

**CURRENT AND PROJECTED NATIONAL SECURITY
THREATS TO THE UNITED STATES**

HEARING
BEFORE THE
SELECT COMMITTEE ON INTELLIGENCE
OF THE
UNITED STATES SENATE
ONE HUNDRED THIRTEENTH CONGRESS
FIRST SESSION

—————
TUESDAY, MARCH 12, 2013
—————

Printed for the use of the Select Committee on Intelligence



Available via the World Wide Web: <http://www.fdsys.gov>

—————
U.S. GOVERNMENT PRINTING OFFICE

82-721 PDF

WASHINGTON : 2013

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

SELECT COMMITTEE ON INTELLIGENCE

[Established by S. Res. 400, 94th Cong., 2d Sess.]

DIANNE FEINSTEIN, California, *Chairman*
SAXBY CHAMBLISS, Georgia, *Vice Chairman*

JOHN D. ROCKEFELLER IV, West Virginia	RICHARD BURR, North Carolina
RON WYDEN, Oregon	JAMES E. RISCH, Idaho
BARBARA A. MIKULSKI, Maryland	DANIEL COATS, Indiana
MARK UDALL, Colorado	MARCO RUBIO, Florida
MARK WARNER, Virginia	SUSAN COLLINS, Maine
MARTIN HEINRICH, New Mexico	TOM COBURN, Oklahoma
ANGUS KING, Maine	

HARRY REID, Nevada, *Ex Officio*
MITCH McCONNELL, Kentucky, *Ex Officio*
CARL LEVIN, Michigan, *Ex Officio*
JAMES INHOFE, Oklahoma, *Ex Officio*

DAVID GRANNIS, *Staff Director*
MARTHA SCOTT POINDEXTER, *Minority Staff Director*
KATHLEEN P. MCGHEE, *Chief Clerk*

CONTENTS

MARCH 12, 2013

OPENING STATEMENTS

Feinstein, Hon. Dianne, Chairman, a U.S. Senator from California	1
Chambliss, Hon. Saxby, Vice Chairman, a U.S. Senator from Georgia	3

WITNESS

Clapper, Hon. James R., Director of National Intelligence, Accompanied by: Mueller, Hon. Robert, Director, Federal Bureau of Investigation; Brennan, John O., Director, Central Intelligence Agency; Goldberg, Hon. Philip, As- sistant Secretary of State for Intelligence and Research; Olsen, Matthew, Director, National Counterterrorism Center; and Flynn, Lt. Gen. Michael T., Director, Defense Intelligence Agency	6
Prepared Statement for the Record on the Worldwide Threat Assessment of the U.S. Intelligence Community by James R. Clapper	13

CURRENT AND PROJECTED NATIONAL SECURITY THREATS TO THE UNITED STATES

TUESDAY, MARCH 12, 2013

U.S. SENATE,
SELECT COMMITTEE ON INTELLIGENCE,
Washington, DC.

The Committee met, pursuant to notice, at 10:03 a.m., in Room SH-216, Hart Senate Office Building, the Honorable Dianne Feinstein (Chairman of the Committee) presiding.

Committee Members Present: Senators Feinstein, Chambliss, Rockefeller, Wyden, Mikulski, Udall (of Colorado), Heinrich, King, Coats, Rubio, and Collins.

OPENING STATEMENT OF HON. DIANNE FEINSTEIN, CHAIRMAN, A U.S. SENATOR FROM CALIFORNIA

Chairman FEINSTEIN. The Committee will come to order. We meet today in open session, as we've done since 1994, actually, to hear an unclassified briefing from our intelligence leaders on the threats that face our nation; hence the title—the "World Threat Hearing."

As Members know, we will immediately follow this session with a closed one, and I'll ask that Members refrain from asking questions here that have classified answers. This hearing is really a unique opportunity to inform the American public, to the extent we can, about the threats we face as a nation and worldwide.

Let me begin by welcoming our witnesses and thanking them for being here. They are: The Director of National Intelligence, Jim Clapper, who will provide the opening statement on behalf of the Intelligence Community; the Director of the CIA, new to the job, John Brennan—actually, it's his fifth full day; the Director of the FBI, Bob Mueller, now nearly twelve years on the job, and who, barring another unforeseen intervention by the Congress, is appearing in his last Worldwide Threat Hearing before this Committee—but Bob, you never know; the Director of the Defense Intelligence Agency, Lieutenant General Michael Flynn; the Director of the National Counterterrorism Center, Matt Olsen; and the Assistant Secretary of State for Intelligence and Research, Ambassador Phil Goldberg.

So welcome, all of you.

DNI Clapper, thank you for your Statement for the Record, which I have read. It's submitted in both classified and unclassified form, and we very much appreciate it.

It is clear that the threats to the United States are many. They are diffused, and they are complex. We face a continuing threat at

home from terrorist attack, most notably from al-Qa'ida in the Arabian Peninsula, which we call AQAP, but also from home grown extremists, such as Nidal Hasan, the Fort Hood shooter; Najibullah Zazi, who attempted to blow up the New York subway; and Faisal Shahzad, the attempted Times Square bomber.

It's notable that the Statement for the Record includes the assessment that, due to recent losses, the core of al-Qa'ida in Pakistan—and I quote—“is probably unable to carry out large, complex attacks in the West,” end quote, although its desire to do so hasn't changed. This appears to be a stronger statement than in the past about the effect of counterterrorism operations against al-Qa'ida.

Since last year's threat hearing, our staff has been keeping a tally of terrorism-related arrests in the United States. With the arrest on March 5th of Riaz Khan, for conspiring to provide material support to terrorists in connection with the suicide bombing of ISI headquarters in Pakistan, there have now been 105 terrorism-related arrests in the United States in the past four years. We have actually listed these, and that's the number: 105 arrests in the last four years. In our federal criminal court system, those arrests will most likely lead to a conviction or a guilty plea. If those arrests have not resulted in convictions or guilty pleas, it is only because the case is still ongoing.

Another indicator of the success of our criminal justice system in prosecuting terrorists is, in 2011, the Department of Justice released a list of terrorism trials conducted since 2001 and reported a total of 438 convictions from September 11, 2001 to December 31, 2010; so in those nine years, 438 convictions in federal courts.

We have also been briefed recently on the detention and arrest of Sulaiman Abu Ghaith, Osama bin Laden's son-in-law and al-Qa'ida spokesman. And I'd like to commend the witnesses for your agencies' work in bringing him to the United States to be prosecuted in the federal criminal court, where he faces a life sentence.

Of course, as the terrorist threat has receded, the threat from cyber attack and cyber espionage has grown. We have seen large-scale denial-of-service attacks against United States banks, and recent public reports, including by the computer security firm Mandiant, about massive cyber penetrations and loss of intellectual property from United States businesses.

I am very concerned, also, about the instability that seems to be festering across Northern Africa—from Mali to Egypt to Libya and beyond, breeding and harboring a new generation of extremists. Some of the governments in the region are unable or unwilling to take action against these terrorist groups, meaning that the rest of the world will need to focus energy and attention to preventing a safe haven and launching pad for future attacks.

In Syria, there is a massive and still-growing humanitarian disaster under way, with no end in sight, as the regime and the opposition appear nearly at a stalemate. This Committee has been very concerned about the possibility that President Bashar Assad would become sufficiently desperate to use its chemical weapons stockpile. And I note that the DNI's statement includes exactly that warning.

I know the President has expressed that the use of chemical weapons would be a redline for the United States, and I would pre-

dict that the United States Senate would demand a strong and swift response should the use of such weapons occur.

Of course, Syria is not the only WMD state to be making headlines. North Korea has claimed a third nuclear weapons test, has displayed a road-mobile ballistic missile, and demonstrated the capability of its Taepodong-2 missile. The regime is now disavowing the 1953 armistice with the South. There's perhaps nowhere else on Earth where the capacity to wreak enormous damage is matched by the possibility of North Korea using their nuclear weapons.

Both the Syrian and North Korean examples demonstrate the need to prevent Iran from obtaining nuclear weapons, yet its work at Natanz and Fordow continue, and Revolutionary Guard and Hezbollah proxies are growing bolder and more capable of their terrorist attack plotting around the world.

So these, and many other threats and challenges, face the Intelligence Community and play a very critical role in providing warning to United States policymakers, and to providing insight to shape their policy decisions. Unfortunately, the IC is being asked to do this work under the self-inflicted damage of sequestration.

I know, Director Clapper, that you have been planning for sequestration and would like to speak to its effects. I have an amendment to the appropriations legislation currently on the Senate Floor that will provide the Community with as much flexibility as possible to implement the cuts made by sequestration, in the same way as the rest of the Department of Defense, to make sure that intelligence efforts, and therefore our national security, can proceed as much the same as possible.

Let me now turn to the distinguished Vice Chairman, Saxby Chambliss, for his opening remarks.

**OPENING STATEMENT OF SAXBY CHAMBLISS, VICE
CHAIRMAN, A U.S. SENATOR FROM GEORGIA**

Vice Chairman CHAMBLISS. Well thanks, Madam Chair, and I join in welcoming Director Clapper, as well as all of our other witnesses today, and particularly Mr. Brennan, as his first testimony as the Director of CIA—Mr. Director, congratulations; and to Bob Mueller—I had a conversation with Bob when his last term was ending, and implored him to think about staying.

I will expect to have that conversation again with you, Director Mueller; we may not be successful this time. But you have provided great leadership at a great agency, and all of America is safer because of the kind of leadership that you have provided. We'll have many more opportunities, I hope, to say thanks, but we don't want to miss any of those opportunities.

I particularly appreciate all of you being here today to talk about the threats that face our nation. These threats come in all forms—terrorism, espionage, cyber, and good old fashioned counterintelligence—and from all corners of the globe. Today, the American people have the chance to hear first-hand from those on the front lines what these threats mean to the security of our nation.

Let me just start out by noting that today's hearing follows a lively discussion over the past month about the potential for the domestic use of drones. While the administration has put many

fears to rest over the last few days, this debate brought new attention to the difficulty Congress often faces in getting information from the executive branch.

The Intelligence Community is obligated, under the National Security Act, to keep the congressional intelligence committees fully and currently informed of its intelligence activities, including covert action. We cannot do the oversight the American people expect of us if every request for information becomes a protracted battle.

As a group, our witnesses represent the entire Intelligence Community, and each of you has made a commitment to this Committee to provide information when we request it. We understand there may be rare exceptions to this rule, but we are now operating in an environment in which the exception has become the rule, and this simply has to stop.

Let me now turn to the threats facing our nation. We've heard it said over the past year that core al-Qa'ida has been decimated and is on the run. Its Pakistan-based leadership is crumbling under the pressure of U.S. and allied counterterrorism efforts.

But new threats, posed by al-Qa'ida affiliates and other similar organizations, are emerging—and possibly expanding—in places like Yemen, North Africa, and Mali. The past six months alone have brought the terrorist attacks in Benghazi and Algeria that claimed innocent American lives. Clearly, these attacks show that radical and extreme ideologies are not going away anytime soon. Instead, these terrorist organizations are regrouping and gathering strength.

When we entered Afghanistan in October 2001, our goal was to put the al-Qa'ida terrorist training camps and military installations of the Taliban regime out of business. Now, as we prepare to leave Afghanistan nearly twelve years later, the Taliban, the Haqqani Network, and similar groups in Afghanistan and Pakistan seem to have mostly survived years of counterinsurgency and counterterrorism operations. This raises the inevitable question of whether these groups will be able to create a sanctuary, like we saw before 9/11, once the U.S. coalition withdraws in 2014.

As we face new threats from al-Qa'ida affiliates, we are badly overdue for a long-term detention policy that allows us to fully and effectively interrogate terrorist detainees. Last week, Osama bin Laden's son-in-law was indicted in federal court in New York after being captured overseas. While Sulaiman Abu Ghaith is finally facing justice for his long affiliation with bin Laden and al-Qa'ida, I firmly believe this administration's refusal to place new detainees at Guantanamo Bay is hurting our ability to collect intelligence.

It seems as though we now either just kill terrorists or give them Miranda warnings. Dead terrorists don't talk. And when we Mirandize the ones we do capture, after just 50 minutes, or 90 minutes, we aren't likely to get the timely intelligence we need. Three years ago, we had the same conversation, following the failed Christmas Day Bombing, and I'm disappointed that this scenario seems to be repeating itself.

Whether Abu Ghaith is ultimately tried in federal court or a military commission is not the primary question; it is whether we maximize our opportunity to gather good intelligence up front. Waiting for a potential plea deal before getting access again, as we

saw with the Christmas Day Bomber, is, I believe, simply the wrong approach.

I'm very concerned that we have returned to the dangerous pre-9/11 reactive mindset, where international terrorists were treated as ordinary criminals. This is a mistake we should not repeat. The administration's handling of Abu Ghaith also seems to directly contradict the National Defense Authorization Act, which specifically called for individuals like him to be held in military custody.

Now, I understand that the administration adopted procedures that effectively undermined the spirit of this military custody requirement. And what I believe is an abuse of the NDAA's waiver provision, the administration created broad, accepted categories under which they can continue to avoid placing terrorists in military custody. I would simply ask—if someone like Abu Ghaith will not be held in military custody for interrogation purposes, then who will be?

Of course, terrorism is not our only threat. The possibility of Iran acquiring nuclear weapons, and North Korea's nuclear test, and other provocations, merit our close attention, as does the increasing conflict in Syria. It is critical that we ensure the Intelligence Community can give us a clear reading into these "hot spots" and to what may lie over the horizon.

At the same time, cyber espionage and intrusions are growing every day, and if we are going to prevent the siphoning off of our intellectual property to hackers and nation-states alike, then Congress must work with the private sector in a truly cooperative way. We must pass voluntary information sharing legislation that completely protects companies from the threat of lawsuits. The government must put its own cyber house in order, and we must make sure that our criminal penalties are sufficient to punish and deter cyber intruders.

Gentlemen, today is your opportunity to give the country a real glimpse of what it means to be on the front lines of the Intelligence Community. There is no doubt that today's slimming budgets, combined with increasing and diverse threats, clearly present a challenge to the entire Intelligence Community.

Your task is not an easy one. But I am confident that the men and women of the Intelligence Community, who work so hard every day in defense of this nation, will rise to this challenge and not only get the job done, but, under your leadership, they will do it well.

Madam Chair, I thank you and look forward to a discussion with our witnesses.

Chairman FEINSTEIN. Thank you very much for those comments. We will now proceed. Director Clapper, you have the floor, and it's my understanding you're going to make the comments on behalf of everyone?

Director CLAPPER. Yes, Madam Chairman.

Chairman FEINSTEIN. And then we will be able to ask questions. The rounds will be five minutes because we have a classified hearing, and we will go according to seniority, alternating sides.

Please proceed, Director Clapper.

STATEMENT OF JAMES R. CLAPPER, DIRECTOR OF NATIONAL INTELLIGENCE ON BEHALF OF THE UNITED STATES INTELLIGENCE COMMUNITY

Director CLAPPER. Chairman Feinstein, Vice Chairman Chambliss, and distinguished Members of the Committee, as you indicated, we're here to present the 2013 Worldwide Threat Assessment. You already introduced my colleagues, but I do want to speak very briefly about, sort of, the alpha and omega of tenure in the Intelligence Community.

Bob Mueller, approaching now twelve years in office, is a very distinguished director of the FBI, and a tremendous colleague for me—in this job and in previous ones I've held.

And of course, I could not be more delighted and more proud to have John Brennan confirmed and installed as Director of the Central Intelligence Agency. It's my view that John will go down as one of the distinguished directors of CIA.

These remarks and our two Statements for the Record—one unclassified, and then a much more detailed classified one—reflect the collective judgments of the extraordinary men and women of the United States Intelligence Community. And it's our privilege—those of us who are here and those who aren't—a privilege and honor to serve in these positions to lead them, and now, as I will discuss shortly, our solemn duty to try to protect them.

As you know, Madam Chairman, I have serious reservations about conducting open hearings on the worldwide threat, especially the question and answer sessions. While I believe it's important to keep the American public informed about the threats that our nation faces, I believe that can be done through unclassified opening statements and statements for the record. As you also know, we're ready to answer any and all of your questions in closed session, but an open hearing on intelligence matters is something of a contradiction in terms.

While our statements for the record and your opening statements can be reviewed in advance for classification issues, our answers to your questions cannot. And our attempts to avoid revealing classified information sometimes leads to misinterpretation, or accusations that we're being circumspect for improper reasons. It's a hazard we have encountered when publicly discussing sensitive details of national security matters.

So, when we ask to discuss certain matters in the closed session, it's not to evade, but rather to protect our intelligence sources and methods and, if I might add, to be sensitive to the often delicate relations we have with our allies and partners. They, too, all carefully listen to and watch these hearings, as I have learned the hard way.

The topic that you both alluded to—the topic that is foremost on our minds this year—is, of course, sequestration. You haven't seen much public discourse on the impact of these indiscriminate cuts on intelligence. We haven't been on the talk shows, and you don't read much about it in the printed media. So, let me now be blunt—for you, and for the American people: sequestration forces the Intelligence Community to reduce all intelligence activities and functions without regard to impact 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. The National Intelligence Program, or NIP, as it's called, which I manage, is spread across six cabinet departments and two independent agencies. Much of it is included in the DoD budget.

For that portion of the NIP, the Congress directed that the National Intelligence Program use an even more onerous set of rules to carry out these cuts than that imposed on the Defense Department. This restrictive Program, Project, and Activity—or PPA structure, as it's known—compounds the damage because it restricts our ability to manage where to take deductions in a balanced and rational way.

Accordingly, the sheer size of the budget cut—well over \$4 billion, or about 7 percent of the NIP—will directly compel us to do less with less. I'll give you some examples—and I'll have to be circumspect here in an open, unclassified setting, but we're prepared to speak more specifically in a classified setting—of the impacts of sequestration.

We'll reduce HUMINT, technical, and counterintelligence operations, resulting in fewer collection opportunities while increasing the risk of strategic surprise. This includes, for example, possibly furloughing thousands of FBI employees funded in the National Intelligence Program.

Our cyber efforts will be impacted. This is an area where, as you all know, we need to keep ahead of rapid technology advances to maintain and increase access to adversaries as well as provide warning of a cyber attack against the U.S.

Critical analysis and tools will be cut back. So, we'll reduce global coverage, and may risk missing the early signs of a threat. Our response to customers will suffer, as well.

We'll let go over five thousand contractors—and that number may grow—who are an integral part of the Intelligence Community. And this is on top of the thousands of contractors we've let go in previous years.

We'll delay major systems acquisitions, and we'll decommission older, but still productive, overhead reconnaissance capabilities, thus reducing coverage. Virtually all of the 39 major systems acquisitions across the Intelligence Community would be wounded.

We'll have to re-negotiate contracts, and slip schedules to the right, which, in the long run, will cost us more. And we'll scale back cutting-edge research that helps us maintain a strategic advantage.

Since we're already halfway through the fiscal year, the mandate of across-the-board cuts is equivalent to 13 percent, because we'll be forced to take them in just seven months. These condensed timelines magnify the impact these cuts will have on the IC.

So, in response, our approach starts with the premise that mission comes first. Therefore, our two highest priorities are, one, to protect our most valuable resource—our civilian workforce—so we can focus on the threats we face; and two, to support overseas operations.

Our civilian workforce works 24/7 around the world, and is crucial to performing that mission. It is our civilian professionals who

will provide the resilience and ingenuity to help compensate for the other cuts we'll incur. I am resolutely committed to minimizing the number and lengths of furloughs that would be required, not only because of the direct impact on our mission, but because of the severe impact on the morale of the people who do it. I plan to follow Deputy Secretary of Defense Ash Carter's sterling example and have my pay reduced, as well, in solidarity with any IC employees that have to be furloughed.

Now, let me emphasize here that we are not arguing against taking our share of the budget reductions. What I am saying is that we must manage this budget crisis and continue our vital missions. And, in so doing, we'll minimize the impact on our nation and on our employees. Therefore, I plan to submit a reprogramming action that mitigates some of the most egregious cuts to help us cut in a more rational, mission-focused manner. And in this, I'm asking for your support, and the other intelligence oversight committees, for expedited management and consideration.

And Madam Chairman, I want to, on behalf of the entire Intelligence Community, thank you for your leadership and your care for the mission of the Intelligence Community and for introducing a bill that would give us that flexibility.

Now, I must tell you that, unfortunately, I've seen this movie before. Twenty years ago, I served as Director of the Defense Intelligence Agency—the job that Lieutenant General Mike Flynn has now. We were then enjoying reaping the peace dividend occasioned by the end of the Cold War.

We reduced the Intelligence Community by 23 percent. During the mid to late 1990s, we closed many CIA stations, reduced HUMINT collectors, cut analysts, allowed our overhead architecture to atrophy, and we neglected basic infrastructure needs, such as power, space, and cooling, and we let our facilities decay. And most damaging, most devastatingly, we badly distorted the workforce.

All of that, of course, was reversed in the wake of 9/11. And thanks to the support of the Congress over the last decade, we rebuilt the Intelligence Community into the premier of such capability on the planet. And now, if we're not careful, we risk another damaging downward spiral. So I'm going to do all I can to prevent history from repeating that cycle.

But, to be clear, the scope and magnitude of the cuts already under way will be long lasting. Unlike more directly-observable sequestration impacts, like shorter hours of public parks, or longer security lines at airports, the degradation to intelligence will be insidious. It will be gradual and almost invisible—unless and until, of course, we have an intelligence failure.

With that preface as a backdrop, let me turn now to a brief wave-top review of global threat trends and challenges; although, Madam Chairman, you and the Vice Chair have, I think, done an admirable job of that already.

I will say that in my almost fifty years of intelligence, I do not recall a period in which we've confronted a more diverse array of threats, crises, and challenges around the world, which you both described. To me, this makes sequestration even more incongruous.

This year's threat assessment illustrates how dramatically the world and our threat environment are changing.

Threats are growing more interconnected and viral. Events that at first seem local and irrelevant can quickly set off transnational disruptions that affect U.S. national interests. It's a world in which our definition of war now includes a soft version. We can add cyber and financial to the list of weapons being used against us. And such attacks can be deniable and non-attributable.

So, when it comes to the distinct threat areas, our statement this year leads with cyber. And it's hard to overemphasize its significance.

Increasingly, state and non-state actors are gaining and using cyber expertise. They apply cyber techniques and capabilities to achieve strategic objectives, by gathering sensitive information from public and private sector entities, controlling the content and flow of information, and challenging perceived adversaries of cyber space.

These capabilities put all sectors of our country at risk—from government and private networks to critical infrastructures. We see indications that some terrorist organizations are interested in developing offensive cyber capabilities, and that cyber criminals are using a growing black market to sell cyber tools that fall into the hands of both state and non-state actors.

This year, we include natural resources as a factor affecting national security because shifts in human geography, climate, disease, and competition for natural resources have national security implications. Many countries that are extremely important to U.S. interests that sit in already-volatile areas of the world are living with extreme water and food stress that can destabilize governments. This includes Afghanistan and Pakistan in South Asia, Egypt, Iraq, Syria, Yemen, and Libya in the Arab world, and many other nation-states across Africa and in our own hemisphere.

Water challenges include not only problems with quality and quantity, but with flooding. Some countries will almost certainly exert leverage over their neighbors to preserve their own water interests, and water infrastructure can be considered a viable target for terrorists.

In the United States, Germany, and Japan, less than 15 percent of household expenditures are for food. In India and China, that figure climbs to more than 20 percent. In Egypt, Vietnam, and Nigeria, it rises to greater than 35 percent. And in Algeria, Pakistan, and Azerbaijan, more than 45 percent of household expenses are just for food.

Terrorists, militants, and international crime groups are certain to use declining local food security to gain legitimacy and undermine government authority. Intentional introduction of a livestock or plant disease could be a greater threat to the United States and the global food system than a direct attack on food supplies intended to kill humans.

So there will most assuredly be security concerns with respect to health and pandemics, energy, and climate change. Environmental stressors are not just humanitarian issues; they legitimately threaten regional stability.

On the issue of terrorism, the threat from core al-Qa'ida and the potential for a massive coordinated attack on the United States is diminished, but the global jihadist movement is a more diversified, decentralized, and persistent threat. Lone wolves, domestic extremists, and jihadist-inspired groups remain determined to attack Western interests, as they have done most recently in Libya and Algeria.

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, and internal stressors; most especially, a high proportion of unemployed young males.

Development and proliferation of weapons of mass destruction is another major threat to U.S. interests. North Korea has already demonstrated capabilities that threaten the United States and the security environment in East Asia.

It announced last month that it concluded its third nuclear test, and last April, it displayed what appears to be a road-mobile intercontinental ballistic missile. We believe North Korea has already taken initial steps towards fielding this system, although it remains untested. It also used its Taepdong-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 aggressive public rhetoric towards the United States and the Republic of Korea.

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

This adds to our concern that the increasingly beleaguered regime, having found its escalation of violence through conventional means inadequate, might be preparing to use chemical weapons against the Syrian people. And besides the regime's use, non-governmental groups or individuals in Syria could gain access to such materials.

Let me now briefly address regional threats around the world. Some nations in the Middle East and North Africa are making progress toward Democratic rule, but most are experiencing levels of violence and political backsliding. Islamic actors have been the chief beneficiaries of the political openings, and extremist parties

in Egypt, Tunisia, and Morocco will probably solidify their influence this year.

After almost two years of conflict in Syria, the erosion of the regime's capabilities is accelerating. We see this in its territorial losses, military manpower, and logistic shortages. The regime's aggressive violence and the deteriorating security conditions have led to increased civilian casualties.

This sort of violence too often accompanies major political upheaval, being perpetuated by elites trying to assert or retain control. This violence and economic dislocation has led to more than two million Syrians being displaced, both internally and externally.

In Iran, leaders are exploiting the unrest in the Arab world to try to spread influence abroad and undermine the United States and our allies. However, Tehran faces a worsening financial outlook since sanctions were implemented in 2012 on its oil exports and central bank.

Iran continues to be a destabilizing force in the region, providing weapons and training to Syrian forces, and standing up a militia force there to fight the Syrian opposition. Iran's efforts to secure regional dominance, however, achieve limited results, and the fall of the Assad regime in Syria would be a major strategic loss for Tehran.

In Iraq, sectarian tensions are rising between the majority Shi'a and minority Sunni. Last year, we saw a rise in vehicle and suicide bombings by al-Qa'ida in Iraq. However, AQI almost certainly lacks the strength to overwhelm Iraqi security forces, and Iraq is producing and exporting oil at its highest levels in two decades.

Moving to South Asia, the Taliban-led insurgency has diminished in some areas of Afghanistan, but remains 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 made no concerted effort to institute much-needed policy and tax reforms, and the country faces extremely challenging prospects for sustainable economic growth. On a more positive note, this past year, the Pakistani armed forces continued their operations in the Federally Administered Tribal Areas, or FATA, which have been safe havens for al-Qa'ida and the Taliban. Pakistan also saw fewer domestic attacks from the militant group of TTP.

Across Africa, violence, corruption, and extremism will threaten U.S. interests this year. We've seen strides in development in some areas—Ghana here, is noteworthy. And international efforts have combined with domestic support to bring more stability to Somalia. But we still see unresolved conflict between Sudan and South Sudan, extremist attacks in Nigeria, the collapse of governance in Northern Mali, and persistent conflict in Central Africa, especially in the great lakes region.

China is supplementing its more advanced military capabilities by bolstering maritime law enforcement to support its claims in the South and East China Seas. It continues its military buildup and its aggressive information-stealing campaigns.

Russia will continue to resist putting more international pressure on Syria or Iran, and will continue to display its 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, which, of course, is a major threat to the United States.

On another aspect of transnational organized crime, roughly 20 million human beings are being trafficked around the world, an issue on which we've increased our efforts to support law enforcement. Virtually every country on the face of the Earth is a source, a transit point, or a destination for human trafficking, and some fall in more than one category.

In sum, given the magnitude and complexity of our global responsibilities, our strong, persistent, and reliable intelligence capabilities have never been more important or urgent, and I have trouble reconciling this imperative with sequestration.

With that, I thank you for your attention, and we are ready to address your questions.

[The Statement for the Record on the Worldwide Threat Assessment of the U.S. Intelligence Community, prepared by Director Clapper, follows:]

Statement for the Record

**Worldwide Threat Assessment
of the
US Intelligence Community**

Senate Select Committee on Intelligence



James R. Clapper

Director of National Intelligence

March 12, 2013

US INTELLIGENCE COMMUNITY
WORLDWIDE THREAT ASSESSMENT
STATEMENT FOR THE RECORD
March 12, 2013

INTRODUCTION

Chairman Feinstein, Vice Chairman Chambliss, and Members of the Committee, thank you for the invitation to offer the United States Intelligence Community's 2013 assessment of threats to US 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 US national security in accelerated time frames.

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.

Table of Contents*Page*

GLOBAL THREATS	
Cyber	1
Increasing Risk to US Critical Infrastructure	1
Eroding US Economic and National Security	2
Information Control and Internet Governance	2
Other Actors	3
Terrorism and Transnational Organized Crime	3
Terrorism	3
Evolving Homeland Threat Landscape	3
The Global Jihadist Threat Overseas: Affiliates, Allies, and Sympathizers	4
Iran and Lebanese Hezbollah	5
Transnational Organized Crime	5
WMD Proliferation	6
Iran and North Korea Developing WMD-Applicable Capabilities	7
WMD Security in Syria	8
Counterintelligence	8
Threats to US Government Supply Chains	9
Counterspace	9
Natural Resources: Insecurity and Competition	9
Food	9
Water	10
Minerals: China's Monopoly on Rare Earth Elements	11
Energy	12
Climate Change and Demographics	12
Health and Pandemic Threats	12
Mass Atrocities	13

REGIONAL THREATS	
Middle East and North Africa	14
Arab Spring	14
Egypt	14
Syria	15
Iran	15
Iraq	16
Yemen	16
Lebanon	16
Libya	17
South Asia	17
Afghanistan	17
Pakistan	18
India	18
Africa	19
Sudan and South Sudan	19
Somalia	20
Mali	20
Nigeria	20
Central Africa	21
East Asia	21
China	21
Regional Dynamics	21
Military Developments	22
North Korea	22
Russia and Eurasia	23
Russia	23
Domestic Political Developments	23
Foreign Policy	23
The Military	24
The Caucasus and Central Asia	24
Ukraine, Belarus, and Moldova	25
Latin America and the Caribbean	26
Mexico	26
Venezuela	27
Cuba	27
Haiti	28
Europe	28
Euro-Zone Crisis	28
Turkey	28
The Balkans	29

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 US 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 US Critical Infrastructure

We judge that there is a remote chance of a major cyber attack against US critical infrastructure systems during the next two 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 time frame. 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 US networks that control core functions, such as power generation, during the next two 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 US 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 US Economic and National Security

Foreign intelligence and security services have penetrated numerous computer networks of US 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 US 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 UN'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.

Hacktivists 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 hacktivists 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 US 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 **commercial 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 US 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 US 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-Qa'ida in the Arabian Peninsula (AQAP). Attacks on US 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 US 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 US operations.

Al-Qa'ida-Inspired Homegrown Violent Extremists (HVE). Al-Qa'ida-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, Texas, and the March 2012 attacks by an al-Qa'ida-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 US Department of Defense (DoD) targets.

Core Al-Qa'ida. Senior personnel losses in 2012, amplifying losses and setbacks since 2008, have degraded core al-Qa'ida 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-Qa'ida 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 US interests. Weakened or diminished counterterrorism capabilities, border control mechanisms, internal security priorities, and other shortcomings in these countries—combined with anti-US grievances or triggering events—will sustain the threats to US interests throughout the region. The dispersed and decentralized nature of the terrorist networks active in the region highlights that the threat to US and Western interests overseas is more likely to be unpredictable. The 2012 attack on the US facilities in Benghazi, Libya, and the 2013 attack on Algeria's In-Amenas oil facility demonstrate the threat to US interests from splinter groups, ad hoc coalitions, or individual terrorists who can conduct anti-US operations, even in the absence of official direction or guidance from leaders of established al-Qa'ida affiliates.

- **Al-Qa'ida in Iraq's (AQI)** goals inside Iraq will almost certainly take precedence over US plotting, but the group will remain committed to al-Qa'ida's global ideology. Since the 2011 withdrawal of US forces, AQI has conducted nearly monthly, simultaneous, coordinated country-wide attacks against government, security, and Shia civilian targets. AQI's Syria-based network, the Nusrah 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 US and Western interests in East Africa.

- **Al-Qa'ida in the Land of the Islamic Maghreb's (AQIM)** intentions and capability remain focused on local, US, 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-US 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 US 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 US market. Colombia produces the overwhelming majority of the cocaine that reaches the United States, although the amount of cocaine available to US consumers has substantially decreased in the past five years due to Colombian eradication and security efforts, US transit zone interdiction and capacity-building activities, and warfare among Mexican trafficking organizations. However, high US 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 US 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 US dollar also exposes the US 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 US State Department and our law enforcement organizations have led US 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 seven 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.

WMD 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 conventionally armed missiles as an integral part of its strategy to deter—and if necessary retaliate against—forces in the region, including US 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 US 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 US critical infrastructure. (For a discussion of cyber espionage, see the Cyber section.)

Threats to US Government Supply Chains

The US 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, US critical infrastructures and systems.

Interdependence of information technologies and integration of foreign technology in US 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 US strategic advantage by pursuing capabilities to deny or destroy our access to space services. Threats to vital US 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 US 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 five 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 five 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 US, 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 US 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, tomatoes, 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 crossovers. 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 one 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 six 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, gonorrhea, 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 two 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 US 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 US 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 Freedom 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 two 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-Qa'ida'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 US 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 US 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 Rabbuh 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 US 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-Qa'ida'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 five-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 drawdown. 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 US objectives, and favors sustained ISAF and US 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 US 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 US 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 US 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 US 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. US 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 UN 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 US 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 US assistance, including approximately 100 US 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 US 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 US 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 under way 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-US 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 US 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 US 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 US 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 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 Asad 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 US 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 US-led NATO military operations in Afghanistan. It sees its support of the Northern Distribution Network (NDN) as a pillar of US-Russia relations that also helps stabilize Afghanistan. Nevertheless, Russia is suspicious of US intentions in Afghanistan and wary of any US efforts to maintain a residual military presence after 2014 without a UN 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 USSR 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-à-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 US 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. Lingered 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 preserving 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 USAID 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 US visas. The US 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 US 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 two 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 US 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 Assad regime's actions. Turkey continues to call on the international community to take action against Assad 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 under way to re-launch talks with the KGK leadership. Kurds in Syria are taking advantage of unrest fomented by the opposition to Assad, 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 conflict that erupted after the 2009 parliamentary elections, when the opposition party contested the election and boycotted parliament on-and-off for nearly two years.

Chairman FEINSTEIN. Thank you very much, Director Clapper, and thank you for the written comments, as well—I think they're excellent.

Director Mueller, in a quick question, I mentioned the 100 terrorist-related arrests in the United States since January of 2009, and the number of convictions since 2011 at over 400.

Let me ask you this question: Has the FBI been impeded in its ability to conduct investigations or collect intelligence from terrorist suspects because of the need to read Miranda rights or present a suspect to a court?

Director MUELLER. It's hard to respond specifically, because there may be an occasion where it was an issue in an investigation, but for the most part, the answer is no. If you talk to agents who do this for a living, I think they would tell you that it is their ability to elicit information by developing rapport with individuals that is a prime mover, in terms of providing the appropriate intelligence.

And let me, if I could, put in context what I think is the underselling, or the underestimating, the ability of the criminal justice system to produce intelligence. I, for one, understand that if there is a terrorist attack, it is going to be on us. I, for one, am very concerned about maximizing the access to intelligence. One of the things I do think is underestimated is the ability of the criminal justice system to do just that.

There has not been—well, there are very, very few cases, of the numbers that you mentioned, where we have not ultimately obtained the cooperation of the individual, albeit going through—as the Senator points out—going through the criminal justice system.

But we have a number of cases where we have convicted persons, and because of our plea bargaining in our system, we have gotten the cooperation we need. And that cooperation has led to our testifying in cases in the UK and elsewhere because we had intelligence, from our system, that they did not have.

If you look at three of the cases that were prominent in terms of providing intelligence—you start with David Headley, out of Chicago, who opened the door to us in terms of the Mumbai attacks; if you look at Najibullah Zazi in the plot to bomb the New York City subway, that case couldn't have proceeded without his full cooperation; and then another individual by the name of Bryant Neal Vinas.

In every case, we try to look at the best option. And I'm not saying that—in certain cases, the military tribunal option is not the best option to go. But I do think that the ability of the criminal justice system to produce intelligence is often overlooked.

Chairman FEINSTEIN. Thank you very much.

For either Director Clapper or Mr. Brennan: In light of recent warnings by North Korea, including the renunciation of the ceasefire with South Korea after six decades, does the IC assess that they could actually take provocative action that could lead to a renewal of active hostilities with the South?

Director CLAPPER. Let me start, and then John can jump in.

Absolutely. I, personally, having followed Korea ever since I served there in the mid 1980s as the Director of Intelligence for U.S. Forces Korea, am very concerned about the actions of the new

young leader—very belligerent—and the rhetoric that has been emanating from the North Korean regime.

The rhetoric, while it is propaganda-laced, is also an indicator of their attitude, and perhaps their intent. So, for my part, I am very concerned about what they might do, and they certainly, if they so choose, could initiate a provocative action against the South.

Chairman FEINSTEIN. Director Brennan, would you like to add to that?

Director BRENNAN. I would agree with Director Clapper. This is a very dynamic time right now, with the new leader. I think it also just underscores the importance of making sure that our analytic capabilities, as well as our collection capabilities, are as strong as possible, because what we're talking about are developments that have strategic importance and potential consequence for U.S. interests, not just in northeast Asia, but also globally.

So I think this is one of the areas that we, as the Intelligence Community, and certainly the CIA, need to pay particularly close attention to.

Chairman FEINSTEIN. Thank you.

Mr. Vice Chairman.

Vice Chairman CHAMBLISS. Thanks, Madam Chair.

Director Clapper, let me just address for one second your comments relative to sequestration, and just initially say that we are spending too much money in Washington. I don't think there's any disagreement about that. And actually, the reduction in \$1.2 billion in spending is not a bad idea.

But your reference to the way in which we're doing it is exactly right. It's a foolish way to reduce spending—to tell every aspect of the federal government, “You don't have a choice. You're mandated to reduce spending across the board by whatever the dollar amount is in your specific agency, or your office.”

Let me just give you the assurance, and everybody here at the table, the assurance that the Chairman, myself, and every Member of this Committee is committed to ensuring that the Intelligence Community does not suffer from the lack of resources. One thing the Constitution is very clear about is that it is the role of Congress to provide for the national security of Americans. And we intend to honor our obligation.

You, and the men and women that work under you, are very professional, and you're doing your job. You're doing exactly what we ask you to do. So we want you to know that we're committing to do everything within our power to ensure that the resources are there to allow you to continue to do what you're asked to do every single day.

Director CLAPPER. Senator Chambliss, first, I very much appreciate that. I think, on behalf of the men and women in the entire Intelligence Community, now, more than ever, we are dependent on, particularly, our two oversight committees—this one and the House Permanent Select Committee on Intelligence—to be our stewards and our advocates.

That said, let me stress that I am not, and none of us are, suggesting that we won't take our fair share of the cuts.

Vice Chairman CHAMBLISS. Sure.

Director CLAPPER. All we're asking for is the latitude on how to take them, to minimize the damage.

Vice Chairman CHAMBLISS. And I know you mean it exactly that way, and we're going to have your back on this as we go through this. It's not going to be easy, but we're going to work hard to do it right.

Senator MIKULSKI. Mr. Vice Chairman, a point of personal privilege—I have to go to the Floor on the continuing resolution. May I respond to your comments, the Chair and General Clapper, in terms of the state of play?

Vice Chairman CHAMBLISS. Sure.

Senator MIKULSKI. We have a continuing resolution on the Floor. This does not deal with the sequester—that's being negotiated by the higher powers, whether it's a charm offensive or whether it's an offensive. My job, along with Senator Shelby's, is to move the continuing resolution. We are working steadily, on a bipartisan basis, to do that.

But the money is spartan, and it is frugal. And in terms of the flexibility that you've just asked for, that the Chair has spoken pretty firmly with me about, along with other Members, we will not have that in our bill. We were told that was a poison pill. And I'm not just saying that to you, Mr. Clapper, but to our colleagues. And I would like that as we go through the rest of the day, we could talk to see if we could have an amendment that would accomplish that.

But we were told, by both the House and by others, that this was a poison pill. I'd like to do everything I can to not only get you the money, but the administrative framework for you to properly do the money.

So if we could work together, if I could have your help, but I can't deal—first of all, I can say nothing but positive things about Senator Shelby; we've worked very well, we've co-sponsored our bill. But if we can do what you want us to do, we need help. And if we could do that, we would. We do want to work with you. We so admire you.

And I'm going to my other duty station.

Director CLAPPER. Senator Mikulski, if I may just—again, in the complex arcana of PPAs, all we're asking for is to be treated identically as the Department of Defense. And the same PPA arrangement as the larger Department gets, so would we. But we have been singled out for very small exacting PPAs, which greatly restricts the latitude to move money around to mitigate the damage.

Chairman FEINSTEIN. And Director, as the Senator knows, the only thing that this amendment would do that's being introduced today—and I will give this to the Chairman—is essentially to give you that authority. You would be treated as defense units are treated.

Senator MIKULSKI. Madam Chair, I welcome you giving me this amendment. I'd also like you to give it to Senators Reid and McConnell, Boehner, and the House Democratic leadership, as well.

Chairman FEINSTEIN. Will do.

Senator MIKULSKI. You know, again, I always hoped that a higher power would be on my side. The Pope, they meet for—we will have a new Pope, and I'd like you to have new flexibility. Okay?

Chairman FEINSTEIN. Okay.

Senator MIKULSKI. But it's going to take higher power, and this is what you need to show them.

Chairman FEINSTEIN. We will—today.

Senator MIKULSKI. Thank you. Because it's not Shelby-Mikulski here.

Chairman FEINSTEIN. Okay. Thank you very much.

Shall we continue?

Vice Chairman CHAMBLISS. Let me direct this to both Director Clapper and Director Mueller: Obviously, we're still in the stage of remorse, relative to the death of four brave Americans in Benghazi. The American people have demanded answers, and frankly, we have not been able to provide them the types of answers that they have asked to this point because we haven't been given all of the answers.

I realize we're in an open hearing, but what I would like to ask Director Clapper and Director Mueller is to tell the American people—number one, Director Clapper, what are our lessons learned here, as we move forward? We know we have a lot of other vulnerable spots around the world.

Director Mueller, what can you, in an open hearing, tell us about the progress towards bringing these murderers to justice?

Director CLAPPER. Well, first of all, Senator Chambliss, I think one lesson in this is a greater emphasis on the Intelligence Community on force protection for our diplomat facilities. And I can, in a closed context, go into specifically what I mean by that. And that clearly was, I think, a shortfall for us, having a better appreciation of the tactical situation at a diplomatic facility.

I guess the other lesson learned is—don't do talking points, unclassified talking points. That's the other lesson I learned.

Director MUELLER. With regard to the investigation, Senator, a couple of points: Since this occurred, we've had teams on the ground in Tripoli, and elsewhere around the world, conducting the investigation.

With regard to the cooperation of the Libyan authorities, there is a willingness exhibited by their actions to cooperate. However, it is exceptionally difficult, particularly in eastern Libya, in Benghazi. And that has been a hurdle that we have not seen elsewhere where we've had similar incidents.

Nonetheless, we have received the cooperation from the Libyan authorities. I traveled there in January to continue to coordinate with them. And I will say that the investigation has not been stymied. There are hurdles that we've had to overcome, but it's ongoing, and I believe it will only prove to be fruitful.

Vice Chairman CHAMBLISS. Thanks very much, gentlemen.

Chairman FEINSTEIN. Thank you very much, Mr. Vice Chairman.

I'll give the next four and see what happens in terms of arrival: Rockefeller, Burr, Wyden, and Udall.

Senator Rockefeller.

Senator ROCKEFELLER. Thank you, Madam Chair.

I cannot help, Director Clapper and John Brennan, but bring up the subject that Saxby did in his opening comments, because to me talk was just given about a good relationship between the Intelligence Community and Congress. What happened over the last

couple of weeks is a threat; is a threat to trust—between us and you, us towards you, you towards us. And I'm going to ask for comments just from the director, and from Director Brennan.

What basically happened was we were given certain things that we requested, primarily because you, sir, were up for confirmation. And had we not been given some of those things which we requested, the confirmation would not have had the votes, and it wouldn't have mattered who had been put up.

It's a terrible situation. And I think you're absolutely superb, absolutely superb. I've been through every—for the last almost thirty years, I've been through every CIA director, and I think you're the best. And I mean that.

But the irony was that we were given certain things to look at, and then we were told, as we did that, when we finally got our staff to be allowed to participate—this goes all the way back to 2001. Then “minders”—as I sat with my intelligence expert in a room to read these opinions, there was a Department of Justice “minder” who was sent in to watch us. I was not aware that that person was going to have to be there. That was an insult to me, and I kicked the person out. She said, “My orders are I have to be here.” And then I said something else—I told her to leave.

We have to find a way for us to trust each other. And I don't think that we've—maybe, mutually—but in any event, we haven't figured it out. Things, after the confirmation, went directly back to the way they were from 2001/2002 to 2007. We had a classified briefing, and all of our staff was kicked out. All of our staff was kicked out, with one exception—two exceptions. I was outraged.

And you can talk about worldwide threats, but unless we have our common purpose together, like it was after 9/11, where everybody was on the same team. Everybody was fighting for the same thing. Everybody was working with everybody else. That was the deal. We were eager to do it. The first bill that passed after 9/11 was allowing the FBI and the CIA to talk to each other. Maybe we need another bill allowing the Intelligence Community to talk to us openly—more openly than they have. It's a real problem.

John Brennan, you have—I don't think this is your instinct—through your four-hour grilling, and I thought you were superb. And on the questions that you had to deflect just a bit, I thought you should have deflected, and I respected that.

But we cannot be told that documents that could be in our purview to look at, which, in fact, have nothing in them that would make our review of them a threat to anybody at all, that we can't have them, or that our staff cannot be in attendance.

What would happen if we had you here, and all the folks behind you had to stay out of the room—all of you? That's the comparable situation. I'm not a lawyer. I'm not an intelligence analyst or specialist. I need advice. I need counsel. I need staff. I have a superb one, as we all do.

Is there a way, in your mind, that we can somehow come to an understanding that makes this program, or problem, work the way it should, to work it out the way it should, so that we're comfortable with each other; that you protect yourself when you absolutely have to, but you don't protect yourself beyond where you ab-

olutely have to, so that we can trust each other, and really concentrate on worldwide threats, sir?

Director CLAPPER. Senator Rockefeller, let me start. And then I know John has views on this, having experienced the process that I won't ever go through again—confirmation; I've done it three times, and that's more than anybody should stand. And what I'll say probably won't be entirely satisfactory to you.

I think all of us—and I think I speak for all my colleagues in the Intelligence Community who are here and those who aren't—that trust is fundamental to the relationship between the Intelligence Community and our oversight committees. The oversight committees have a unique responsibility, unlike others, because so much of what we do is classified, it's secret.

So we recognize the doubly-important responsibility that you have on behalf of the American public, since not everything we do can be revealed. As a general rule, that which is under our control, and activities that we manage and oversee, I think our record has been pretty good, pretty consistent in sharing that with you, because, again, we depend so heavily on you for your support.

When there are documents that are elsewhere in the executive branch—OLC opinions, just to name one example—or when we are attempting to abide by a longstanding practice of executive privilege, which has been practiced by both Republican and Democratic administrations, I think that's where we begin to have problems.

But I will tell you, for that which is fully under our control and for which we manage, I think I can pledge to you that we will endeavor to earn your trust.

John.

Director BRENNAN. Senator, like most hostages, I was excluded from the ransom negotiations during my confirmation process. But one of the things that I have committed to myself is to familiarize myself intimately with the rules and procedures that govern the interaction with this Committee and other oversight committees for programs and activities that fall under my purview.

And what I want to be able to do is to speak with the Chairman and the Vice Chairman about this, because I don't know what those procedures have been heretofore. I'll pick up on Jim's point—Director Clapper's point—about some things that are beyond the purview of the Intelligence Community or the CIA to make some decisions on. But what I really want to do is to have as much dialogue as possible with you so that that trust can be built up, so that we are able to address these issues earlier.

As I think the Vice Chairman was pointing out, on some of the matters related to—like the Benghazi talking points and other things, what we need to do is address it as early on as possible, because, like an angle, the lines of an angle get further apart the further out they go. And I really do believe that what we can do is, up front, have a clear understanding of what your interests are, what your requirements are, and then I think what we need to do is to do what we can in order to give you what you need to fulfill your statutory responsibilities of oversight.

Senator ROCKEFELLER. Either I or others, in the second round, will continue this.

Chairman FEINSTEIN. Thank you, Senator Rockefeller.

I just want to add one quick thing right here. The OLC opinions, in particular, particularly with our obligation, which is robust oversight, you cannot know whether something is carried out by the executive branch within the law unless you see those opinions, which phrase the law. And I think that's the problem—it's very difficult not to look at them, and to make judgments without understanding. I'll just leave you with that.

Senator Coats.

Senator COATS. Madam Chairman, thank you.

Director Clapper, I note that of all the topics that you chose to talk about, you put cyber right at the very top. And I think I understand why—you state that we are undergoing a major transformation intertwined with digital technologies and the internet that has profound implications for U.S. economic and national security.

I was very disappointed that we were not able to put a legislative package together in the last Congress—it failed in the waning days of the Congress. The President followed up with an Executive Order. I know, Director Brennan, you were part of putting that Executive Order together. It's limited in terms of what it can do, so I'm hoping we can work together to fashion a proper legislative proposal that will enhance our ability to better understand, and better deal with, this ever-growing critical threat to our economy and to our national security.

In that regard, I noted that the Executive Order from the President indicated a strong willingness to share information from the government with private industry. But the hang-up here is that the reverse—information from private industry shared with the government—hit some road blocks. And we need some incentives to provide private industry to feel secure, in terms of their sharing of propriety information, and the impact on its competitiveness with others, and so forth.

Providing such things as liability, coverage, and so forth, and assuring that the standards that are set are compatible with industry standards, I think, are critical issues there. So I think I'm making a statement in that regard that hopefully we can address that, and keep that at the level of priority where you have put it. I know the majority leader has said we need to take that up; unfortunately, we're all caught up in debate in issues relative to the fiscal situation—sequester, as you've talked about. But this is a serious subject, and we need to get on it sooner rather than later.

I want to just briefly flip to a question on Iran and ask maybe both you, and Director Brennan, just to—if you have anything to say about the cyber, that's fine, but also, just to put this into one question:

We have ever-ratcheting sanctions against Iran, in terms of its pursuit of nuclear weapon capability, development: a) Have you seen any glimpse of possible change in the decision-making and will of the leadership, which will decide whether or not they will comply in any sense at all with the requests being made by the global community relative to their pursuit?

And, b) Are there concerns, and maybe you want to save this for the closed session, but are there concerns relative to the cooperation agreement signed between North Korea and Iran relative to

ballistic missile technology and other aspects that might modify the timetable in which you assess Iran's ability to get this capability?

Director CLAPPER. Let me just start on the first part of your question. The second one—the potential relationship between North Korea and Iran—might be better addressed in the closed session.

Clearly, the sanctions have had profound impact on Iran's economy—by any measure, whether it's inflation, unemployment, the availability of commodities, et cetera—and that situation is getting worse.

At the same time, at least publicly, overtly, that has not prompted a change in the Iranian leadership, specifically the supreme leader's approach.

We can go into perhaps a more detailed discussion in a closed setting about some indications that I think would be of interest to you. And I probably ought to let it go at that.

Senator COATS. Fair enough.

Director Brennan.

Director BRENNAN. Senator, the only thing I would add is that on your first point related to cyber, the seriousness and the diversity of the threats that this country faces in the cyber domain are increasing on a daily basis. And from my perspective, I think this is one of the real significant national security challenges we face. And the threat is going to continue, and it's going to grow.

What we need to do, as a country, is reduce the vulnerabilities and take the mitigation steps. So, again, from a national security perspective, I very much hope that the Congress will move forward with legislation, and the issues that you raise, on terms of information sharing and liability, are the key ones. And hopefully, that legislation will get through.

Director CLAPPER. If I could tag onto what John just said, I think your brief discussion really highlighted the, sort of, what I call “organizing principles,” those tenets that would have to be covered. And I think the standards that need to be applied would apply both to the government and the private sector.

And the other thing I would want to mention is the due consideration for civil liberties and privacy in whatever legislation that eventually is enacted.

Senator COATS. I assume both of you would acknowledge that time is of the essence here?

Director CLAPPER. Yes, sir.

Senator COATS. The sooner we get this done, the better.

Thank you, Madam Chair.

Chairman FEINSTEIN. Thank you very much, Senator.

Senator Udall. Excuse me—Senator Wyden.

Senator WYDEN. Thank you very much, Madam Chair.

Director Brennan, first of all—congratulations. I appreciated the chance to talk about a number of issues with you previously, and I'm going to be asking you some additional questions about drones and targeted killings in the days ahead, but for today, my congratulations.

Director Clapper, I want to ask you what I asked you about a year ago, and that was the matter of surveillance—particularly, what the rules are that an intelligence agency would have to follow

in order to electronically track the movements and locations of an American inside the United States. And I asked you about this a year ago, and you said that your lawyers were studying this, and I hope that since a year has passed, we can get some answers to these questions.

So first, let me ask the question: If an intelligence agency wants to electronically track the movements and whereabouts of an American inside the United States, how much evidence do they need?

Director CLAPPER. Well, first of all, let me just say, sir, that particularly in the case of NSA and CIA, there are strictures against tracking American citizens in the United States for foreign intelligence purposes. And that's what those agencies are set up to do.

I think, though, when—I might ask Director Mueller to speak to this because what you're referring to, I think, devolves into the law enforcement/criminal area, so—

Senator WYDEN. Let me—and I do want to hear from Director Mueller, but I'm trying to get some general principles out with respect to intelligence. And you've cited, certainly, some areas that are relevant, but what I'm really trying to do is get an unclassified answer to a question about what the law authorizes.

Director CLAPPER. The law, of course, as you know, is embedded in the Foreign Surveillance Intelligence Act, the amendment to which was recently extended for five years, and it places very strict strictures on the Intelligence Community's tracking of U.S. persons where there is a terrorism nexus. And that is overseen, very strictly, by both the FISA Court as well as within the executive branch, both by my office and the attorney general. So there are very strict rules about that, as you know, as we've discussed.

Senator WYDEN. But, as you know, there are some fundamental questions about the balance between security and liberty that transcend just the FISA question. So, what I would like to do is see if we can get a direct answer to the question about when the Intel Community needs to get a warrant, for example, when a lesser amount of evidence would do; and second, the circumstances when no specific evidence is needed at all.

And the FISA law does not specify whether a warrant is required, so that's the reason that I'm asking the question. I asked it a year ago—

Director CLAPPER. I'd like to ask Director Mueller to help me with that question.

Senator WYDEN. And Mr. Director, I'm anxious to hear from Director Mueller, who I greatly respect, but I also need to hear from you with respect to the Intelligence Community. That's why I asked it a year ago, and—

Director CLAPPER. As I said, Senator Wyden, in the case of CIA and NSA, who are engaged in foreign intelligence collection, that's a practice that they do not engage in.

Senator WYDEN. Director Mueller.

Director MUELLER. Well, Senator, let me start by saying that there's no real distinction in what we do between the criminal and the national security—if we require it in the criminal side, we require it in national security. We treat them the same; there is no distinction between our intelligence cases in terms of undertaking the activity you suggest, and our criminal cases.

That being said, in the wake of the Jones decision, which I'm sure you're familiar with—that has put some things in an area where we're waiting to see where the courts go. But obviously, as I said, if you were going to trespass to install a device, then that requires a warrant, and the standard on that warrant is still up in the air.

And consequently, to give you a more precise answer to a particular question on a particular monitoring, I would have to be more factually based and then apply the law to that particular set of facts.

Senator WYDEN. Director Mueller, you have identified the exact reason why I'm trying to get an answer from Director Clapper, because there's no question we are going to watch what the courts do in the days ahead. The question is what will be the rights of Americans while that is still being fleshed out? And the fact is FISA does not specify whether a warrant is required.

I know I'm out of time for this round, but I just want you to know, Director Clapper, respectfully, I will be asking this question of you—just like we did with respect to the legal documents for targeted killings, which we finally got after seven requests over a two-year period—until we get an answer, because I think Americans are entitled to a direct answer to that question.

Thank you, Madam Chair.

Chairman FEINSTEIN. Would you like Director Mueller to respond? I think it would be helpful.

Senator WYDEN. Madam Chair, I think the director did, and he gave a very thoughtful answer, which is that the courts are still wrestling with the various interpretations of it. I think that is a correct answer by Director Mueller, but we still have the question remaining—what are the rights of Americans, as of today, while the courts are wrestling with this? And that is the matter we have not gotten an answer to. And I will follow it up again on my second round.

Thank you, Madam Chair.

Chairman FEINSTEIN. Well, would you like to respond to that? I'll give you the opportunity.

Director MUELLER. The only thing I would add, Senator, is that with the law—disarray is probably too strong, but not having been totally identified, we take the most conservative approach—

Chairman FEINSTEIN. Fair enough.

Director MUELLER [continuing]. To ensure that the evidence that is captured will pass scrutiny, regardless of how the court may come down.

Chairman FEINSTEIN. Thank you very much.

Next is Senator Rubio.

Senator RUBIO. Thank you, Madam Chair.

I guess we can start with you, General Clapper, but then everyone can weigh in if they have an opinion. I want to talk about Egypt for a moment.

First of all, I want to have a clear understanding about their security apparatus, and in particular, their military, that, for a long time, has been seen as a professional organization, which was committed to upholding its international obligations and with which we had a good working relationship.

What is the status of that relationship now? How heavily influenced have they become with recent political changes—in particular, with the election of President Morsi, and the coming to power of the Muslim Brotherhood? Has that changed the nature, or is it changing the nature, of those organizations?

Director CLAPPER. Well, I think the military, as an institution in Egypt, has attempted to sustain its status and its stature as a professional military organization, and not, wherever it can be avoided, be drawn into the internal political upheavals that are going on in Egypt.

Senator RUBIO. In terms of the upheaval that they're facing, what, in your judgment, or in the judgment of any of the panelists, are the most significant security risks that they face? And I'll tell you the context of how I'm asking this question: We have recently seen sales of jet planes or—you know, these other existing contracts, and tanks, and so forth—but it strikes me that the real security concerns increasingly should be towards security in the Sinai, upholding their peace treaty with their neighbors, providing for improved law enforcement in the streets there, where we've seen a rise in criminality.

Can anyone comment on what the real security risks are? Again, it strikes me that Egypt is not at risk of being invaded by some foreign army anytime soon. So, shouldn't the weapons systems they're acquiring and so forth kind of reflect their real security needs?

Director CLAPPER. Well, that's kind of up to—

Senator RUBIO. I know that's a policy decision.

Director CLAPPER. That's their policy decision. But I think you've highlighted, though, what the challenges are in Egypt, particularly with respect to security of the Sinai, which I believe they recognize they have a challenge there, and I think their intent is to—they may attempt to modify it—but I think, by and large, they wish to support the peace treaty.

To me, the fundamental challenges that face Egypt have to do with its economy. And it's kind of a spiral—one of the impacts on their economy has been a decline in tourism, and that's related to the security situation. I think they recognize that. So, they clearly—I mean, they know they have internal challenges that they have to deal with.

Senator RUBIO. So their real security challenges are internal; in essence, street crime, which—my understanding is it's gotten pretty dangerous, particularly in Cairo, but in some of the other tourist areas. And also, there are security obligations vis-à-vis the peace treaty, and Sinai, and so forth.

I think that the other question is broader, and again, any input from anyone is welcome on this, and that's the general direction that they are headed governmentally. And obviously, you know, there was an election, and there are questions about reforms to the constitution in Egypt.

But where is, in your judgment, Egypt headed? In essence, where is the Muslim Brotherhood or President Morsi, to the extent he's heavily influenced by them, headed in the long term? Is it a real commitment to a democratic transition? Is it a real commitment toward a more Islamist type state? Or is it still in flux, and they're

kind of trying to figure out how they can grow their economy and at the same time bring about these changes that the Muslim Brotherhood base of President Morsi is asking for?

Director CLAPPER. I think the latter, the third condition—it's still in flux. I think the leadership of Egypt, when they're in charge, is influenced heavily by pragmatic aspects and challenges, like the state of the economy, and security in the streets.

However, at the same time, I think their ideology is clearly influenced by the Muslim Brotherhood. That's evident in some of the constitutional provisions, particularly having to do with the rights of women.

Senator RUBIO. And in that vein, U.S. policy, particularly U.S. aid policy towards Egypt, would probably weigh heavily on the pragmatic side of the equation for these leaders—in particular, their ability to receive the financing they need to stabilize their economy, and also to provide the gear they need to provide the security so people feel safe in Egypt again.

Director CLAPPER. Yes, sir, but not at any price. I think they're very—understandably—very sensitive about their sovereignty and the extent to which we or anyone else can dictate to them what their behavior is. And, of course, that's not just the United States; it's the International Monetary Fund, and others, that ascribe conditions for financial aid. And that's an issue for the Egyptian policy apparatus to decide.

Senator RUBIO. All right. Thank you.

Chairman FEINSTEIN. Thank you very much, Senator Rubio.

Senator Udall.

Senator UDALL. Thank you, Madam Chair.

Director Clapper, I want to also associate myself with Senator Feinstein's remarks on the threat assessment documents; very readable, very helpful. I'm not sure you'd read it if you wanted a good night's sleep, but thank you for the work your team has done.

Let me turn to the 6,000-page report that this Committee produced on the CIA's detention and interrogation program. I stated at Director Brennan's confirmation hearing that I was very concerned that inaccurate information on the management, operation, and effectiveness of the CIA's detention and interrogation program was provided by the CIA to the White House, the DOJ, Congress, and the public.

As you know, Director Brennan expressed shock at the report's contents. And I understand that you had a similar personal reaction to the report; is that accurate? Were you also taken aback by the report's contents?

Director CLAPPER. Yes, I was taken aback, by its length and breadth and all that, but I also think that I would counsel hearing from the Agency and its response to the RDI. I might ask John to comment on that.

Senator UDALL. Yeah, well, if I might, General, I'm going to do that. I want to get the director to comment, as well. But let me turn to Director Mueller.

In an interview in *Vanity Fair*, Director, in December 2008, you were asked about terrorist attacks and whether they were disrupted thanks to intelligence obtained through the use of the CIA's enhanced interrogation techniques. And you responded, without

elaborating, "I don't believe that's been the case." And then months later, in April 2009, your spokesperson, John Miller, confirmed that your quote in the Vanity Fair article was accurate.

Director, have you seen any information since April 2009 to change your views on this topic?

Director MUELLER. What I was trying to express is that I was really not in a position to see, because I was not aware of either the practices or the facts.

Senator UDALL. Thank you for that. And I do want to follow up with you later in that regard, as well.

I would like to turn now to Director Brennan. "Director Brennan"—it's nice to be able to say that. Congratulations on your confirmation. I appreciate your comment on being the hostage, and the hostage not being involved in the negotiations. I really look forward to working with you in your new role.

As you remember, in the confirmation hearing, we discussed the Committee's study and the importance of putting reforms in place to prevent past mistakes from happening again. And I also pushed for declassification of the Committee's report. At that hearing, I pointed out that misinformation about the CIA's detention and interrogation program is, quote, "regularly and publicly repeated today by former CIA officials, either knowingly or unknowingly."

And then last week, before you were even on the job for your first day, a newspaper story was published quoting a senior intelligence official who claimed that, quote, "The CIA is objecting to a majority of the 6,000-page report," which, I should note, has 35,000 footnotes directly sourced to CIA documents.

And this newspaper article included numerous inaccurate statements about the Committee's report, including that it has 20 recommendations, which it does not.

While it appears that the unnamed intelligence officials quoted in the paper were unfamiliar with the Committee's report, I'm concerned that, despite the Chairman going out of her way to make sure that only the specifically-named individuals at the CIA have access to the report, CIA personnel are leaking what may or may not be the CIA's official response to the report.

And it seems that unnamed CIA officials are putting you in a particularly awkward position by making public their disagreement with the report's conclusions, even before you have a chance to weigh in as the new CIA director.

So, I have three questions concerning the leak, and I want to run through them and then give you time to respond: One, do you believe that this is a leak of the CIA's views, despite the fact that these officials seem unfamiliar with the report? Two, do you anticipate looking into the leak? And three, as far as I'm aware, there's no new deadline for the CIA to provide comments on the Committee's report to this Committee.

In my view, it's in no one's interest to delay the process. Can you give the Committee a sense as to when we can expect the CIA's comments?

Director BRENNAN. Thank you, Senator. First of all, I'm not going to speculate on who might have been responsible for the information that appeared in the newspaper. I know that people are looking into that right now to see whether or not there was any dislo-

sure of classified information, but there is a real interest on the part of CIA to be as responsive as possible to this Committee and on that report.

And I've had a number of discussions with Deputy Director Michael Morell and other Members of the leadership team, and the response and comments on that report will be coming back to this Committee. I'd like to be able to say that it will be done within a month's time; hopefully before then. But I know that there have been a number of conversations with Members of this Committee on that, and it is my firm resolve to look at what the CIA has pulled together in response to that report and get back to this Committee on it.

Senator UDALL. Thank you. I look forward to your firm resolve resulting in an as-soon-as-possible response to this seminal and important report from which we really need to learn the lessons so that we don't repeat the mistakes that were made. Thanks again, and congratulations, Director Brennan.

Chairman FEINSTEIN. Thank you very much, Senator Udall.

Senator COLLINS.

Senator COLLINS. Thank you, Madam Chairman.

Director Clapper, in your opening statement, you certainly painted a bleak, dark picture of a very dangerous world. And I share your concern about the impact of sequestration on the Intelligence Community.

Senator Udall and I have introduced what I believe to be the only bipartisan flexibility bill that would give, essentially, agencies the ability to set priorities; submit their plans to the Appropriations Committee the way you do with reprogramming requests now. It's sort of an enhanced reprogramming authority.

I talked to Senator Mikulski about it. She has a similar vision in mind. I know the Chairman also has an amendment dealing just with the IC. And I just want to encourage you to make the disastrous consequences of sequestration known to the Senate leaders and the House leaders, because that's really where the decision is being made. And I think it's critical that they hear from you, and indeed from all Members of this panel, about what the consequences would be, particularly in light of the dire threat situation that we face.

I want to turn now to Iran. During a Senate Armed Services Committee hearing last week, the Commander of U.S. Central Command testified that the current diplomatic and economic efforts to stop Iran from obtaining a nuclear weapons capability are not working. Do you agree with that assessment?

Director CLAPPER. Not completely. I think, as I indicated earlier, the sanctions are having a huge impact on Iran. And I think clearly that that is going to have an influence on their decision-making calculus, and we see indications of that.

But where I do agree, at least to this point, is that the sanctions thus far have not induced a change in Iranian government policy.

Senator COLLINS. Well, I think the fact that they haven't produced a change suggests that General Mattis is correct in saying that they're not working.

But let me follow up with Mr. Goldberg with a second question. The President has exempted nine countries from fully complying

with the sanctions on Iran because they have demonstrated a significant reduction in the purchase of Iranian petroleum-based products. These nine countries, however, include some of Iran's biggest trading partners, including China, India, and Turkey. And Turkey was granted an exemption, even after it conceded that it had helped Iran conduct energy exports through the acquisition of billions of dollars of gold.

What is your assessment of what would happen to Iran's fiscal and economic situation if these nine countries were not exempt from the U.S. sanctions policy?

Mr. GOLDBERG. What I can tell you, Senator Collins, is that the overall amount of Iranian oil that is being exported is down considerably; that there were workarounds and exemptions made for those who reduced over time. And that's a constant evaluation and consideration.

But the actual amount of Iranian oil being exported is down. And it's probably—well, I think maybe I'd reserve on the exact quantity for a closed session.

Senator COLLINS. I would suggest—and maybe we'll get into this in the closed session—there needs to be much more transparency in order for us to make a judgment on whether or not doing such sweeping exemptions is wise policy.

I just want to quickly touch on cyber security, Director Brennan, since you and I worked extremely closely on that issue last year when Senator Lieberman and I repeatedly tried to get our comprehensive bill through. And we also worked very closely with General Alexander.

As you know, I had real reservations about the President issuing an Executive Order because I believe it sends the wrong signal that this issue can be taken care of through an Executive Order. So I just want to get you on the record this morning that you do not believe that the Executive Order is a substitute for legislation, and that only legislation can take further actions, such as conferring a grant of immunity on private sector companies that comply with standards. Is that an accurate assessment?

Director BRENNAN. Senator, I'm no longer part of the Policy Community; I'm part of the Intelligence Community now. And what I will just say is that based upon the nature, scope, and diversity of the cyber threat that is out there, I think that we need to do more as a country to address the vulnerabilities that we have and take the steps that we need to in order to protect our infrastructure, our networks, from these types of cyber attacks.

And I do believe that there are enhancements in legislation that can be made, and that need to be made, in order to help us as a country protect our systems, our networks, our infrastructure from those types of attacks.

Senator COLLINS. Thank you.

Chairman FEINSTEIN. Thank you very much, Senator.

Senator Heinrich.

Senator HEINRICH. Thank you, Madam Chair.

Director Clapper, this Committee spent an awful lot of time examining the process that resulted in the unclassified Benghazi talking points. And you've touched on that a little bit this morning.

I just have one simple question around that that I want to ask you: In your professional view of that process, was it in any way unduly politicized?

Director CLAPPER. Absolutely not.

Senator HEINRICH. Thank you for a very simple answer. We don't get those very often, so I want to say I really appreciate it.

I want to move on to Syria for a few minutes. And just to, sort of, set the table, I wanted to ask how you would describe the current state of the opposition in Syria?

Director CLAPPER. Well, the opposition is gaining in strength. It is increasingly gaining territory. At the same time, the regime is—as I indicated in my statement—is experiencing shortages in manpower and logistics.

That said, the opposition is still fragmented. There are literally hundreds of these opposition battalions of varying strengths and cuts, and there are attempts being made by the opposition to bring some overarching command and control to that.

The bad news in all this, I believe, with respect to the opposition of course, is the increasing prevalence of the al-Nusra Front, which is the al-Qa'ida in Iraq offshoot that has gained strength, both numerically and otherwise, in Syria. And they've been pretty astute about this, and they are, where they can, providing more and more municipal services in what is a very terrible situation from a humanitarian standpoint.

As well, there has been a growing infusion of foreign fighters that have been attracted to the conflict in Syria, who have joined the opposition. And so the opposition, in my view, and the al-Nusra Front specifically, has been very astute about that.

The question, of course, comes up—how long will Assad last? And our standard answer is his days are numbered; we just don't know the number. I think our assessment is he is very committed to hanging in there and sustaining his control of the regime.

Senator HEINRICH. How would you assess Iran's overall—the role that they're playing in Syria today?

Director CLAPPER. Well, increasingly, they're being drawn into Syria, both in terms of providing material aid and, as well, advice, to the extent of organizing militias, and that sort of thing. So Iran, together with their surrogate, the Hezbollah, has a huge stake in keeping Syria under control of the regime. It would be a tremendous loss—strategic loss—for the Iranians, if the regime falls.

Senator HEINRICH. You mentioned that Assad's days are numbered; how do you think Iran is going to, or will react to, a post-Assad Syria?

Director CLAPPER. Well, I think they will try to—that's one of the reasons they're investing, both materially and with advisors and some fighters, is to maintain their interest and their physical presence there, so whatever form some successor regime takes, or if there's fragmentation, that they would at least have a foothold in Syria. I'm saying that, so we really don't know what their strategy is.

Senator HEINRICH. I'll leave you with one last question, and then I'll give back my time.

On Egypt, how capable do you think that the current Egyptian government is in handling the unrest that we're seeing currently?

Director CLAPPER. The unrest, you say?

Senator HEINRICH. Yes.

Director CLAPPER. Well, they were able to suppress the violence in Port Said that was occasioned by the trials of the so-called “soccer hooligans.” So I think they have the capability, and when they put their minds to it, they can maintain order.

Senator HEINRICH. Thank you.

Madam Chair, I yield back.

Chairman FEINSTEIN. Thank you very much, Senator.

Senator KING.

Senator KING. Thank you, Madam Chairman.

Mr. Clapper, I want to call upon your long years of experience. We put a lot of stock in sanctions and have over the years, and we’re putting a lot of stock in sanctions right now in Iran. My concern is that we as Americans tend to think that other countries will think and act and react the way we do, when, in reality, their systems just are very different than ours.

My question on Iran is—is there a sufficient middle class who has the political power to have any influence on the regime’s decisions, based upon the squeeze applied by the sanctions? In other words, does the supreme ayatollah care that his economy is going down?

Director CLAPPER. Excellent question, sir. And yes, he does. He does care. And it does concern him about the deterioration in the economy because of the prospect for promoting unrest among the citizenry of Iran. And we are seeing more signs of that.

At the same time, though, I think the supreme leader’s standard is a level of privation that Iran suffered during the Iran-Iraq War. And he doesn’t believe they’ve reached that point yet.

And of course, as the supreme leader looks westward, or looks at us, he can argue that, you know, we’re on the decline; our influence is declining, particularly in that part of the world. And so, you know, his view of the world may not be necessarily fact-based, particularly when it comes to internal conditions in his country.

Senator KING. Thank you. Turning again to another longstanding part of U.S. policy, which is nuclear deterrence, which has been our policy since the late 1940s, does deterrence work with a country like North Korea, or Iran?

And sort of the same question—do they care? Mutually assured destruction—are they responsive to that kind of rational thinking that guided U.S. policy for fifty years; are these countries like the Soviet Union—that we can have some confidence that they’re going to make a rational decision, knowing that if they do something crazy, they’re going to be wiped out?

Director CLAPPER. Well, I do think they both understand that. I’m not sure about deterrence for North Korea, where they would expect us to use a nuclear weapon. But they certainly respect the capability of our military. They’ve gone to school on what we’ve done, starting with Desert Storm. I know that for a fact.

So I think deterrence, in this broadest context, does work, and does have impact on the decision-making calculus of these two countries.

Senator KING. Mr. Brennan, you had a brief colloquy with Senator Collins on last year's cyber bill. That bill did not get through. There were objections, I understand, from business interests.

I know you're not on the policy side anymore, but are there things we can do to get that bill through? There's a certain urgency here, and I believe it went twice before the Senate—it didn't go through either time. What's happening to get that done?

Director BRENNAN. I'm sure there are things that the Congress can do to push this forward. There were differences of view last year on the legislation. Again, I would just underscore the importance of being able to come up with some legislation that's going to be addressed, some of the vulnerabilities that our adversaries are taking advantage of, whether they be states, whether they be activists or organized criminal groups; vulnerabilities exist that we need to be able to address.

Senator KING. Would you characterize the cyber threat as accelerating?

Director BRENNAN. Absolutely.

Senator KING. Madam Chairman, that's all I have. Thank you.

Chairman FEINSTEIN. Thank you very much.

Just on cyber, the Vice Chairman and I have resolved to try to work together and see if we can't get a bill that we can agree to move through the Committee on the information sharing part of it. That might be of help to you. So we will begin that effort shortly.

We will have one other quick round. I have a question on Hezbollah, and this is it, Director: Does the IC assess that Hezbollah and the Iranian Qods Force will continue to conduct terrorist attacks against Israelis and Americans, as Hezbollah has recently done in other places?

That's a yes or no question, I think.

Director CLAPPER. Yes. I think they clearly have the intent to do that, when they can.

Chairman FEINSTEIN. Okay. How does Hezbollah's capacity compare with that of al-Qa'ida at this time?

Director CLAPPER. I don't think they reach that level of al-Qa'ida—core al-Qa'ida at its height. I don't believe that's the case. I might ask Matt Olsen if he'd like to comment on that.

Chairman FEINSTEIN. Good.

Mr. Olsen.

Director OLSEN. Thank you very much, Chairman.

I would agree with Director Clapper. To be specific, I wouldn't—compared to core al-Qa'ida ten years ago, Hezbollah is not at that level. Hezbollah does have a presence that extends to many countries around the world. We've seen plots and activity from Hezbollah across the globe, but we haven't seen anything like the capability or activity that we've seen from al-Qa'ida over the last ten years.

Chairman FEINSTEIN. Thank you.

Mr. Vice Chairman.

Vice Chairman CHAMBLISS. Director Olsen, you are the guy who is responsible for gathering all of the information from the Intelligence Community, sifting through it, and making some critical decisions, not only about who gets what, but where the danger is.

This is a public hearing. Tell the American public what keeps Matt Olsen awake at night.

Director OLSEN. Thank you, Mr. Vice Chairman.

I would say that there are a number of things that we're particularly concerned about. From an overseas perspective, it is the decentralized nature of the threat from al-Qa'ida. As we've talked about this morning, the threat from core al-Qa'ida is greatly diminished. It is nowhere near where it was ten years ago. But we have seen that threat become geographically dispersed, as affiliated groups, and groups sympathetic to al-Qa'ida and al-Qa'ida's message, have grown in areas—for example, in North Africa.

Probably the most significant of those affiliated groups, from our perspective, is al-Qa'ida in the Arabian Peninsula. We've seen AQAP seek to carry out attacks against aviation targets three times over the last several years. So I would put AQAP at the top of the list, from an overseas perspective.

Looking closer to home and the Homeland, the number one concern for an attack, albeit a small-scale, unsophisticated attack, likely comes from home grown extremists who may well be inspired or radicalized by the message that al-Qa'ida sends. But it would be more likely a person more likely to act alone or in a very small group to carry out an unsophisticated attack, and that's very difficult for us, from an intelligence perspective, to see in advance and therefore, to be able to disrupt.

Vice Chairman CHAMBLISS. Is there an aggressive effort on the part of al-Qa'ida, as well as other affiliated groups, or other terrorist groups, for that matter, to develop American home grown terrorists?

Director OLSEN. Sir, we definitely have seen—from both al-Qa'ida core in Pakistan, as well as AQAP in Yemen—an effort to reach out beyond those regions into the United States to radicalize individuals who are here who may be susceptible to that kind of a message. They may be simply wayward knuckleheads, but they may well be inspired by that message, and seek to carry out an attack.

Vice Chairman CHAMBLISS. Now, let me address that to you also, Director Mueller, since the FBI has jurisdiction over domestic criminal and terrorist activity, and I'd like your comments on what you see taking place, from the standpoint of home grown terrorists.

Director MUELLER. Let me start by saying that the threat from AQAP, particularly with airliners, has not dissipated over the years. There's still that threat out there. The individuals who were responsible for the previous attempts are still there. So I join him with identifying that as a principal concern overseas.

More directly at home, it is the radicalization of individuals on the Internet, who develop the desire and the will to undertake attacks. They're finding it very difficult to find co-conspirators, others that would join in. But then again, the Internet can facilitate that kind of a meeting/coming together for an attack. And it is the lone wolves that we are principally concerned about.

The other point I would put in terms of keeping me awake is cyber, and the fact that what is happening in the cyber arena cuts across any of our disciplines, whether it be counterintelligence or counterterrorism, as well as criminal. And the various objectives, goals, of discrete individuals utilizing the cyber arena, whether it

be for criminal purposes or for terrorist purposes, has grown to be right up there with AQAP, home grown terrorists, and cyber attackers.

Vice Chairman CHAMBLISS. Thanks, Madam.

Chairman FEINSTEIN. Thanks, Mr. Vice Chairman.

Senator Rockefeller, are you okay? No, you're not okay?

Senator ROCKEFELLER. No, I am—I think I'm okay. I've got a couple of questions I'd like to ask, but I'd rather get to the closed hearing.

Chairman FEINSTEIN. Okay.

I know, Senator Wyden, you have a question you'd like to ask.

Senator WYDEN. Just one, Madam Chair, and I thank you.

And this is for you, Director Clapper—again, on the surveillance front. And I hope we can do this in just a yes or no answer, because I know Senator Feinstein wants to move on.

Last summer, the NSA director was at a conference and he was asked a question about the NSA surveillance of Americans. He replied, and I quote here, "The story that we have millions, or hundreds of millions, of dossiers on people is completely false."

The reason I'm asking the question is, having served on the Committee now for a dozen years, I don't really know what a dossier is in this context. So, what I wanted to see is if you could give me a yes or no answer to the question—does the NSA collect any type of data at all on millions, or hundreds of millions, of Americans?

Director CLAPPER. No, sir.

Senator WYDEN. It does not?

Director CLAPPER. Not wittingly. There are cases where they could inadvertently, perhaps, collect, but not wittingly.

Senator WYDEN. All right. Thank you. I'll have additional questions to give you in writing on that point, but I thank you for the answer.

Chairman FEINSTEIN. Thank you very much, Senator Wyden.

Senator King.

Senator KING. Just a follow-up on Senator Chambliss' questions—my concern is we keep talking about al-Qa'ida, but my impression, and Mr. Olsen, perhaps I'll direct this to you—we have to realize that it only takes four or five people these days to mount some kind of threat.

Is there a danger that we are so focused on al-Qa'ida that we're going to miss the second cousin of al-Qa'ida that arises in Brazil or someplace, that constitutes a serious threat?

Director OLSEN. Well, I don't think so. I think that's reflected on this panel. Director Brennan, Director Mueller, Director Clapper—all of us work very closely together to look forward to determine where that next threat is coming from. We're very focused on, for example, the activities of groups in North Africa that may simply be sympathetic to al-Qa'ida, but certainly haven't reached the level of being affiliated officially with al-Qa'ida.

And so, all of our organizations—and I certainly know I can speak on behalf of the people working at the National Counterterrorism Center—are laser-focused on trying to identify that next threat. Are we going to be perfect every time? The answer to that is no, but we are very, very focused on trying to look forward to

see that next threat, and that's something that we're doing together as a Community.

Senator KING. Mr. Mueller.

Director MUELLER. If I might add, we have threats across the board—domestic threats. We have not forgotten the bombing of the Oklahoma City federal building in 1995. And while, yes, we look at threats from outside that can be ultimately undertaken within the United States and look at home grown terrorists, we look across the board and try to anticipate, not only with international terrorists affiliated in some way or shape with al-Qa'ida, but with others that are affiliated with more extremist, radicalized groups domestically.

Senator KING. Are you seeing any increase in the number of those groups not related to Islamic extremists, but more home grown?

Director MUELLER. I would say, to a certain extent, it's cyclical. If there are groups who may lose their leaders—either they were incarcerated or have passed—then the capabilities of that group to undertake an attack would be diminished. And we've seen that off and on.

We also see that many of the more radical groups or extremist groups do not want to be associated with the lone wolves and will push them out, which is a problem, because if you have surveillance or you can understand what's happening in a substantial extremist group, to have somebody with the intent to undertake attack with nobody around them, that presents a separate special challenge.

Director CLAPPER. We are seeing Northern Africa's, as Matt alluded to, a proliferation of Ansar al-Sharia chapters—Tunisia and Libya, to name two cases—which seem focused much more on local, regional issues, Western interests only as they are present in those particular countries, and less inclined—at least at this point—to promote attacks elsewhere, although that's always a possibility.

So we watch these groups as they evolve in their objectives.

Senator KING. Thank you.

Thank you, Madam Chair.

Chairman FEINSTEIN. Thank you.

Let me thank you, everyone, first of all, on behalf of this Committee, for your service to the country, for your presence here today, for your testimony—and to those of you that didn't have a chance to respond, we look forward to seeing you in the Committee on some of these issues.

We will recess and reconvene directly to our SCIF right down the hall, at the call of the Chair.

So thank you, and this hearing is recessed.

[Whereupon, at 11:54 a.m., the Committee recessed briefly to reconvene in a closed session.]