I'd be happy to have that brought to you so you could see our best replication of what occurred during the phases of the attacks.

Senator CRUZ. I would be appreciative of that, thank you.

General Flynn, do you have anything to add on that?

General FLYNN. I would just say that personally my instincts were that what we were watching was, particularly on the specific date, was clearly something that was not what I would call normal activity, based on the strategy assessments that had already been made over the last number of months. I know that from our perspective there was a sense that this was probably more organized, and we, of course, judged that over the next few days.

Senator CRUZ. Thank you.

One additional question on Benghazi. Have we made any significant progress in identifying and apprehending the terrorists who carried out those attacks?

Mr. CLAPPER. The FBI is leading that investigation and has made some progress on identifying them. Again, I'm sure they'd be happy to brief you on the state of play with their investigation.

Senator CRUZ. Thank you.

At this point I'd like to shift to North Korea. General Clapper, in your prepared testimony you stated that North Korea's nuclear weapons and missile programs pose a serious threat to the United States. I'd like to invite you to elaborate on that threat, if you might?

Mr. CLAPPER. They've been at the nuclear business for 50 years. They have the technical infrastructure and technical expertise, as we've seen with Yongbyon and their other facilities. They have pursued missiles. They've conducted—developed building missiles and conducted three underground tests. They launched the Taepodong-2.

So they have what appears to be the basic ingredients for nuclear-equipped missiles. At the same time, there's a lot we don't know and that's what gives rise to the debate that is going on in the IC, and the varying degrees of confidence levels that components in the IC have about the actual technical knowledge of whether they've actually built a weapon that will go in a missile and if it'll work.

So if they launch this Musudan missile that'll be of great interest to both them and us, to see if it actually works, because they've never launched one. The same is true with their long-range ICBM. They've displayed it in a parade, but we've never seen them test it.

Senator CRUZ. Director Clapper, on March 15th the Vice Chairman of the Joint Chiefs said publicly that he believes the North Koreans, quote, "probably"—North Korea, quote, "probably does have the range to reach the United States in particular the KNO8." Do you agree with that assessment?

Mr. CLAPPER. That's his assessment. I can't argue with it. We've just never seen that tested or proven.

Senator CRUZ. General Flynn, I'd like to get your views on the same question.

General FLYNN. One of the things that I think is highlighted from the last couple of weeks of what we've been talking about with North Korea—and Director Clapper said it earlier today—and where we are today as a community is we ensure that all views are stated, all views are known. We do challenge each other's assumptions. Those views are presented to every level of customer, to include the President on down to all of our combatant commanders.

I think that the assumptions that we make are the components of which, without going into any details, and of course we can get into much greater detail in another session. But I think the assumptions is where we really need to keep looking at, examining, challenging each other, and ensure that those assumptions are presented. I know, based on the way Director Clapper has encouraged all of us to present our views, we do that.

Senator CRUZ. Now, General Flynn, I guess in the past week a statement was made public from a report that DIA assesses with moderate confidence that the North [Korea] currently has nuclear weapons capable of delivery by ballistic missiles, however the reliability will be low. What was the timeframe? What was the date of that assessment?

General FLYNN. That was a—first of all, it was a seven-page document. It was a classified document, the date of which was the March timeframe. To not beat a dead horse, I guess, what we really have is, as I was just saying, a difference in how we judge assumptions in this case. And there's some other components that go into the methodology that we use and I'd rather not discuss that here, and more than welcome to get into excruciating detail in closed session.

Senator CRUZ. I look forward to that.

If I could ask one final question, which is, if I understood your testimony today, you currently have a higher level of confidence as to that assessment. Am I understanding you correctly? If so, could you provide some of the basis for that?

General FLYNN. The differences of levels of assessment within the community are, there's a difference, those differences are known, and the reasons why, the factors that play into that, are known. The answer to the latter part of your question is yes, in closed session.

Mr. CLAPPER. I'd just say, sir, that the debate for us centers around the facts we know versus what we impute to those facts.

That's where there is, I think, healthy debate and healthy disagreement. So analysts at DIA may have a different confidence level in that judgment than the rest of the community. That's fine. Eliminating those or coming up with a common denominator, I'm not sure that's a good thing, either.

Senator CRUZ. Very good. Thank you, gentlemen.

Thank you, Mr. Chairman.

Chairman LEVIN. Just to clarify that: They have a higher level of confidence, is that fair to say?

Mr. CLAPPER. DIA does, yes.

Chairman LEVIN. Thank you.

Senator Graham.

Senator GRAHAM. Thank you, Mr. Chairman.

Let's continue that line of questioning just for a moment. If nothing changes in North Korea, if they continue to be a military totalitarian state, where they spend most of their money on their military at the expense of their own people, and they continue to develop technology, it's just a matter of time before they have technology to reach us. Do you agree with that?

Mr. CLAPPER. Probably so. I think if they keep working at it—and clearly they are of a single-minded focus on this. Particularly the current leader, even more—perhaps maybe more intensely than his father—I think feels that that is the key to their survival, nuclear weapons.

Senator GRAHAM. I think that's a good honest assessment. Let's put in the bucket of threats that the Nation faces a more nuclearly capable North Korea with larger missiles and probably smaller bombs in the future. Do you think, General Flynn, that's a reasonable threat we should be planning to guard against if nothing changes?

General FLYNN. I do believe that's a reasonable threat.

Senator GRAHAM. Okay, all right.

Syria. Do they have enough chemical weapons in Syria to kill millions of people or thousands of people?

Mr. CLAPPER. Potentially, yes. Of course, that's very dependent on lots of things, the number of casualties that could be incurred if they employ chemical weapons.

Senator GRAHAM. But they have a lot of the stuff?

Mr. CLAPPER. They have a lot of that stuff.

Senator GRAHAM. That could kill lots of people?

Mr. CLAPPER. That's correct.

Senator GRAHAM. So that's another threat that we face.

Mr. CLAPPER. Yes.

Senator GRAHAM. All right. Then the Iranian nuclear program. Over the last 6 months as we've been imposing sanctions and negotiating through the P5+1 regime, do they have more or less enriched uranium for a nuclear bomb?

Mr. CLAPPER. Sir, we'll get you the exact numbers in a closed context.

Senator GRAHAM. Can I just say it's more? Probably?

Mr. CLAPPER. Not highly enriched, but up to the 20 percent level.

Senator GRAHAM. They're marching in the wrong direction. We talk, they enrich. So let's put that in the bucket.

We have China. Are they building up their military, General Flynn, or are they reducing their military?

General FLYNN. China is investing money in their military, absolutely.

Senator GRAHAM. Can you give me a good explanation, in light of all this, why Congress would do sequestration?

Mr. CLAPPER. Sir, I don't think we want to go there.

We have spoken intensely about the impacts of sequestration on—

Senator GRAHAM. Let's just finish it out, and I'm not going to get you to go there. General Flynn, if sequestration was fully implemented over the next decade, how would it affect your agency's ability to defend us against the threats we know we face today and could come up tomorrow?

General FLYNN. Senator, thanks for asking the question. I think it is part of our mission, probably the single biggest threat for us is our ability to provide strategic warning, not only for DOD, but for this country. I think that that would be severely impacted.

Senator GRAHAM. On a scale of 1 to 10 in terms of impact, 10 being terrible and 1 being not so bad, where would you put sequestration over a decade?

General FLYNN. Ten.

Mr. CLAPPER. A 10 over a decade.

General FLYNN. Yes.

Mr. CLAPPER. Of course, the law right now runs through 2021. So if we continue these mindless cuts, as I said to my two authorizing committees Monday and Tuesday, we need to do a serious rethink on just what it is we expect of the U.S. intelligence enterprise, because it would be something much, much less than what we've had.

Senator GRAHAM. Let's get back to Syria. Are you familiar with the opposition council, I think it's the Syrian Opposition Council (SOC)?

Mr. CLAPPER. Yes, I know about it and know what it is.

Senator GRAHAM. Have you met with those folks?

Mr. CLAPPER. No.

Senator GRAHAM. I wrote a letter along with four other members of the Senate who recently visited Jordan, Turkey, and Israel, asking the SOC, which is the political component of the opposition, to allow the IC the day after Assad falls to come in and secure the chemical weapons sites and tell the world that they would be okay with the chemical weapons being destroyed. I'm waiting on a response.

Do you think that is a good thing for us to ask of the people who may take over Syria?

Mr. CLAPPER. Yes, sir, I do think it would be a good thing to ask. I think the issue is the extent to which any of these external groups, whether it's the SOC now or others, have sway or insight or influence inside the country.

Senator GRAHAM. But once Assad falls, someone's going to take over.

Mr. CLAPPER. Our assessment is that it will be fractionated. Again, this is a projection. We don't know. But we believe the most

likely option when Assad falls—and we think it is a question of time—will be factions controlling various parts of the country.

Senator GRAHAM. The SOC is a coalition of factions, and my hope is that they will be able to create some governing capacity. But since they're the organ that we're working with, the organization, I will continue to press them to renounce ownership of chemical weapons in the new Syria. I'd appreciate any help you could give us there.

One of the fears I have after my visit is that radicals have gotten more involved, not less, on the ground in Syria. So I think that observation is correct.

Mr. CLAPPER. It is.

Senator GRAHAM. A big fear is that the casualties of Syria, the list of casualties, could be the King of Jordan. Almost 500,000 refugees have spilled over into Jordan. The King was incredibly concerned and he said the longer this war goes on the worse it is for him. Do you agree with that?

Mr. CLAPPER. I do.

Senator GRAHAM. If we'd looked back a year ago, the threats on the ground—is Syria getting better or worse over the last year?

Mr. CLAPPER. There is no good trend I can tell you about in Syria.

Senator GRAHAM. So let's play it out. A year from now, you could have millions of refugees in Jordan and Turkey if something doesn't happen; do you agree with that?

Mr. CLAPPER. I do. I think as the infrastructure and the conditions in Syria continue to deteriorate, there are going to be more and more people—

Senator GRAHAM. I just hope the international community is listening to you and we find a way to end this war. To me, winning now would be having the King survive, controlling the chemical weapons, and the second war between the factions that's surely to come with the radicals would be small in scope and short in duration. I think that's the best we can hope for at this point.

General Flynn, you said 352,000 Afghan security forces under arms. Do you recommend to this committee we continue that level of ANSF through 2018, the 352,000?

General FLYNN. That's really, that's really a policy issue. From my standpoint, Senator—

Senator GRAHAM. Would that be wise—

General FLYNN. I think that the ANSF, especially the Afghan National Army, is a threat to a resurgent Taliban coming back—

Senator GRAHAM. General Allen thought it was—

General FLYNN.—as well as the Afghan National Police.

Senator GRAHAM. Would you disagree with General Allen when he said he thought it would be wise?

Mr. CLAPPER. Sorry, sir?

Senator GRAHAM. Do you have any reason to discount what General Allen said when he thought it would be wise to continue the 352,000, keep them at 352,000?

Mr. CLAPPER. From an intelligence perspective, no. That's the guy that you should listen to.

Senator GRAHAM. One last question. I think he's a good guy for us to listen to.

Drones. During the last 5 years particularly, would you agree with me that the drone program particularly in the FATA, the tribal regions of Pakistan and Afghanistan and, quite frankly, throughout the world in ungoverned areas, has paid dividends to this country in terms of our safety?

Mr. CLAPPER. Absolutely. If I can speak globally so that I can speak publicly, yes.

Senator GRAHAM. Would you like to continue that program to maintain our national security?

Mr. CLAPPER. I think it is a tremendous capability, yes.

Senator GRAHAM. Thank you both for your service.

Chairman LEVIN. Thank you.

We're going to have a 3-minute second round, because I think two votes are scheduled still for noon.

Director, you have said that the sanctions against Iran are having a huge effect on their economy; they've not yet induced a change in their policy. Just very quickly: Do you believe that the combination of keeping those options in place and strengthening them, if possible, plus keeping military options on the table, continuing our efforts in multilateral diplomacy, gives us a reasonable chance of convincing Iran they should not build nuclear weapons?

Mr. CLAPPER. That is also a policy question.

Chairman LEVIN. What's your assessment?

Mr. CLAPPER. I'll speak personally and my answer would be yes.

Chairman LEVIN. Now, the issue of Benghazi has come up. I want to just understand exactly what your role was in terms of the point papers. Did you approve, Director, the talking points?

Mr. CLAPPER. I did not. I did not. People below me did, but I did not see them until after the fact.

Chairman LEVIN. You indicated here in your quick back and forth with Senator Ayotte that you thought that those talking points were right.

Mr. CLAPPER. They were the best we could do at the time. Also, in light of our concerns from both an intelligence and investigatory standpoint, that is as much as we should say at the time. That is illustrative of the dilemma of speaking in public about intelligence things, which is somewhat—can often be an oxymoron.

Chairman LEVIN. But you believed that they were accurate at the time?

Mr. CLAPPER. It was our—it was—well, it wasn't completely accurate because there were some things, particularly from a source and methods and because of investigatory concerns that the FBI had. No, it wasn't completely accurate. It's the best we could do at the time and still protect those equities.

Chairman LEVIN. Did you believe at the time that it was accurate? Did you believe it was inaccurate?

Mr. CLAPPER. Well, we've since—

Chairman LEVIN. At the time?

Mr. CLAPPER. There's an issue about the spontaneity of the demonstration.

Chairman LEVIN. I know there's an issue now. I'm saying when they were written did you, whoever wrote them, believe they were accurate?

Mr. CLAPPER. We believed them to be, as tempered by our concerns for intelligence and investigatory equities.

Chairman LEVIN. Okay, I understand that. Given all that temperance, at the time that they were produced you believed that they were accurate?

Mr. CLAPPER. That was my response to Senator Ayotte, yes.

Chairman LEVIN. Is that your response?

Mr. CLAPPER. Yes.

Chairman LEVIN. Now, those were the same talking points that Secretary Rice followed, right?

Mr. CLAPPER. Yes.

Chairman LEVIN. When she was highly criticized for following them, what was your feeling inside, your own personal belief? Did you think it was fair that she be criticized?

Mr. CLAPPER. I thought it was unfair because of the hit she took, I didn't think that was appropriate. She was going on what we had given her, and that was our collective best judgment at the time as to what should have been said.

Chairman LEVIN. Thank you.

Senator Inhofe.

Senator INHOFE. When we had Mr. Brennan before this committee, and I had talked to him in my office before, referring to the annex—that's the second wave of the Benghazi attacks—he said, and then repeated it here: "Unequivocally"—he used that word—"we all knew that that was an organized terrorist attack."

You disagreed with that?

Mr. CLAPPER. No, I don't. That's the one thing that happened that had the earmark of some organization and proficiency, was the 11-minute mortar attack on the annex facility.

Senator INHOFE. Okay. I appreciate that because that's not the—I know that's what you were thinking when you answered the question of someone over here, but it sounded like—I'll go back and read the transcript. I appreciate that answer very much.

Now, lastly, and this is the last thing I do have, is: As withdrawal takes place in Afghanistan, number one, will that necessarily withdraw a likely percentage of our ISR capability? Number two, should it?

Mr. CLAPPER. We obviously—I say "we." The intelligence capabilities in Afghanistan will be drawing down as well. That is, though, a function of the footprint, whatever residual footprint that remains for DOD, and then whatever footprint the DOS has. Then we tuck up underneath those.

So the exact profile that we'll have has not been determined yet. Of course, our main concern is detecting a potential threat to the Homeland. By virtue of the fact that we are already drawing down and closing bases and we don't have as many places that gives us access for intelligence purposes, that is certainly going to change the landscape as far as we're concerned.

Senator INHOFE. Then the second part of the question was: Should it? It's a hard question to answer because, as we talked before about all the needs that are there, West Africa and other places, it's a matter of resources. But I keep hearing that on a percentage basis the withdrawal is going to also impair to about the same degree your international capability and resources.

Mr. CLAPPER. That's probably a fair statement.

Senator INHOFE. If that happens, is that proper? Should it?

Mr. CLAPPER. Our intent is, as I say, Senator Inhofe, to sustain sufficient presence there to monitor the situation, not to the fidelity and the degree that we have today with the large force footprint.

Senator INHOFE. Thank you.

Chairman LEVIN. Thank you, Senator Inhofe.

Senator KING.

Senator KING. One very brief question, Senator. Thank you.

The sequester has come up a lot today and there's an ongoing discussion in Congress about flexibility and giving you the flexibility to have more ability to move the cuts around. My question is, is giving you flexibility enough to solve the problem or is the sequester still a problem in terms of the absolute dollars no matter how much flexibility you have?

Mr. CLAPPER. That's a great question, sir. Obviously, I don't know of any professional intelligence officer when asked, could you use more resources, wouldn't say "absolutely." At the same time, with the financial cuts that we're absorbing this year, which will have impact, there's no question about it, we're going to do away with capabilities we can't get back. We've discussed that at the hearing on Tuesday.

My great concern is sustaining this, particularly the impact that's going to have on our most valuable resource, which is our people.

General FLYNN. If I can add just to that, Senator. I think the other point, it's not just the IC and the requests that we believe we need to be able to do our mission. But it's also all of our customers, not just the Customer No. 1 at the White House, but it's every one of our combatant commanders, every one of our joint task force commanders, every one of our leaders out there that are conducting operations around the world, the demands that they are putting on because of the variety of threats and challenges that we've described today. That's where the demand signal is coming from.

Senator KING. On the issue of your people, Federal employees haven't had a raise in 3 or 4 years. There's the threat of furlough days, which you've indicated you've been able to avoid. But are you seeing an impact in terms of retention and recruitment? Because one of the things you testified in the beginning was one of our grave mistakes in the 1990s was the hollowing out of the human capacity. Is that a threat in this situation?

Mr. CLAPPER. It will be. I have to say that whether or not we're going to have furloughs has not been completely resolved yet, particularly with the intelligence components in DOD.

Our attrition rate has run the last 3 or 4 years around 4.2, 4.4 percent across the entire IC, which is pretty low. We have a number of people who will be eligible to retire that's around 10 percent of the entire IC can retire now and in the next 5 years another 15 percent.

I think if we go to drastically reduce the IC, to include its people, we would need, if I may—I'm talking out of school here because I haven't got the permission of the Office of Management and Budget, but we basically have the same incentives or inducements for

people to retire as we did in the 1990s, the same amount of money and all that sort of thing, which isn't much of an incentive these days.

So if we have to do some dramatic reshaping of the workforce, again having the latitude to induce people to leave, to end their careers in government, because it's very important, it's crucial, something that we didn't do very well in the late 1990s, that we continue to bring on new people, new blood, and new energy to the IC, rather than letting the workforce age out.

General FLYNN. If I could just add specifically to DIA, in the last 10 years we have gone from a roughly 25 percent of workforce, of employees, in their 20s and 30s to 50 percent in the last 10 years. What I'm afraid of is that those young people who have, many of which, over 6,000 from our organization, deployed to places like Iraq and Afghanistan over the last decade, will feel as though this life that they have decided to dedicate themselves to in defense of our country will—they will walk away from this. I'm really concerned about that, and I think that there's an awful lot of uncertainty, especially as I talk to many of these young people in our organization. I think it's unfair.

Senator KING. Thank you, General.

Thank you both, gentlemen, for your service and your testimony today.

Chairman LEVIN. Thank you, Senator King.

Now I'm going to call on Senator Blumenthal in a moment. But the vote has begun. I'm going to leave in a few minutes, and if you would, Senator Blumenthal, when you're done with your questions, if you would adjourn the committee, I'd appreciate it.

Senator BLUMENTHAL. Thank you, Mr. Chairman.

Chairman LEVIN. Thank you.

Senator BLUMENTHAL [presiding]. I will be brief because of the vote that we have ongoing right now.

I wanted to ask generally, in terms of our collaboration with the Israeli IC, are you satisfied that there is a complete and cooperative flow of information both ways?

Mr. CLAPPER. Absolutely, sir. I have been associated with Israeli intelligence in one capacity or another for 30, 35 years. It's never been closer or more pervasive.

Senator BLUMENTHAL. Without asking you the specific assessments with respect to the Iranian development of a nuclear capability, would you say that the assessment on your part and the Israelis is the same?

Mr. CLAPPER. Generally speaking, yes. But we have this—and this is, I think, a commentary on the intimacy of the relationship. We have the same dialogue, the same debates, the same arguments analytically, but generally speaking we're on the same page.

Senator BLUMENTHAL. The same page based on more or less the same facts and the same kind of availability of information?

Mr. CLAPPER. Generally speaking, yes. They have unique sources, we have unique sources. But generally, yes.

Senator BLUMENTHAL. Do you share the information coming from those separate unique sources?

Mr. CLAPPER. Pretty much.

Senator BLUMENTHAL. Thank you.

Let me turn now to the Pakistani situation. Are you satisfied that the Pakistani military and its government are taking sufficient steps to safeguard its nuclear arms?

Mr. CLAPPER. I'd much prefer to discuss that in closed session.

Senator BLUMENTHAL. Maybe without asking you for information that you would feel uncomfortable disclosing, and I certainly don't want to press you on that score, can you tell us simply whether you believe there is more that can and should be done?

Mr. CLAPPER. I'm sorry, sir?

Senator BLUMENTHAL. More that can and should be done by the Pakistani military to safeguard?

Mr. CLAPPER. I'd prefer to discuss that in closed session, sir.

Senator BLUMENTHAL. I understand. Thank you.

Let me turn to Venezuela. Could you give us some idea of what the current fraud or irregularities that are ongoing in their electoral process?

Mr. CLAPPER. That's unclear that there have been any. There may have been some. I think the issue would be whether they're of sufficient magnitude under their system that would merit a recount, and it at least at this juncture doesn't appear to me to be the case.

Senator BLUMENTHAL. In your view there would be no sufficient requirement for a recount?

Mr. CLAPPER. As far as I know now, no.

Senator BLUMENTHAL. Finally, you spoke a few minutes ago about the challenges of recruiting and keeping the best minds in America, which all of us want, to be available to the American IC. Is there anything that we can do to encourage or support that effort?

Mr. CLAPPER. Sir, it would be nice if they got a pay raise occasionally, and it would be nice not to be threatened with furloughs.

Senator BLUMENTHAL. I take that to heart and to mind.

With that, sir, let me say thank you to both of you for your service to this Nation, which has been extraordinarily distinguished and able. I will, if there's no objection, adjourn this hearing. Thank you very much.

We are adjourned.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR CLAIRE McCASKILL

NORTH KOREA

1. Senator McCASKILL. Director Clapper, recent aggressive behavior from North Korea appears to be following a pattern we came to expect from both Kim Jong-Il and Kim Il-Sung. However, given Kim Jong-Un's recent ascent to power, it might be difficult to predict how the North will respond to actions taken by outside actors, such as the United States, South Korea, and China. What is the Intelligence Community's current assessment of Kim Jong-Un's likelihood to react in ways we came to expect from his father and grandfather?

Mr. CLAPPER. [Deleted.]

TALIBAN INTELLIGENCE NETWORK

2. Senator McCASKILL. Director Clapper, the drawdown of U.S. and coalition forces from Afghanistan has the potential to create security gaps that can be exploited by Taliban and other forces. The Taliban's intelligence network has demonstrated the ability to identify targets and exploit opportunities, such as the Sep-

tember 2012 attack on Camp Bastion that resulted in the destruction of a squadron of Marine Corps AV-8B Harrier jets and the death of two U.S. marines. What is your current assessment of the quality and capability of the Taliban's intelligence network?

Mr. CLAPPER. [Deleted.]

3. Senator MCCASKILL. Director Clapper, is the quality and capability of the Taliban's intelligence network degrading or improving?

Mr. CLAPPER. [Deleted.]

CHECHNYA

4. Senator MCCASKILL. Director Clapper, it has been reported that at least one of the brothers involved in the Boston Marathon bombing recently travelled to the Russian Caucasus and Chechnya. He was also interviewed by the FBI in 2011 at the request of the Russian Government regarding possible ties to extremist groups. Is there any concern that other individuals or groups that are already in the United States with ties to Chechen terrorists will target Americans as part of a larger threat that we haven't seen here before?

Mr. CLAPPER. [Deleted.]

5. Senator MCCASKILL. Director Clapper, since the Russian Government has dealt with numerous Chechen terrorist attacks, have they provided any information regarding this attack as well as past plots or future threats against U.S. interests?

Mr. CLAPPER. [Deleted.]

VENEZUELA

6. Senator MCCASKILL. Director Clapper, in your written testimony you said: "Iran has been reaching out to Latin America and the Caribbean to decrease its international isolation. President Ahmadinejad traveled to the region twice in 2012. Tehran has cultivated ties to leaders of the Venezuelan-led Alliance for the Peoples of our Americas in Bolivia, Cuba, Ecuador, Nicaragua, and Venezuela, and maintains cordial relations with Cuba and Nicaragua." What does the death of former President Hugo Chavez and the election of President Nicolas Maduro mean for Venezuela's relationship with Iran?

Mr. CLAPPER. [Deleted.]

QUESTIONS SUBMITTED BY SENATOR JOE MANCHIN III

CHINA AND CYBER SECURITY

7. Senator MANCHIN. Director Clapper, the Obama administration has continually stated that cyber security is among its top national security concerns. A February report accused a Chinese military unit of being responsible for a number of hacking attacks here in the United States. During his recent visit to China, however, Secretary Kerry announced a U.S.-China pact on fighting cyber attacks. Given the recent attacks, what are your thoughts on this newly formed partnership with China to increase action on cyber security?

Mr. CLAPPER. [Deleted.]

POLITICAL DYSFUNCTION

8. Senator MANCHIN. Director Clapper and General Flynn, former Secretary Gates also said: "The major threat to the United States is the dysfunction in America's political system ... the best laws have come from the vital center and usually as the result of compromise ... politicians are more concerned with winning elections and scoring political points than protecting our country." Do you see our political dysfunction as a threat to our national security?

Mr. CLAPPER. [Deleted.]

General FLYNN. [Deleted.]

QUESTION SUBMITTED BY SENATOR JOE DONNELLY

COOPERATION IN BORDER AREA SECURITY

9. Senator DONNELLY. Director Clapper and General Flynn, during the hearing, you, General Flynn, testified that the Pakistan military has cooperated on the border with Afghanistan in addressing threats from terrorist organizations operating in that area. I inquired what role the Inter-Services Intelligence; the Pakistan intelligence agency, has been playing in addressing these threats, and you, Director Clapper, responded that you could address this issue in a closed session. Would you please provide the information on the role of the Inter-Services Intelligence in addressing terrorist threats along the border between Afghanistan and Pakistan?

Mr. CLAPPER. [Deleted.]

General FLYNN. [Deleted.]

 QUESTIONS SUBMITTED BY SENATOR JAMES M. INHOFE

IRANIAN BALLISTIC MISSILE CAPABILITY

10. Senator INHOFE. Director Clapper and General Flynn, you noted in your prepared testimony, Director Clapper, that Iranian ballistic missiles are capable of carrying weapons of mass destruction and that Iran has demonstrated an ability to launch small satellites. The Department of Defense continues to assess that Iran could flight test an ICBM by 2015. Given that Iran has launched satellites into space, why couldn't they be capable of testing an ICBM sooner than 2015?

Mr. CLAPPER. [Deleted.]

General FLYNN. [Deleted.]

11. Senator INHOFE. Director Clapper and General Flynn, could the Iranians test an intermediate-range ballistic missile capable of reaching Paris or London sooner than 2015?

Mr. CLAPPER. [Deleted.]

General FLYNN. [Deleted.]

12. Senator INHOFE. Director Clapper and General Flynn, do you believe Iran would want to have the capability to reach the United States and its Western European allies with a ballistic missile, and if so, for what purpose?

Mr. CLAPPER. [Deleted.]

General FLYNN. [Deleted.]

[Whereupon, at 12:10 p.m., the committee adjourned.]

