

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

HEARING

BEFORE THE

COMMITTEE ON ARMED SERVICES

UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

MARCH 10, 2011

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

THURSDAY, MARCH 10, 2011

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

The committee met, pursuant to notice, at 9:33 a.m. in room SD-G50, Dirksen Senate Office Building, Senator Carl Levin (chairman) presiding.

Committee members present: Senators Levin, Lieberman, Hagan, Manchin, Shaheen, Gillibrand, Blumenthal, McCain, Brown, Ayotte, and Cornyn.

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

Majority staff members present: Madelyn R. Creedon, counsel; Richard W. Fieldhouse, professional staff member; Jessica L. Kingston, research assistant; Thomas K. McConnell, professional staff member; William G.P. Monahan, counsel; Russell L. Shaffer, Counsel; and William K. Sutey, professional staff member.

Minority staff members present: David M. Morriss, minority staff director; Adam J. Barker, professional staff member; Christian D. Brose, professional staff member; John W. Heath, Jr., minority investigative counsel; Daniel A. Lerner, professional staff member; and Michael J. Sistik, research assistant.

Staff assistants present: Jennifer R. Knowles, Kathleen A. Kulenkampff, and Hannah I. Lloyd.

Committee members' assistants present: Vance Serchuk, assistant to Senator Lieberman; Gordon Peterson, assistant to Senator Webb; Roger Pena, assistant to Senator Hagan; Joanne McLaughlin, assistant to Senator Manchin; Chad Kreikemeier, assistant to Senator Shaheen; Elana Broitman, assistant to Senator Gillibrand; Jeremy Bratt, assistant to Senator Blumenthal; Lenwood Landrum, assistant to Senator Sessions; Charles Prosch, assistant to Senator Brown; Brad Bowman, assistant to Senator Ayotte; Dave Hanke, assistant to Senator Cornyn; and Joshua Hodges, assistant to Senator Vitter.

OPENING STATEMENT OF SENATOR CARL LEVIN, CHAIRMAN

Chairman LEVIN. Good morning, everybody.

First, I'd like to welcome our witnesses for today's hearing on current and longer term threats and challenges around the world. We're delighted to have James Clapper here for the first time as

the Director of National Intelligence (DNI), along with the Defense Intelligence Agency (DIA) Director, General Ron Burgess.

This committee has a special responsibility to the men and women of our Armed Forces to be vigilant on worldwide threats and on our intelligence programs. The safety of our troops, decisions on whether or not to use military force, and the planning for military operations all depend on understanding those threats through our intelligence programs and activities.

In Afghanistan we're beginning to see signs that the strategy announced by the President just over a year ago is achieving some progress. U.S. coalition and Afghanistan security forces have partnered to drive insurgent forces from Taliban strongholds in the south, and Afghanistan security forces are increasingly taking the lead in securing these areas so the Afghanistan people can return to building a better life. General Petraeus has said that there are signs of friction within the insurgency's ranks and that some local Taliban fighters are questioning their leaders' orders to keep fighting while those leaders are safely hiding out in sanctuaries in Pakistan. Do our witnesses see that same phenomenon? What do they assess the prospects are for more lower-level insurgent fighters in Afghanistan to decide to lay down their arms and reintegrate into Afghanistan society?

A significant juncture in the next few months is the July 2011 date established by the President for the beginning of reductions in U.S. forces. Secretary Gates said the other day that "we will be well-positioned to do just that." Later this month President Karzai is expected to announce a number of provinces and districts selected for the first phase of transition to Afghanistan security forces taking the lead in providing security.

The President also said that the pace of the U.S. force reductions will be condition-based. One factor influencing those conditions will be the size and capability of the Afghanistan army and the Afghanistan police. I hope our witnesses will provide their views on whether the pending proposal to increase the size of the Afghan security forces by up to an additional 70,000 personnel, or a total of 378,000, would facilitate the transition to Afghan-led security.

A major source of instability in Afghanistan is the continued presence of sanctuaries for extremist insurgent groups across the border with Pakistan. We need to hear from our witnesses whether there is a realistic prospect that the Pakistanis will end those safe havens and end the support that they've been providing to the Haqqani network and the Quetta Shura Taliban that cross over into Afghanistan to attack coalition and Afghan forces and innocent Afghan civilians. What is our witnesses' assessment of whether Pakistan might recalculate its strategic interest in Afghanistan and whether it might act to help bring the Afghan Taliban to the negotiating table?

Events in the Middle East and North Africa are both stunning and uplifting. It is stirring to see people express their will for freedom and human rights which are, once again, shown to have universal appeal. The people of Egypt and Tunisia now face the difficult challenge of forming a government that embodies those values without giving way to the forces of extremism and intolerance,

while the other countries in the region are struggling more with longstanding issues of economic and democratic reform.

To date, the revolutions in the Middle East have not been a victory for al Qaeda or other extremist groups that reject democracy and that prey on the resentment caused by corruption and poverty to nourish and sustain them. While we do not expect the Intelligence Community (IC) to predict the future in this complex region, I do hope that our witnesses will provide insight into what the people in various countries in the region want to achieve, their ability and commitment to achieve it, and what outside actors are attempting to influence the outcomes.

In Libya, the aspirations of the Libyan people for freedoms and human rights have been met with brutal oppression by the Qadhafi regime. Is the conflict headed for a protracted stalemate in the judgment of the IC? In addition, a humanitarian crisis is developing within the internally displaced and refugee populations growing along the borders with Tunisia and Egypt. We'd be interested in our witnesses' estimates as to whether it is likely the rebels in Libya can succeed militarily.

The administration is conducting planning, with our allies, to prepare for a range of contingencies in Libya, including, but not limited to, the possibility of a no-fly zone to protect the people of Libya from air attack. These events in recent days have shown machine guns and tanks can slaughter people as well as bombs can from the air.

Earlier this week the Arab League's Ambassador in Washington, Hussein Hassouna, indicated that the 22 members of the Arab League may endorse a no-fly zone when they meet in emergency session in Cairo this Saturday. While he said Arab League members feel "a sense of urgency" regarding Libya, saying that "if we leave this for too long, things will be worse and worse for the people," he warned on the other hand that Arab countries "are not in favor of foreign military intervention." We would appreciate our witnesses' assessments on who the opposition is in Libya, and whether our intervention more directly on their behalf, in the absence of Arab or Muslim countries' participation, might turn the people of the region against us as occupiers instead of their continuing to be focused against their own dictatorial regimes.

In Iraq, our forces are implementing the decision by President Bush and Prime Minister Maliki as set forth in the 2008 Security Agreement to withdraw all U.S. forces from Iraq by December 31st of this year. There are signs that the Maliki Government is cracking down on peaceful demonstrations. We'd want to hear from our witnesses their estimate of the prospects for democracy and for security for religious minorities in Iraq.

Iran perhaps provides the greatest challenge to the United States and the international community. The recent update to the National Intelligence Estimate (NIE) on Iran's nuclear programs is of major interest. That update remains classified, but we look forward to some insight from our witnesses today on the Iranian nuclear program, particularly how many years away is it from being able to produce enough highly enriched uranium for one nuclear weapon, and from completing the design and manufacturing of all the parts of a warhead or bomb after a decision to do so were made

by the Iranians, if they haven't already made such a decision. We also need their views on the effect of the sanctions on Iran and on which countries are the least cooperative in implementing those sanctions. For the members of our committee, we will be holding a briefing on the recent NIE review of Iran in the near future.

The Iranian regime's cynical reaction to the upheavals in the region has been to redouble its suppression of popular protests at home, while championing and claiming credit for revolts elsewhere. We need to do what we can to pierce that veil of hypocrisy, to understand how the uprisings abroad are affecting the Iranian regime and its opponents.

Questions abound on other parts of the world where we need the IC's assessments. For example, what are the prospects for Russian missile defense cooperation with NATO and the United States, and the potential impact of such cooperation, particularly with respect to Iran? What are our witnesses' views on North Korea's intentions, and what is the likelihood they would launch an attack on South Korea?

So, our witnesses have a great deal of ground to cover with us this morning.

We have arranged for a closed session following this open session, if needed.

Senator McCain.

STATEMENT OF SENATOR JOHN MCCAIN

Senator MCCAIN. Thank you, Mr. Chairman, and thank our witnesses for the decades of service to our Nation, including in the critical intelligence positions they now hold.

On behalf of our committee, please extend our gratitude to the men and women you lead, who labor everyday, often in silence, to secure our Nation.

Our appreciation for the work of our IC is mixed with a great deal of humility as we consider the overwhelming array of worldwide threats now facing the country, which is the subject of this hearing. I say in all seriousness and with no eagerness that, in my many years of public service, I have never seen an international environment in which we have been called upon to confront more threats of greater diversity and magnitude, all at once, than we are in today's world. I know you would agree that there's much to keep us up at night.

We face a wide variety of challenges ranging from al Qaeda, North Korea, Syria, Afghanistan, Pakistan, cyber networks, a rise of China and shifting balance of power in the dynamic Asia-Pacific region, and others.

Trying to understand and anticipate all these challenges, and more, is a tall order. Congress and the American people are right to hold our intelligence professionals to the highest standards and to expect the most of them. After all, they expect nothing less of themselves. However, our expectations must also be realistic, and that means remembering, especially in times of rapid change like these, we must resist the temptation to mistake intelligence for omniscience.

The truth is, there were plenty of people who foresaw that the status quo in the Middle East and in North Africa was far from

stable. When you combine young populations, rising expectations, declining opportunities, corrupt and autocratic governments, and little to no political freedom, it doesn't take world-class intelligence to predict that this is a crisis in the making. It just takes common sense. But as for why this crisis is unfolding now, as opposed to some other time, I think that is and will remain a mystery. No intelligence agency, even ones as well-funded as ours, could be or should be expected to foresee that one forlorn young man in Tunisia would burn himself to death, and that this single tragedy would unleash a geopolitical shockwave toppling long-entrenched rulers, emboldening millions to find their political voices, and changing the region forever.

The main question for us now is not, why didn't we see this coming, but how do we understand where it is going? That's why I would focus on the horrific events in Libya. Until now, in Tunisia and Egypt and elsewhere, we've seen overwhelmingly peaceful demonstrations elicit unprecedented political change, and most governments are seeking to accommodate that change without resorting to large-scale violence. These public demonstrations have not been inspired by violent extremism, but rather by moderate demands for greater freedom, justice, and opportunity. As such, they are a repudiation of everything al Qaeda stands for.

We saw similar peaceful demands made by people in Libya, but the government's response has been something different entirely. The Qadhafi regime has unleashed a campaign of unconscionable violence—often at the hands of foreign mercenaries—which has pushed the country to the brink of civil war. The President of the United States has said that Qadhafi must go. He said all options are on the table to achieve that goal. I believe he's right on both counts. But we now seem to be increasingly faced with the possibility that Qadhafi will not go—that he will instead recapture control, at least in parts of Libya, enough to wage a counterrevolution of murder and oppression for a long time to come against anyone who stands in his way.

If that were to happen, he would establish a dangerous counterexample to the revolutions in Egypt and Tunisia. It would signal to rulers across the region that the best way to maintain power in the face of peaceful demands for justice is through swift and merciless violence. There is much concern about the perception of U.S. or Western military involvement in another Muslim country after Afghanistan and Iraq, and that's why we must continue to work with our partners in the region to address the situation in Libya. Perhaps the greater concern for us all should be what it would mean for America's credibility moral and standing if a tyrant were allowed to massacre Arabs and Muslims in Libya and we watched it happen.

Finally, Mr. Chairman, the situation regarding the no-fly zone continues to dominate the airwaves. Perhaps we are spending too much time on that single issue. I would point out that the New York Times this morning had an article by Nicholas Kristof: "This is a pretty easy problem, for crying out loud." For all the hand-wringing in Washington about a no-fly zone over Libya, that's the verdict of General Merrill McPeak. I called General McPeak to get his take on a no-fly zone. He said: "I can't imagine an easier mili-

tary problem. If we can't impose a no-fly zone over a not even third-rate military power like Libya, then we ought to take a hell of a lot of our military budget and spend it on something else."

Perhaps as importantly, General Odierno, the U.S. Commander of Joint Operations Command, said: "The U.S. military would be able to establish a no-fly zone over Libya within a couple of days if the international community decided that such a move were needed. We can react very quickly to all this if we have to. We're prepared to do that. I believe within a couple of days we would probably be able to implement a no-fly zone."

I'll be interested in the witnesses' views of the importance of establishing a no-fly zone given the recent news this morning in the Wall Street Journal that says: "Meanwhile, rebel leaders in Benghazi said government planes had bombed fuel silos and an oil pipeline near Ras Lanuf. The strike raised fears that Qadhafi had turned his weapons on petroleum assets in opposition-controlled territory, something the rebel government has dreaded. 'What we worried about has started to happen today,' said Abdul Hafidh Ghoga, spokesman for the temporary governing council in Benghazi. 'This could lead to a huge environmental crisis, and one that could also cause global aftershocks in the oil industry.'"

I might add that the Government of France has just recognized this provisional government in Benghazi.

I thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator McCain.

Director Clapper, I think we will begin with you.

I thank you again, both you and General Burgess, for your great service. I join Senator McCain in asking you to pass that along to the men and women with whom you work.

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

Mr. CLAPPER. Thank you, Chairman Levin, Ranking Member McCain, and distinguished members of the committee for inviting General Ron Burgess, a friend and colleague of longstanding, and me to present the 2011 Worldwide Threat Assessment.

As many of you understand, it's not possible to cover the full scope of worldwide threats in our brief oral remarks, so I'd like to take this opportunity to highlight four broad areas of significant concern to the IC. General Burgess will address specific threats and challenges for defense intelligence. Subject to your concurrence, we've submitted longer statements for the record.

First and foremost is terrorism. Counterterrorism is our top priority because Job 1 for the IC is to keep Americans safe and the Homeland secure.

The IC has helped thwart many potentially devastating attacks—for example, the cargo bomb plot last October. We've apprehended numerous bad actors throughout the world and greatly weakened much of al Qaeda's core capabilities, including its operations, training, and propaganda. We're especially focused on al Qaeda's resolve to recruit Americans and to spawn affiliate groups—most notably al Qaeda on the Arabian Peninsula—around the world.

We also see disturbing instances of self-radicalization among our own citizens. While homegrown terrorists are numerically a small part of the global threat, they have a disproportionate impact because they understand our Homeland, have connections here, and have easier access to U.S. facilities.

Counterterrorism is central to our overseas operations, notably in Afghanistan, and while progress in our efforts to disrupt, dismantle, and defeat al Qaeda is hard-won, we have seen and will continue to see success in government security and economic development that will erode the willingness of the Afghan people to support the Taliban and their al Qaeda allies.

While U.S. combat operations have come to an official close in Iraq, bombings by terrorists, and specifically al Qaeda, mean that our work to help solidify the security gains we've made thus far remains a high priority.

Another major concern is the proliferation of weapons of mass destruction (WMD). The proliferation threat environment is a fluid, borderless arena that reflects the broader global reality of an increasingly free movement of people, goods, and information. While this environment is critical for peaceful scientific and economic advances, it also allows the materials, technologies, and know-how related to chemical, biological, radiological, and nuclear weapons, as well as missile delivery systems, to be shared with ease and speed.

Iran, as you noted, is a key challenge. In the months following the 2009 Iranian elections, we saw a popular movement challenge the authority of its government. We also saw the Iranian government crack down with harsh authoritarian control. Now we are seeing similar unrest, although so far on a smaller scale than was the case in 2009, and a similarly harsh crackdown by the regime. We look forward to discussing Iran further with you in closed session—particularly its nuclear posture.

As you also noted, North Korean nuclear weapons and missile programs also pose a serious threat, both regionally and beyond. Pyongyang has signaled a willingness to reengage in dialogue, but it also craves international recognition as a nuclear weapons power, and it has shown troubling willingness to sell nuclear technologies.

Third, I also want to highlight another major challenge for the IC. The reality, as you both noted, that we are in an interconnected interdependent world, and instability can arise and spread quickly beyond borders. Of course, the vivid examples of this include the sudden fall of the Ben Ali regime in Tunisia and the contagious mass uprisings in Egypt which led to the departure of former President Mubarak, and the large-scale demonstrations and uprisings elsewhere, most notably now in Libya. The IC is following these fast-moving events closely.

We've long assessed the political and socioeconomic drivers of instability in the region, including analyses of historical transitions of power to understand future risks to regime stability. However, specific triggers for how and when instability would lead to the collapse of various regimes cannot always be known or predicted. In other words, we aren't necessarily clairvoyant. Senator McCain, I very much appreciate your commentary about the need to distin-

guish mysteries and secrets, and sometimes we're held to the same standard for knowing both.

What's happening in the Middle East is yet another manifestation of the fact that economic challenges and frustrated political aspirations have become paramount in our interdependent world and cannot be underestimated, from increasing debt to fluctuating growth, to China's economic rise.

Another example of such interdependent challenges are cyber threats and their impacts on our national security and economic prosperity. This threat is increasing in scope and scale. Industry estimates that the production of malicious software has reached its highest level yet, with an average of 60,000 new programs or variations identified each day. Industry has estimated that the loss of intellectual property worldwide to cyber crime continues to increase, with the most recent 2008 annual figures approaching \$1 trillion in losses. Last year, some of our largest information technology companies discovered that throughout much of 2009 they'd been targets of systematic efforts to penetrate their networks and acquire proprietary data.

We're also analyzing the national security implications of energy, security, drug trafficking, emerging diseases, international organized crime, humanitarian disasters, and other global issues. In the face of these challenges, the IC must always remain attentive to developments in all parts of the globe and many spheres of activity, and that is why I consider it imperative that we must sustain a robust, balanced array of intelligence capabilities.

Fourth, counterintelligence is another area of great concern to me. We face a wide range of foreign intelligence threats to our economic, political, and military interests at home and abroad. In addition to cyber and other threats clearly tied to foreign intelligence services, unauthorized disclosures of sensitive and classified U.S. Government information also pose substantial challenges, and the most prominent recent example, of course, is the unauthorized downloading of classified documents subsequently released by WikiLeaks.

Speaking from an intelligence perspective, these disclosures have been very damaging. As part of a broader whole-of-government effort, we in the IC are working to better protect our information networks by improving audit and access controls, increasing our ability to detect and deter insider threats, and expanding awareness of foreign intelligence threats across the U.S. Government. I believe we can and will respond to the problems of intrusions and leaks, but we must do so without degrading essential intelligence integration and information sharing.

In sum, the IC is better able to understand the vast array of interlocking concerns and trends, anticipate developments, and stay ahead of adversaries precisely because we operate in an integrated community.

I thank you and the distinguished members of the committee for your support to the IC and your dedication to the security of our Nation. Following General Burgess' remarks, we look forward to your questions and our discussion.

What I'd like to do is turn the podium over to Ron for his statement and then we'll go through the questions you raised in both of your opening statements.

[The prepared statement of Mr. Clapper follows:]

PREPARED STATEMENT BY HON. JAMES R. CLAPPER

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

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

TERRORISM

Terrorism will remain at the forefront of our national security threats over the coming year. Robust counterterrorism (CT) and information sharing efforts continue worldwide, and this extensive cooperation has stopped a number of potentially tragic events from occurring and hindered many others. Moreover, these efforts are changing the nature of the threat we face, with clear progress being made in some fronts, but new challenges arising elsewhere. The core al Qaeda, which we define as the group's Pakistan-based leadership and cadre organization, continues to be damaged by ongoing CT efforts on the part of the United States and its allies.

al Qaeda Remains Dangerous

Al Qaeda continues to aspire to spectacular attacks. Over the past 2 years, core al Qaeda has continued to be committed to high-profile attacks against the west, including plans against the United States and Europe. Despite setbacks since the 7 July 2005 attacks in London—the last successful al Qaeda-backed plot in the west—we have seen the group continue to pursue a range of attack methodologies and recruit operatives familiar with the West. In light of the loss of experienced personnel, we judge it will seek to augment sophisticated plots by increasing its operational tempo with smaller, simpler ones to demonstrate its continued relevance to the global jihad.

Regional Affiliates Expanding Their Agendas

Absent more effective and sustained activities to disrupt them, some regional affiliates—particularly al Qaeda in the Arabian Peninsula (AQAP) and al-Shabaab in Somalia—probably will grow stronger. The result may be that regional affiliates conducting most of the terrorist attacks and multiple voices will provide inspiration for the global jihadist movement.

These regional affiliates will continue to focus on local agendas, but also will pursue international terrorist attacks. These groups have been stepping up their propaganda to expand their influence and connect with potential recruits outside their traditional areas of operation.

The Intelligence Community assesses that while AQAP's rhetoric in 2010 indicates the group is focused on attacks in Yemen and Saudi Arabia, it is increasingly devoted to directing and inspiring attacks on the U.S. Homeland and other targets in the west, as well as western interests in Yemen. Energized by the near success of the 2009 Christmas Day airliner plot, AQAP directed the recently intercepted IED shipment from Yemen, disguised as printer cartridges.

We remain vigilant that al-Shahaab may expand its focus from fighting to control Somalia to plotting to attack the Homeland. Al-Shabaab's cadre of westerners in-

cludes American converts, some of whom have assumed leadership positions, and other fighters of ethnic Somali-descent.

Other groups vary in their strategic agenda, external reach, and capabilities to conduct anti-U.S. operations, including those against the U.S. Homeland. Most al Qaeda in the Lands of the Islamic Maghreb (AQIM) operations against western targets have been kidnappings-for-ransom. The group also has targeted embassies in North Africa and the Sahel, executed an American, and is augmenting its operational reach in West Africa.

Tehrik-e-Taliban Pakistan's (TTP) involvement in attacks—such as the May 2010 failed car bombing in Times Square, New York, and the assault last April on the U.S. Consulate in Peshawar—demonstrate its intent and ability to target U.S. interests, including in the homeland. TTP will remain heavily engaged in its efforts against the Pakistani military and coalition forces in Afghanistan; these actions indicate the group also is seeking to expand its international reach.

Lashkar-e-Tayyiba (LT) remains a significant threat to Indian interests in South Asia and an increasing threat to U.S. forces in Afghanistan.

I will discuss al Qaeda in Iraq (AQI) later, as part of my assessment of the situation in Iraq.

New Challenges

Recruitment for the broader movement has been resilient. The underlying ideology continues to resonate with a small but active set of Sunni extremists across the globe who can replace operatives who are killed, arrested, or become disaffected. Ideologues and clerics in the movement aggressively exploit issues, such as the presence of U.S. forces in Afghanistan and Iraq and U.S. support for Israel, to fuel their narrative of a hostile west determined to undermine Islam.

The appeal of al Qaeda's ideology worldwide has increased the flow of western recruits—particularly Europeans and North Americans. Over the past 5 years, a small but growing number of Americans have become involved in the global jihadist movement. They have occupied a variety of roles with extremist groups overseas, such as foot soldiers and front line combatants, operational planners, propagandists, attack operatives for Homeland plots, and even senior leaders, with some American extremists combining multiple roles. American extremists will likely remain a small part of the jihad, but play a disproportionately large role in the threat to U.S. interests because of their understanding of the U.S. Homeland, connections to compatriots back in the United States, and relatively easy access to the Homeland and potentially to U.S. facilities overseas.

Disrupted plots and arrests of homegrown violent Sunni extremists in the United States last year remained at elevated levels similar to 2009. Plots disrupted during the past year were unrelated operationally, but are indicative of a collective subculture and a common cause that rallies independent extremists to want to attack the Homeland. Key to this trend has been the development of a U.S.-specific narrative that motivates individuals to violence. This Internet-accessible narrative—a blend of al Qaeda inspiration, perceived victimization, and glorification of past homegrown plotting—relates to the unique concerns of U.S.-based extremists. However, radicalization among U.S.-based extremists remains a unique process based on each individual's personal experiences and motivating factors.

Another key concern is the ability of ideological influencers and recruiters to mobilize new recruits in the west by exploiting anti-Islamic incidents, legislation, and activities, such as threats of Koran burning and restrictions on Muslim attire. Individuals like Yemen-based Anwar al-Aulaqi demonstrate the appeal of these types of western extremist ideologues. These ideologues have also proved adept at spreading their messages through the media and Internet-based platforms.

Lastly, we will need to be aware of shifts in the types of attacks that terrorists may try to launch against us. Participants in the global jihad had relied on improvised and scavenged military explosives as well as other improvised and conventional weapons. The reliability and availability of these materials make it likely that they will remain a major part of terrorists' inventory. However, AQAP's efforts to employ known IED technologies in innovative ways, and their exhortations to followers to conduct small-scale attacks that can still have major impact, all suggest we face a complex defensive challenge.

Assessing the Terrorist CBRN Threat

We continue to monitor the chemical, biological, radiological, and nuclear (CBRN) threat closely. Some terror groups remain interested in acquiring CBRN materials and threaten to use them. Poorly secured stocks of CBRN provide potential source material for terror attacks.

PROLIFERATION

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

Traditionally biological, chemical, or nuclear weapon use by most nation states has been constrained by deterrence and diplomacy, but these constraints maybe of less utility in preventing the use of these weapons by terrorist groups. Moreover, the time when only a few states had access to the most dangerous technologies is well past. Biological and chemical materials and technologies, almost always dual-use, move easily in our globalized economy, as do the personnel with scientific expertise designing and using them. The latest discoveries in the life sciences also diffuse globally with astonishing rapidity.

We assess that many of the countries pursuing WMD programs will continue to try to improve their capabilities and level of self-sufficiency over the next decade. Nuclear, chemical, and/or biological weapons—or the production technologies and materials necessary to produce them—also may be acquired by states that do not now have such programs. Terrorist or insurgent organizations acting alone or through middlemen may acquire nuclear, chemical, and/or biological weapons and may seek opportunistic networks as service providers. In the context of WMD proliferation by nation-states, we have no information of states having deliberately provided CBRN assistance to terrorist groups.

Iran

The Iranian regime continues to flout U.N. Security Council restrictions on its nuclear and missile programs. There is a real risk that its nuclear program will prompt other countries in the Middle East to pursue nuclear options.

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

One of the most important capabilities Iran is developing is uranium enrichment, which can be used for either civil or weapons purposes. As reported by the International Atomic Energy Agency (IAEA), the number of centrifuges installed at Iran's enrichment plant has grown significantly from about 3,000 centrifuges in late 2007 to over 8,000 currently installed. At the same time, the number of operating centrifuges that are enriching uranium has grown at a much slower pace from about 3,000 centrifuges in late 2007 to about 4,800 in late 2010. Iran has used these centrifuges to produce more than 3,000 kilograms of low enriched uranium.

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

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

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

Iran's growing inventory of ballistic missiles and its acquisition and indigenous production of anti-ship cruise missiles (ASCMs) 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 those of the United States. Its ballistic missiles are inherently capable of delivering WMD, and if so armed, would fit into this same strategy.

In February 2010, Iran displayed a new rocket engine design that Tehran said is for the Simorgh, a large space launch vehicle. It also displayed a simulator of the Simorgh. This technology could be used for an intercontinental ballistic missile (ICBM)-class vehicle. We are watching developments in this area very closely.

North Korea

Pyongyang's nuclear weapons and missile programs pose a serious threat to the security environment in East Asia, a region characterized by several great power rivalries and some of the world's largest economies. North Korea's export of ballistic missiles and associated materials to several countries, including Iran and Syria, and its assistance to Syria in the construction of a nuclear reactor, destroyed in 2007, illustrate the reach of the North's proliferation activities. Despite the October 2007 Six-Party agreement in which North Korea reaffirmed its commitment not to transfer nuclear materials, technology, or know-how, we remain alert to the possibility North Korea could again export nuclear technology.

We judge North Korea has tested two nuclear devices. The North's October 2006 nuclear test is consistent with our longstanding assessment that it had produced a nuclear device, although we judge the test itself to have been a partial failure. The North's probable nuclear test in May 2009 is consistent with our assessment that the North continued to develop nuclear weapons, and with a yield of roughly two kilotons TNT equivalent, was apparently more successful than the 2006 test. Although we judge North Korea has tested two nuclear devices, we do not know whether the North has produced nuclear weapons, but we assess it has the capability to do so.

In November 2010, North Korean officials told U.S. visitors that North Korea is building its own light water reactor (LWR) for electricity production. The claimed prototype LWR has a planned power of 100 megawatt-thermal and a target completion date of 2012. North Korean officials also told the U.S. visitors in November that it had constructed and started operating a uranium enrichment facility at Yongbyon that they claimed was designed to produce low-enriched uranium (LEU) and support fabrication of reactor fuel for the LWR. The U.S. visitors were shown a facility at the existing fuel fabrication complex in Yongbyon, which North Korea described as a uranium enrichment plant. North Korea further claimed the facility contained 2,000 centrifuges and was operating and producing LEU that would be used to fuel the small LWR. The North's disclosure supports the United States' longstanding assessment that the DPRK has pursued a uranium-enrichment capability.

We judge it is not possible the DPRK could have constructed the Yongbyon enrichment facility and begun its operation, as North Korean officials claim, in such a short period of time—less than 20 months—without having previously conducted extensive research, development, testing, fabrication, and assembly or without receiving outside assistance.

Based on the scale of the facility and the progress the DPRK has made in construction, it is likely that North Korea has been pursuing enrichment for an extended period of time. If so, there is clear prospect that DPRK has built other uranium enrichment related facilities in its territory, including likely research and development and centrifuge fabrication facilities, and other enrichment facilities. Analysts differ on the likelihood that other production-scale facilities may exist elsewhere in North Korea.

Following the Taepo Dong 1 launch in 1998, North Korea conducted launches of the Taepo Dong 2 (TD-2) in 2006 and more recently in April 2009. Despite the most recent launch's failure in its stated mission of orbiting a small communications satellite, it successfully tested many technologies associated with an ICBM. Although both TD-2 launches ended in failure, the 2009 flight demonstrated a more complete performance than the July 2006 launch. North Korea's progress in developing the TD-2 shows its determination to achieve long-range ballistic missile and space launch capabilities. If configured as an ICBM, the TD-2 could reach at least portions of the United States; the TD-2 or associated technologies also could be exported.

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

*South Asia**Afghanistan*

The Afghan Government will likely continue to make incremental progress in governance, security, and development in 2011. The Taliban-led insurgency, despite tactical defeats and operational setbacks in 2010, will threaten U.S. and international goals in Afghanistan through 2011. Insurgents will continue to use propaganda to discredit the International Security Assistance Force (ISAF) and the Afghan Government, while asserting that the Taliban is the legitimate authority in Afghanistan. Taliban propaganda will characterize ISAF as an occupation force undermining Afghan culture and religion, while portraying Kabul as a corrupt, illegitimate tool of foreign interests.

The Taliban will use high-profile attacks, assassination of key government figures, and efforts to extend shadow governance to undermine local perceptions of security and influence segments of the population. The insurgents retain the capability and intent to conduct high-profile attacks that have had a disproportionate effect on local and international perceptions of security. Although the majority of these assaults were tactically ineffective, they garnered domestic and international media attention and served as strategic communication opportunities for the insurgents. Islamabad has assisted in some U.S. counterterrorism efforts and has arrested some senior Afghan Taliban members.

Afghan National Security Force Development

Although the Afghan National Army (ANA) and Afghan National Police (ANP) have exceeded their 2010 manpower targets, their development and effectiveness are likely to be affected by high-attrition and absenteeism. The Afghan National Security Forces (ANSF), which have improved their ability to plan and execute operations successfully with ISAF support, will continue to rely on ISAF for support and funding through 2011. The Afghan forces have been most successful in areas with limited insurgent threat or a robust ISAF presence and we judge this capability will rise modestly during 2011 as additional ANSF units partner with ISAF units. Progress, however, will be uneven.

The ANSF-led security effort to plan and carry out static security operations in support of the 2010 parliamentary elections was a significant step forward, despite some command and personnel problems. ISAF partnering and mentoring efforts have begun to show signs of success at the tactical and ministerial level.

ANP will depend on ISAF partnering and oversight for success for the next 3 years. The Afghan Local Police (ALP) has established a modest number of locally raised security forces and offers a new way to secure remote areas of Afghanistan without diverting ANSF personnel. We judge that the program over time will improve population security and boost local confidence where it has been established. ALP units have had initial success, securing polling sites for last September's elections in remote villages in the west, and fighting the Taliban in Bermal District, historically a Taliban stronghold in Paktika Province.

Afghan Governance Challenges

Predatory corruption—extortion, land seizures, illegal checkpoints, kidnapping, and drug trafficking that threaten local communities and authority structures—has fueled the insurgency and is detrimental to the Afghan people's perception of their government and to the international community's objectives. Since late 2009, President Karzai has been willing to endorse some offensive military operations to defeat the insurgency. He has focused on promoting reconciliation talks with the Taliban and implementing policies he perceives will resolve Afghan security issues.

The Karzai Government had some successes in 2010. While the National Assembly election in September was marred by fraud and low voter turnout, the administration was able to conduct the election. Tax collections were up, and the internationally-attended Kabul Conference in July and the June Consultative Peace Jirga took place with few problems.

Status of the Afghan Drug Trade

Alternative livelihood programs designed to encourage Afghan farmers to end poppy cultivation will not significantly discourage farmers from planting poppy in 2011, primarily because a lack of security impedes their implementation on a large scale; High opium prices—a 5-year high due to decreased opium yield in 2010 and the increased risk to traffickers posed by coalition activities—and a lack of security and market infrastructure in key poppy-growing regions have led many farmers to favor poppy for the fall planting season. In addition, wheat-centric programs are un-

likely to foster a long-term transition away from poppy because wheat is largely a subsistence crop that does not compete well economically with opium. Nonetheless, Helmand Province's Food Zone program has diminished poppy cultivation in targeted areas. Such alternative livelihood efforts continued in 2010, and the increased security presence and poor poppy harvest in areas like central Helmand resulted in more reports of farmers willing to risk Taliban threats in exchange for assistance. More broadly, Afghan and international efforts to focus on law enforcement activities on the opiate trade led to the seizure of 11 metric tons in 2010, denying revenue to traffickers and Taliban members who tax and otherwise profit from the trade.

Neighboring States and Afghanistan

Afghanistan has long served as an arena for competing powers, and prospects for enduring Afghan stability will depend significantly on the roles played by neighboring states. Afghanistan's neighbors and regional powers have lasting strategic interests in Afghan stability, transit and trade agreements, and the political situation in Kabul.

International Support to Afghanistan

International troop support for Afghanistan improved in 2010; six new non-NATO nations' contributed troops and trainers to ISAF or Operation Enduring Freedom. Many European governments and India see Afghanistan as a foreign policy priority. They continue to support broad efforts to stabilize the political system, build the economy, and increase security.

Pakistan

Pakistan-based militant groups and al Qaeda are coordinating their attacks inside Pakistan despite their historical differences regarding ethnicity, sectarian issues, and strategic priorities. This offensive orientation has included greater efforts at making al Qaeda propaganda and videos available on Pakistan-focused, Urdu-language sites. We judge Pakistani extremists and al Qaeda will try to conduct additional costly terrorist attacks against the Pakistan Government and the United States and other foreign interests throughout the country. These extremists likely view high-impact attacks as a way of draining U.S. and Pakistani Government resources, retaliating against U.S. CT actions, deterring Pakistani CT and counterinsurgency (COIN) efforts, and causing locals to question the value of these efforts and Islamabad's ability to maintain security throughout the country. However, according to a 2010 Pew Global Attitudes Project poll, an overwhelming majority of Pakistanis (91 percent) describe terrorism as a very big problem in their country, and both the Taliban and al Qaeda draw little public support (less than 20 percent favorability).

Efforts Against Insurgents and Terrorists

Islamabad has demonstrated determination and persistence in combating militants it perceives dangerous to Pakistan's interests, particularly those involved in attacks in the settled areas, including FATA-based Tehrik-e Taliban Pakistan, al Qaeda, and other associated operatives in the settled areas. Islamabad's ability to counter extremists in the safehavens is improving although the extremist threat has in no sense been contained. Major Pakistani military operations have since taken place in six of the seven FATA areas, with North Waziristan being the exception, but militants have proven adept at evading impending Pakistan military operations and in re-infiltrating previously cleared areas.

- The summer 2010 floods adversely impacted combat operations against extremist organizations, due to interruptions of supply lines and poor weather conditions that affected ground and air operations. We assess that the Pakistan army will continue to attempt to stabilize cleared areas of the FATA and Khyber Pakhtunwa and support efforts to build up local tribal "auxiliary" police units and expand the Frontier Scouts to attempt to provide a lasting security regime.
- Pakistan's high acquittal rate for individuals accused of terrorism is a cause for concern; empowerment of the country's law enforcement and judicial authorities and better coordination among its intelligence services will be key.

COIN Improvements

Operations in 2009–2010 reflected lessons the Pakistan Army learned from earlier, unsuccessful operations against Tehrik-e Taliban Pakistan and affiliated militants. The Pakistan military more effectively supported ground operations with fixed and rotary wing assets. Specialized training provided to elite Pakistani army units and paramilitary Frontier Scouts likely has resulted in improved combat capa-

bilities that are important to the COIN fight in the FATA. Tribal levies are being expanded and upgraded significantly to allow the Frontier Scouts to concentrate on heavier security tasks.

Political and Economic Outlook

Tension between Pakistan's military and civilian leadership will continue to ebb and flow in the months ahead as both sides attempt to safeguard personal priorities, including retaining positions of power, and cultivating legacies, with a shared desire to avoid direct military intervention in domestic politics. Pakistan's economy is slowly recovering after the flooding last summer. Concerns about inflation, however, are likely to inhibit Islamabad from fully implementing key fiscal reforms sought by the IMF and international lenders. Rising inflation remains a concern for the public and higher prices probably will delay legislative efforts to reform the tax system. The State Bank of Pakistan reports that food prices in November 2010 were 21 percent higher than in November 2009. The bank expects prices will remain high for months because the flooding disrupted the food supply chain.

India

India is pursuing a robust foreign policy agenda, working to enhance ties to East and Southeast Asian nations, offering reciprocal visits with China, and hosting high level engagements in New Delhi by the U.S., French, and Russian Presidents in the last months of 2010. Government of India officials welcomed, in particular, the U.S. endorsement of an eventual seat for India on the U.N. Security Council, and U.S. commitment to support Indian membership in the four international export control regimes—in a phased manner and consistent with maintaining the core principles of these regimes—as India takes steps toward full adoption and implementation of the regimes' requirements. New Delhi, meanwhile, has been working to deepen its engagement with multilateral for a such as the G-20, East Asian Summit, and the climate change discussions in Mexico.

India's ties to Pakistan are largely unchanged. Both sides have stated their willingness to put all issues on the table and are committed to another round of talks at the foreign minister level at a date to be determined. Senior Indian officials continue to call for progress in the prosecution of individuals charged with the November 2008 attacks in Mumbai, and remain concerned at the length of the process taking place in Pakistan. New Delhi, nevertheless, continues to underscore its desire for peaceful and stable relations with Islamabad.

Indian officials have welcomed the international community's commitment to remain in Afghanistan until the end of 2014. New Delhi continues to believe that a stable, friendly Afghanistan is crucial to Indian security. Despite successful and attempted attacks on the official, commercial, and nongovernmental Indian presence in Afghanistan, the government believes it has a mandate, from both the Indian and Afghan peoples, to continue civilian assistance programs and reconstruction efforts there. India's open assistance programs provide only noncombat aid, although the Indian media continues to discuss whether the country should also consider various capacity-building programs for the Afghan security forces as a means to bolster internal security.

India is closely watching a variety of issues that New Delhi believes will be of primary concern in 2011, to include questions about whether or how to reconcile Afghan Taliban, U.S., and ISAF views about the current and future security situation in Afghanistan, and developments in efforts to foster civil society, a solid economy, and robust democratic processes. New Delhi is likely to seek dialogue on these issues with a variety of interested nations. The Pakistani Government, however, remains concerned that India is using its presence in Afghanistan and its discussions with the United States and other nations to develop policies that may be destabilizing to Pakistan. Meanwhile, officials, media commentators, and members of the think-tank community in India are discussing the global implications of the simultaneous "emergence of India" and the "rise of China." While underscoring the unique aspect of this twinned emergence of two substantial powers on the global political and economic stage, Indians have also noted that there is no inevitable clash between the two powers.

EAST ASIA

North Korea

We assess that North Korea's artillery strike on Yeonpyeong Island on 23 November was meant in part to continue burnishing successor-designate Kim Jong Un's leadership and military credibility among regime elites, although other strategic goals were also factors in the attack. Kim Jong Il may feel the need to conduct fur-

ther provocations to achieve strategic goals and portray Jong Un as a strong, bold leader” especially if he judges elite loyalty and support are in question.

Kim Jong Il has advanced preparations for his third son to succeed him, by anointing him with senior party and military positions, promoting probable key supporting characters, and having the younger Kim make his first public appearances. These steps strengthened the prospects for the 27-year old Jong Un to develop as a credible successor, but the succession process is still subject to potential vulnerabilities, especially if Kim Jong Il dies before Jong Un consolidates his authority.

The North has signaled it wants to return to a nuclear dialogue. The North probably wants to resume nuclear discussions to mitigate international sanctions, regain international economic aid, bolster its ties with China, restart bilateral negotiations with South Korea and the United States, and try to gain tacit international acceptance for its status as a nuclear weapons power.

Since 2009, Pyongyang has made a series of announcements about producing enriched uranium fuel for an indigenous light water reactor that it is building at its Yongbyon nuclear complex. In mid-November 2010, the North showed an unofficial U.S. delegation what it claims is an operating uranium enrichment facility located in the Yongbyon rod core production building.

North Korea’s conventional military capabilities have eroded significantly over the past 10 to 15 years due to persistent food shortages, poor economic conditions, inability to replace aging weapons inventories, reduced training, and increased diversion of the military to infrastructure support. Therefore, Pyongyang increasingly relies on its nuclear program to deter external attacks on the state and to its regime. Although there are other reasons for the north to pursue its nuclear program, redressing conventional weaknesses is a major factor and one that Kim and his likely successors will not easily dismiss.

Nevertheless, the Korean People’s Army remains a large and formidable force capable of defending the North. Also, as demonstrated by North Korean attacks on the South Korean ship Cheonan in March 2010 and Yeongpyong Island in November. North Korea is capable of conducting military operations that could potentially threaten regional stability. These operations provide Pyongyang with what the regime may see as a means to attain political goals through coercion.

China

China’s rise drew increased international attention over the past year, as several episodes of assertive Chinese behavior fueled perceptions of Beijing as a more imposing and potentially difficult international actor. Regional concerns about China’s strategic intentions have been prompted by its diplomatic support for Pyongyang in the wake of the north’s sinking of the Cheonan and its artillery attack on Yeongpyong Island; Beijing’s efforts to advance its territorial claims in the South China Sea; and its efforts to intimidate Japan during a confrontation over fishing rights near disputed islands last September. Neighboring countries that have long pursued constructive relations with China are now more anxious about Beijing’s motives and plans.

China’s apparent confidence about its growing influence in Asia and globally is due, first and foremost, to its sustained economic success, and Beijing’s perception that this translates into diplomatic clout. In 2010 China continued its relatively rapid recovery from the global financial crisis (growing at over 10 percent, compared to 2.5 percent in the G-7 developed economies, according to IMF statistics), reinforcing its role as a key driver of global economic recovery. In 2010 China surpassed Japan to become the second largest economy in the world. This economic growth facilitated and was complemented by a sustained pace for China’s military modernization programs.

In response to international concerns about China’s actions, President Hu Jintao has affirmed China’s commitment to a peaceful and pragmatic approach to international relations. This has been reflected in authoritative Chinese articles and leadership statements—especially during Hu’s visit to Washington in January—and in Beijing’s recent efforts to urge restraint on North Korea’s behavior. We remain attentive, however, to the possibility that Beijing’s perceptions of its influence and clout could fuel more assertive Chinese behavior, or increase the potential for unintended conflict between China and its neighbors, especially in the maritime realm.

China’s external behavior remains inextricably linked to the leadership’s overarching concern with maintaining economic growth and domestic stability. Beijing’s active pursuit and strong defense of its interests abroad are aimed in part at ensuring access to markets, resources, and energy supplies abroad that are vital to sustaining economic growth and stability at home. Beijing’s persistent fears about domestic stability have been reflected in its resistance to external pressure on the

value or its currency, repression of political dissent, and strident reaction to the Nobel Peace Prize for jailed democracy advocate Liu Xiaobo.

China's relationship with Taiwan remained stable and positive in 2010, with progress marked by an Economic Cooperation Framework Agreement between the two sides. However, Strait tensions could return if the two sides are unable to sustain progress on economic and political dialogue.

China's ongoing military modernization program began in earnest in the late 1990s, after Beijing observed the threat posed by long-range precision guided warfare in Operation Desert Storm and the Balkans. China's defense policies—initially aimed at creating credible options to forcibly bring Taiwan under Beijing's authority and developing the corresponding capabilities to prevent US intervention in a cross-Strait conflict—led Beijing to invest heavily in short- and medium-range ballistic missiles, modern naval platforms, improved air and air defense systems, counterspace capabilities, and an Intelligence, Surveillance, and Reconnaissance (ISR) system. For example, the Chinese have recently conducted the first flight test of what we refer to as a fifth-generation fighter, the J-20. We have known about this program for a long time and the flight test was not a surprise. We judge that this event is another indication of China's aspiration to develop a world-class military, and it is a capability we take seriously. But this program, like others in China, will have to overcome a number of hurdles before reaching its full potential.

THE MIDDLE EAST AND NORTH AFRICA

Contagious mass uprisings in the Middle East and North Africa continue to set in motion changes that will have a long-lasting impact. Vivid examples of this include the sudden fall of the Ben Ali regime in Tunisia, the resignation of former President Mubarak in Egypt, and the recent efforts by Muammar Gaddafi to cling to power in Libya. The Intelligence Community has been monitoring these fast-moving events closely and has been assessing the underlying political and socio-economic drivers of instability in this region for some time now, including analyses of historical transitions of power, to understand future risks to regime stability. However, specific triggers for how and when instability will lead to the collapse of various regimes cannot always be known or predicted.

Moreover, economic uncertainty, couple with demographic changes and the lack of political expression has fueled unrest in the region. Indeed, what is happening in the Middle East and North Africa is yet another manifestation of the fact that economic challenges have become paramount in our interdependent world, and cannot be underestimated.

Iraq

Iraq will likely sustain a generally secure path through the end of 2011, even as U.S. forces continue to draw down in accordance with the U.S.-Iraq bilateral security agreement. Despite slow progress on political goals, the continuing preference of Iraqi citizens to pursue change through the political process rather than violence is the most important driver supporting this trend. In addition, an erosion of insurgent and terrorist strength, the contributions of the U.S. military and diplomatic corps, and the capacity of the Iraqi Government to deliver security and basic services for Iraq's citizens also will underpin this trend. Other key factors affecting Iraq's political and security evolution through 2011 will be its ability to adapt to external threats and manage and contain conflict.

Iraq's security generally remained stable through 2010. Reported violence remains relatively steady at the lowest sustained level since 2003. Despite periodic high-profile attacks, overall population security has improved, sectarian tensions are subdued, and Iraq's citizens have begun to express guarded optimism about the future.

Al Qaeda in Iraq (AQI) will be a persistent security problem, although AQI's manpower and ability to conduct a sustained campaign of attacks are substantially less than at its height in late 2006 and early 2007. AQI will almost certainly continue high-profile attacks in an attempt to reignite sectarian warfare and discredit the Iraqi Government. However, we believe it is unlikely AQI will be able to achieve its larger strategic goals of controlling territory from which to launch attacks, driving U.S. Forces-Iraq from Iraq before final withdrawal in December 2011, and establishing a base for a new caliphate. Violence by armed Sunni and Shia groups also remains at the lowest levels since 2003.

Political and Economic Trends

Protracted government formation negotiations, which were recently completed, reflect the dynamism of Iraqi politics and the complexity of the constitutionally-mandated institutional changes that Iraqis are negotiating. Several key variables will

influence Iraq's political, economic, and security evolution over the coming year, including:

- The character and competency of the new government, specifically, the extent to which it is inclusive and capable of effective governance and service delivery, and the degree to which it is authoritarian.
- The pace of progress on key outstanding issues such as control of hydrocarbon resources, revenue sharing, and central versus regional control.
- The stability of oil prices, development of Iraq's non-oil private sector, and Baghdad's ability to attract foreign investment by improving the business environment and upgrading critical infrastructure.
- The influence of and interference by Iraq's neighbors, which probably will include some combination of exploiting a perceived power vacuum and cultivating stronger political and economic ties with Baghdad.
- The U.S. drawdown will press the new Iraqi government to prioritize key issues. It also requires continued U.S. support and a renewed official agreement with the United States, and it will define the future U.S.-Iraq relationship.

Economic trends in Iraq will reinforce the political and security gains we anticipate through 2011, as long as oil prices and production do not fall substantially below current levels. The contracts signed in 2009 and 2010 with 11 international consortiums to expand the development of some of Iraq's largest oil reserves have the potential to create a modest number of jobs over time and increase national income.

Iran

The public protests and elite infighting that followed the June 2009 presidential election posed the greatest internal challenge to the Islamic Republic since the early 1980s. The election crisis has widened splits in the country's political elite and has demonstrated the popular willingness to challenge government authority and legitimacy. Nevertheless, the Iranian regime has stymied opposition activities and should be able to contain new threats from the opposition to its hold on power over the near term.

In reasserting control in the wake of the election, the regime has moved Iran in a more authoritarian direction. Decisionmaking on domestic issues that affect Supreme Leader Ali Khamenei's hold on power will be shaped by ascendant hardliners, including President Mahmoud Ahmadi-Nejad and his allies and officials of the Islamic Revolutionary Guard Corps (IRGC). The regime is unlikely to compromise with the opposition. Since the election Iran has arrested thousands of opposition sympathizers, shut down media outlets, and increased monitoring and control of telecommunications.

- The regime has sought to pressure and ostracize leaders of the Green Path movement, which emerged in response to perceived election fraud. The movement, although weakened, will continue to pose a low-level challenge to the regime, given its ability to tap into the alienation among the middle classes over the election, the government's subsequent violent crackdown, and restriction of civil liberties.
- The regime's increasing reliance on the IRGC to suppress political dissent will allow the Guard to widen its political and economic influence, which has grown over the past two decades.

Despite the regime's reassertion of control, it is vulnerable to renewed challenges because traditional conservatives have been alienated and ideological cleavages between conservatives and hardline factions have widened. In fact, Expediency Council Chairman Ali Akbar Hashemi-Rafsanjani, his moderate allies, and other traditional conservatives have responded with increased public criticism of Ahmadi-Nejad and efforts to block his policies.

The election crisis and the most recent round of U.N. sanctions almost certainly have not altered Iran's long-term foreign policy goals—namely Iranian sovereignty, and the projection of power and influence in the region and the Muslim world. Iranian leaders probably will continue to issue harsh rhetoric and defy the west, but we judge that the need to avoid tougher sanctions and maintain commercial relationships will likely also temper regime behavior.

The Intelligence Community judges Tehran will continue to view the United States as an existential threat and as partly responsible for post-election unrest. Iran will seek to undermine U.S. influence in the Middle East by sponsoring opposition to U.S. initiatives, backing groups that oppose U.S. and Israeli interests, working to undermine cooperation between Washington and moderate Arab allies, and

strengthening its deterrent capability against threats from the United States and Israel.

Despite Chinese and Russian support for UNSCR 1929 in June 2010, Iran will continue to view relations with China and Russia as critical to countering Western economic pressure, limiting U.S. influence in the region, and obtaining advanced military equipment. Tehran also is seeking to develop improved political and economic ties with a range of Asian, Latin American, and East European countries to try to offset and circumvent the impact of actions.

Yemen

The Republic of Yemen Government is facing the most serious threat to its stability since its 1994 civil war. Confronting myriad political, security, and development challenges, President Ali Abdallah Salih, as of early February, was attempting to retain control over the key levers of power in Yemen. Deterioration of governance will present serious challenges to U.S. and regional interests, including leaving AQAP better positioned to plan and carry out attacks, exacerbating ongoing civil unrest and worsening humanitarian and socio-economic problems. Although Yemen's economy has experienced short-term improvement because of relatively high oil prices, the outlook remains poor for the next decade due to the country's declining oil reserves and water resources, lack of economic diversification, widespread corruption, rapid population growth, and high rates of poverty, illiteracy, and unemployment.

Lebanon

In Lebanon, political tensions persist over pending indictments against Hizballah for the 2005 assassination of former Prime Minister Rafik Hariri. Hizballah in January collapsed the government and acted quickly to install a new one that would end Lebanon's cooperation with the Special Tribunal for Lebanon, a move which prompted Sunnis aligned with former Prime Minister Sa'ad Hariri to conduct street protests against Hizballah's power play. Adding to these tensions is uncertainty about the direction of the next government, the fate of the Tribunal, and the potential for localized, small-scale violence to escalate.

In addition, al Qaeda remains interested in using Sunni extremist networks in Lebanon to carry out terrorist operations against U.S., Western, and Israeli targets in the Levant and abroad. However, al Qaeda remains poorly positioned to establish a foothold in the Levant because of organizational shortcomings, disunity among the Lebanon-based Sunni extremist groups, lack of trusted leaders, and strong opposition from local security services.

AFRICA

Africa in the coming year is likely to continue what is now a decade-long trend of economic and political progress. As in the past, however, this progress is likely to be uneven and subject to sudden reversal. Although Africa has weathered the worldwide economic downturn better than some other areas of the world, it continues to fall at the bottom of almost all economic and social indicators, a standing unlikely to change in the near term. We assess that many African nations will continue on a trajectory of becoming more democratic, but this process will not be smooth or necessarily lead to political stability in all cases. African elections are likely to continue in many cases to heighten tensions and intensify conflict. Critical votes are scheduled this year in several of Africa's largest and most important states: the referendum on southern secession in Sudan, national elections in Nigeria, and the Democratic Republic of the Congo.

In Niger, the military junta is promising a democratic renewal following a coup d'etat in 2010. Elsewhere, ruling parties and their leaders appear intent on squeezing out any serious political competition; Zimbabwe, Uganda, Rwanda, and Zambia fall into this category. Hotly contested elections in Guinea and Cote d'Ivoire in late 2010 produced winners, but did not mitigate or defuse highly volatile political environments.

Sudan

Sudan in 2011 likely will face a prolonged period of political uncertainty and potential instability. Six years after the signing of the Comprehensive Peace Agreement (CPA) that ended decades of civil war between northern and southern Sudan, the south overwhelmingly voted to break away from Sudan and become Africa's newest independent nation. Although the referendum vote proceeded mostly peacefully and Khartoum has recognized the results, a large number of issues remain unresolved, including how Sudan's oil revenues will be divided, the disposition of Sudan's debt burden, citizenship rights, border demarcation, and the status of the dis-

puted province of Abyei. While neither side wants to return to war, we anticipate periodic episodes of violence along the border.

Almost immediately, a newly independent southern Sudan will face serious challenges that threaten to destabilize a fragile, untested, and poorly resourced government, which will struggle to provide security, manage rampant corruption, and provide basic services. The ruling Sudan People's Liberation Movement (SPLM) will have no choice but to turn to the international community, and specifically the United States, for assistance.

The government in Khartoum will face challenges as well as it adjusts to new political and economic environments. The conflict in Sudan's western Darfur region will continue to simmer as a low level insurgency through 2011. Khartoum may be in a better position to address the issues in Darfur after southern secession. However, as long as the north-south tension remains unresolved, we see little prospect that the U.N. will be able to draw down its peacekeeping force, or that an estimated 2 million displaced people will be able to return home. Lengthy talks in Doha have failed to produce an agreement between Darfur rebel groups and the Khartoum Government. One relatively bright spot in the Darfur conflict is the reconciliation between Sudan and Chad.

Somalia

After 2 decades without a stable, central governing authority, Somalia continues to be the quintessential example of a failed state. Although the mandate of the current Transitional Federal Government (TFG) expires in August, we see no signs Somalia will escape continuing weak governance in 2011. The TFG and its successor almost certainly will be bogged down by political infighting and corruption. As well, the TFG will face persistent attacks from al-Shabaab and remain dependent on the presence of approximately 8,000 peacekeepers from the African Union Mission in Somalia (AMISOM) to retain control over sections of Mogadishu.

In 2011, most al-Shabaab members will remain focused on fighting AMISOM, the TFG, and perceived western interests in Somalia. The July 2010 twin bombings in Kampala suggest some al-Shabaab leaders intend to expand the group's influence in East Africa. We remain concerned that the group also aspires to attack the U.S. Homeland.

Some of al-Shabaab's weaknesses played out publicly in late 2010. Its internal rifts were covered widely in the media and the October execution of two teenage girls was broadly criticized. Al-Shabaab almost certainly will face enduring leadership divisions and public dissatisfaction over harsh tactics, but the TFG is not positioned to capitalize on these vulnerabilities to garner public support.

Nigeria

Nigeria, Africa's most populous nation, will face significant challenges in 2011: conducting national elections, stopping sectarian violence in its Middle Belt, addressing violent Islamic groups in the north, and averting a full-scale return to militancy in its oil region. Presidential and gubernatorial elections are in April, and Abuja is under considerable pressure to ensure that these elections rise above the badly flawed 2007 voting. Political violence has been a significant feature of the last three elections, although so far this season, the level of violence associated with the upcoming voting appears to be lower.

Nigeria's oil rich Niger Delta is a major source of oil for the United States outside of the Middle East. Violence and criminality continue to disrupt Nigeria's oil and gas production, albeit at a much lower level since the government's amnesty deal for militants in 2009; corruption still fosters lawlessness and drains funds from development projects. Opportunist and well-armed militias operate as criminal syndicates, selling their services as thugs-for-hire to corrupt politicians kidnapping oil workers for ransom, and attacking oil facilities. Delta militants allegedly set off car bombs in the capital last October, killing 10. Complicating the security picture is Jama'atul Ahlul Sunnah Lidda'awa Wal Jihad (JASLWJ, aka Boko Haram), the northern Muslim extremist group. It is focused on local issues, although it may be pursuing interests it shares with AQIM.

China's engagement with Nigeria is in keeping with China's overall Africa policy, though less pronounced than in other countries of the region, and focused primarily on the construction and trade sectors, and to a lesser extent, oil.

Cote d'Ivoire

The continuing standoff in Cote d'Ivoire carries a high risk of reigniting widespread fighting, both in Abidjan where pro-Gbagbo youth gangs are attacking supporters of Alassane Ouattara and throughout the country where both sides have sizeable military forces. France, Cote d'Ivoire's former colonial power, has military forces stationed in country and the U.N. maintains a sizeable peacekeeping force.

The crisis presents West Africa's premier regional organization, the Economic Community of West African States (ECOWAS), with a significant challenge; its ability to intervene militarily, should it decide as a last resort to do so, will require substantial outside assistance. To date, ECOWAS efforts to craft a political solution to the crisis have encountered intransigence from Gbagbo. Renewed fighting risks creating new humanitarian crises in Cote d'Ivoire and neighboring countries.

The Democratic Republic of the Congo

President Kabila has been unable to consolidate his control over turbulent Eastern Congo because armed groups, and undisciplined government security forces have operated largely with impunity for many years and have been responsible for numerous acts of violence and human rights abuses. In addition, elements of the Congolese Army are ill-disciplined and continue to prey on the population.

In March 2009, a peace agreement ended the fighting between the Congolese Army and a Congolese Tutsi rebel group, the National Congress for the Defense of the People (CNDP). The CNDP and other militias were absorbed into the Congolese Army. However, they were never fully integrated and have recently threatened to withdraw, claiming that Kinshasa has not fulfilled its promises. In the meantime, the Democratic Forces for the Liberation of Rwanda (FDLR), a Hutu rebel group dedicated to the overthrow of the Tutsi government, has increased attacks on civilians and the Congolese military, primarily in response to a series of military operations targeting the group in an attempt to regain control of mining areas taken from them during the operations.

Kinshasa will be hard pressed to cope with these threats, which could destabilize the eastern region even further. Meanwhile, in the northeast, military operations are underway to eliminate the threat posed by a Ugandan-led rebel group known as the Lord's Resistance Army (LRA), led by Joseph Kony, which also have attacked villages in the Central African Republic and southern Sudan. National elections in Congo are scheduled for November 2011. Low-level violence surrounding the election may erupt.

West African Transnational Threats

We judge that al Qaeda in the Lands of the Islamic Maghreb will continue to operate and launch limited attacks from isolated safehavens in parts of the fragile, underdeveloped nations in West Africa's Sahelian region—to include Mauritania, Mali, Burkina Faso, and Niger. Although it has only a few hundred men at most in the Sahel, AQIM has been forced to shift its focus away from Algeria and to use hit-and-run tactics to strike military targets and kidnap hostages for ransom in the region. Mauritania's government has waged an aggressive campaign against AQIM, including sending troops across the border into Mali for extended periods. AQIM relies on kidnapping-for-ransom for most of its revenue.

Drug trafficking continues to be a major problem in Africa. The emergence of Guinea-Bissau as Africa's first narco-state highlights the scope of the problem and what may be in store for other vulnerable states in the region. Away from the scrutiny of local and international law enforcement, drug traffickers transport tons of cocaine from Latin America to Europe through West Africa's porous borders, and co-opt government and law enforcement officials.

RUSSIA AND EURASIA

Russia

Last year was marked by significant improvements in U.S.-Russian relations. Russia has demonstrated a willingness to cooperate on some top priorities that it shares with the United States, such as signing the New START treaty, cooperating on transit and counternarcotics in Afghanistan, and pursuing the pressure track against Iran's nuclear program. Other encouraging signs include Russian interest in discussing missile defense (MD) cooperation with the United States and NATO, talks on modernizing the Conventional Armed Forces in Europe Treaty, and progress on Russian accession to the World Trade Organization (WTO).

At the same time, policy disagreements persist. Some Russian elites still express suspicion that MD is ultimately directed against Russia. Russia shows no willingness to discuss the status of—much less withdrawal of its troops from—South Ossetia and Abkhazia, contested territories inside Georgia's internationally-recognized borders. Despite the fact that Russia has moved closer to membership in the WTO, some Russian officials and key lobbies have lingering doubts the move is in their interests.

Russia continues to influence domestic politics in other former Soviet republics, most recently in Belarus. Russia's concern is not with human rights or democracy but rather with the fact that Belarus's authoritarian leader Aleksandr Lukashenko

routinely resists bending to its will. In Ukraine, Russian officials have been eager to engage and promote Russian interests through the Moscow-friendly government there.

The direction of Russian domestic politics is a major unsettled question for 2011 and 2012. President Medvedev's call for "modernization" has sparked a debate among the Moscow elite—and on the blogosphere—about whether modernization is possible without political liberalization. Prime Minister Putin meanwhile has spoken forcefully against significant changes in the existing political order. In 2010, Russia saw a number of spontaneous protests, in part against unpopular government actions but also of a more nationalist bent. Opposition parties' popular support remains very weak.

The Russian economy has recovered from the 2008–2009 crisis and has returned to growth. However, the Russian leadership admits it will not repeat the rapid growth of the previous decade. The government has pledged to undertake new social programs and spend more on infrastructure and defense, which will challenge its ability to close the non-oil fiscal deficit.

The Russian Government is approaching the December 2011 Duma and March 2012 presidential elections having announced plans to increase resources devoted to address domestic problems and deal with the persistent security challenge in the North Caucasus. Popular and elite support for the existing political order appears strong enough to withstand these problems, at least in the short-term.

Putin and Medvedev indicate that the decision about who will be president hinges primarily on an arrangement between them. Both have shown interest in running.

Assessing Russia's Military

Russian military programs are driven largely by Moscow's perception that the United States and NATO are Russia's principal strategic challenges and greatest potential threat. Russia's nuclear forces support deterrence and enhance Moscow's geopolitical clout. Its still-significant conventional military capabilities, oriented toward Eastern Europe, the Caucasus, Central Asia, and the Far East, are intended to defend Russia's influence in these regions and serve as a "safety belt" from where Russian forces can stage a defense of Russian territory.

High-profile but small-scale operations in the Atlantic, Caribbean, Mediterranean, and Indian Ocean, in part, represent traditional peacetime uses of naval forces to "show the flag" and convey that Moscow remains a significant military power.

Russia's ambitious military development plan announced in fall 2008 aims to field a smaller, more mobile, better trained, and modernized force over the next decade. This plan represents a radical break with historical Soviet approaches to manpower, force structuring, and training.

Moscow's military development poses both risks and opportunities for the United States and the west. Increased Russian capabilities and a strategy of asymmetric and rapid response raise the specter of a more aggressive Russian reaction to crises perceived to impinge on Moscow's vital interests. Moscow's wariness of the potential for western involvement on its periphery, concern about conflicts and their escalation, and military disadvantages exacerbated by a drawn out crisis or conflict place a premium on quick and decisive action. However, as the Russian military continues its post-Soviet recovery and Moscow feels more comfortable asserting itself internationally, Russian leaders may be more inclined to participate in international peacekeeping operations.

The Caucasus and Central Asia

The unresolved conflicts of the Caucasus and the fragility of some of the Central Asian states provide the most likely flashpoints in the Eurasia region. Moscow's continued military presence in and political-economic ties to Georgia's separatist regions of South Ossetia and Abkhazia account for some of the tensions. Georgia's public efforts to engage with various ethnic groups in the Russian North Caucasus could contribute to these tensions.

Georgia's new Constitution strengthens the office of the Prime Minister after the 2013 presidential election. President Saakashvili has not indicated his future plans but the option is available for him under the new Constitution to serve as Prime Minister.

The frozen Nagorno-Karabakh conflict is also a potential flashpoint. The Azerbaijan Government seems satisfied with the stalled Turkey-Armenia rapprochement, but President Aliyev is seeking to focus western attention on Azerbaijani interests at the expense of Armenia. Heightened rhetoric and distrust on both sides and violent incidents along the Line of Contact throughout last summer increase the risk that minor military exchanges could lead to miscalculations that could escalate the situation with little warning.

As the United States increases reliance on Central Asia to support operations in Afghanistan, the region's political and social stability is becoming more important. The overthrow of the Kyrgyzstani Government last April and the subsequent ethnic violence in the country's south attest that instability can come with little warning in parts of Central Asia. While Kyrgyzstan successfully held a parliamentary election, many underlying grievances have not been resolved and the possibility of episodic, retaliatory violence cannot be excluded.

Kyrgyzstan's and Tajikistan's abilities to cope with the challenge of Islamic extremism—should it spread from Pakistan and Afghanistan—represent an additional cause for concern. In 2010, Tajikistan's President Rahmon was forced to negotiate with regional warlords after failing to defeat them militarily, an indicator that Dushanbe is potentially more vulnerable to an Islamic Movement of Uzbekistan with renewed interests in Central Asia.

EUROPE

The Balkans

Events in the Western Balkans will again pose the principal challenges to stability in Europe in 2011. Bosnia-Herzegovina's continuing uneasy inter-ethnic condominium and unresolved issues regarding Kosovo, including the future of Serb-majority areas in northern Kosovo, Belgrade's efforts to re-open the question of Kosovo's status, and Pristina's weakness in rule of law and democracy remain sources of tension requiring western diplomatic and security engagement.

Bosnia's multi-ethnic state institutions are in disarray. While neither widespread violence nor a formal split is likely, we judge that ethnic Serb rhetoric about seceding from Bosnia will continue to inflame passions. Ethnic agendas still dominate the political process, and wrangling among the three main ethnic groups impedes the process of building institutions. Renewed U.S.-EU efforts to broker compromises on constitutional reforms and other agreements needed to advance Bosnia's NATO and EU membership prospects have met with little success thus far.

More than 70 nations, including 22 of 27 EU members, have recognized the state of Kosovo. However, in the coming years Pristina will remain dependent on the international community for economic and development assistance, as well as for diplomatic and military presence to foster further consolidation of its statehood. Kosovo's institutions remain weak, and crime and corruption are rampant. Belgrade openly supports parallel Kosovo Serb institutions. Serbia has used political and diplomatic means to challenge Pristina's independence. NATO's presence, although reduced, is still needed to deter violence, and its mentoring of the fledgling Kosovo Security Force is crucial to the force's effectiveness and democratic development.

Serbia's leaders espouse a European future and President Tadic desires quick progress toward EU membership, but at the same time they are unwilling to abandon Belgrade's claim to Kosovo to achieve that end. Serbia has increased cooperation with NATO, but maintains it will not actively seek membership in the next few years.

LATIN AMERICA AND THE CARIBBEAN

In Latin America, recent positive trends, such as deepening democratic principles and economic growth, are challenged in some areas by rising narco-violence, populist efforts to limit democratic freedoms, and slow recovery from natural disasters. Initiatives to strengthen regional integration offer greater opportunities for key countries—such as Venezuela and Brazil—to try to limit U.S. influence, but are hampered by ideological differences and regional rivalries. Relations with Iran offer a few Latin American Governments a means of staking out an independent position on a key international issue, while also attempting to extract 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 favorable for a continuation of this trend.

Strong U.S. demand for illicit drugs is the principal driver of the flow of foreign-produced drugs to the United States, still the world's most significant drug market.

Mexico

President Calderon's ambitious effort to combat Mexico's powerful drug cartels—now in its fifth year—has achieved some important successes, but faces enormous challenges. Calderon is pursuing a multi-faceted strategy to eliminate the cartels'

leadership and dismantle their networks, reform his country's judicial system, modernize its police forces, battle corruption, and address Mexicans' social needs.

Mexican efforts to grind down the cartels' leadership have produced solid results. Since 2009, 4 of the government's top 8 cartel leaders have been captured or killed and 18 of the 37 "most wanted" traffickers, as identified by Mexican officials, have been arrested or killed. Elite military and Federal police units are demonstrating greater prowess in intelligence-driven operations, which disrupt trafficking operations and create fissures in the trafficking groups' organizational structures. Mexican security forces are also seizing drugs, weapons, and trafficker assets. The authorities' confiscation in October 2010 of 134 metric tons of marijuana in October was one of the largest seizures on record.

While there have been improvements in Mexico's overall military and police capabilities, challenges remain in order for Mexico to break the trafficking organizations and contain criminal violence. President Calderon is pressing ahead with institutional reforms to strengthen the rule of law, but progress is slow because of resource constraints, competing political priorities, and bureaucratic resistance. The Mexican Congress recently passed a law to toughen penalties in kidnapping cases, and is considering legislation governing military activity, and money laundering. Judicial reforms were passed in 2008, but they are complex and the law provides an 8-year window for implementation.

Mexico is facing sharp and steady escalation of criminal violence as these same powerful drug cartels fight within and among themselves for dominance and seek to intimidate the government and population. Cartels have sought to lower public confidence in the government and demonstrate their contempt for the law by broadcasting more savage acts such as beheadings, public executions, and an overall change in brutality. According to Mexican Government statistics, drug-related murders have risen from 2,489 during 2006—the year Calderon initiated his counterdrug policy—to over 15,000 in 2010.

Most of this violence is a result of inter-cartel violence to control smuggling routes within Mexico, to include crossing points along the U.S.-Mexican border, and continued rivalry to eliminate competitors. Additionally, the effectiveness of Calderon's anti-cartel campaign has frustrated cartel leadership, leading to an increase in violence directed toward Mexican law enforcement and military units. Civilians are increasingly caught in the crossfire. While public support for Calderon's crackdown on drug trafficking organizations remains strong, rising violence is taking a toll on the public's opinion of the government's ability to defeat the trafficking organizations.

We see no signs that trafficker leaders have, as a matter of strategy, decided to systematically attack U.S. officials in Mexico. The collateral threat to U.S. personnel remains real, however, and the threat environment for U.S. personnel in Mexico could worsen if the cartels conclude that U.S. assistance is instrumental to any pronounced improvement in Mexican counterdrug efforts.

Venezuela

President Hugo Chavez's hold on power remains secure, despite his party's lackluster performance in the National Assembly elections in September 2010. Opposition parties picked up enough seats to deny him the super majority he sought to maintain his ability to pass some major laws and make executive and judicial appointments unimpeded. Yet the passage of an "enabling law" by the National Assembly in December allows him to rule by decree for 18 months. Chavez's mismanagement of the Venezuelan economy and spiraling crime rates account at least partly for the electoral setback.

Chavez in the coming year will struggle to improve his country's poor economic performance. Venezuela currently suffers from nearly 30 percent inflation and negative growth. Chavez in early 2010 ordered the currency devalued, but the short-term boost in government purchasing power has long since dissipated. Consequently, Caracas on 1 January eliminated a preferential rate used for food and medicine to ease the country's budget deficit.

Facing an energized opposition in the coming year, Chavez may have to deal with more popular protests over his continued push to implement "21st Century Socialism." At the end of the legislature's lame duck term, Chavez and his allies passed legislation that gives more resources to his loyal community councils, allowing Chavez to claim that he is both bolstering participatory democracy and creating new means of funneling resources to supporters.

Cuba

The continued deterioration of Cuba's economy in 2010 has forced President Raul Castro to take unprecedented and harsh economic actions that could spark public unrest over the coming year. Havana announced last September that it will layoff

500,000 government employees by spring, with another 500,000 to follow. The government employs about 85 percent of the total workforce of 5.1 million. In a probable attempt to consolidate his reforms, Castro is planning a Party Congress for April, the first in 14 years.

The economic situation is dire. Major sources of foreign revenue such as nickel exports and tourism have decreased. Moreover, a decline in foreign currency reserves forced dramatic cuts to imports, especially food imports, and we have seen increases in the price of oil, food, and electricity. As a result, Havana has become even more dependent on subsidized oil shipments from Venezuela and earnings from over 40,000 health workers, teachers, and advisers in that country. We doubt that the Cuban economy can quickly absorb all the dismissed state workers given the many bureaucratic and structural hurdles to increased private sector employment.

There is little organized opposition to the Cuban Government and Cuba's security forces are capable of suppressing localized public protests, although a heavy-handed Cuban putdown of protests could spark wider discontent and increased violence which could lead to a level of political instability.

Haiti

Stability in Haiti remains heavily dependent on the support of the international community in the wake of the devastating January 2010 earthquake, the cholera epidemic that began in October 2010, and the current political crisis. The Haitian Provisional Electoral Council's announcement that the ruling party candidate had barely edged out a popular musician for second place during the first round of recent Haitian elections sparked additional protests and violence. Prospects for more unrest remain in view of the runoff election having been delayed, an Organization of American States report suggesting that the ruling party candidate did not qualify for the runoff, the recent return of former Haitian dictator Jean Claude-Duvalier, subsequent press accounts speculating that former President Aristide might also return to Haiti, and uncertainty over how Haitian officials will handle the constitutionally-mandated February date for transition of power.

More than a year after the earthquake over 1 million Haitians remain in nearly 1,200 temporary settlement camps, mainly around the capital Port-au-Prince. Recovery and reconstruction efforts have been slow and will take many more years. Haitians for the most part have patiently and stoically responded to these challenges, although protests have spiked in relation to the referenced elections. Efficient and timely investment of the nearly \$10 billion in assistance pledged by the international community for Haiti's reconstruction efforts over the next 5 years will be key to maintaining social and political calm.

Regional Dynamics

Regional efforts that lessen U.S. influence are gaining some traction. Planning proceeds for the creation of a community of Latin American and Caribbean States—slated for inauguration in Caracas in July—that excludes the United States and Canada. Organizations such as the Union of South American Nations (UNASUR) are taking on issues once the purview of the OAS. Indeed, South American countries, with one or two exceptions, increasingly are turning to the UNASUR to respond to disputes or unrest in the region.

Competing ideologies and regional rivalries will limit the effectiveness of these institutions. Moderate leaders in Chile, Colombia, and Panama often pursue different policies than Venezuela and other like-minded nations, such as Ecuador and Bolivia in these organizations. Caracas and the ALBA allies can rally block support to stymie consensus within the OAS, but deteriorating economic conditions in Venezuela and Chavez's declining popularity at home and abroad have limited his ability to exert influence beyond his core group of allies.

Brazil's economic success and political stability have set it on a path of regional leadership. Brasilia is likely to continue to use this influence to emphasize UNASUR as the premier security and conflict resolution mechanism in the region at the expense of the OAS and of bilateral cooperation with the United States. It also will seek to leverage the organization to present a common front against Washington on regional political and security issues.

Iranian Inroads

Iran continues to reach out to Latin America as a way to diminish its international isolation and bypass international sanctions. So far, Iranian relations with Latin America have only developed significantly with leftist governments that oppose U.S. leadership in the world, particularly Venezuela, Bolivia, and other ALBA members, as well as with Brazil. Bilateral cooperation between Iran and Venezuela has deepened in the areas of diplomacy and defense and to a more limited extent on energy, and trade since Ahmadi-Nejad took office in 2005. Most moderate govern-

ments have responded coolly to Tehran outreach, although an increasing number of Iranian embassies are attempting to spread Iranian influence in Latin America. We expect Tehran to continue offering economic and other incentives to try to expand its outreach. Diplomatic efforts between Brazil and Tehran have dovetailed with an expansion of bilateral trade and investment, while Bolivia and Ecuador have deepened their relations with Iran in hopes of extracting financial aid, investment, and security technology and expertise.

INTELLIGENCE THREATS AND THREATS TO U.S. TECHNOLOGICAL AND ECONOMIC
LEADERSHIP

Intelligence Threats

It is difficult to overstate the importance of counterintelligence to U.S. national security. The United States remains the highest priority intelligence target for many foreign intelligence services, and we continue to face a wide-range of foreign intelligence threats to our political, military, economic, and diplomatic interests at home and abroad.

In addition to the threat posed by state intelligence services, the intelligence capabilities and activities of non-state actors are increasing in scope and sophistication. The cyber environment provides unprecedented opportunities for adversaries to target the United States due to our reliance on information systems.

The spectrum of threats includes espionage, cyber intrusions, organized crime, and the unauthorized disclosure of sensitive and classified U.S. Government information, a notable recent example being the unlawful release of classified U.S. documents by WikiLeaks. While the impacts of the WikiLeaks disclosures are still being assessed, we are moving aggressively to respond by protecting our information networks with improved CI analysis of audit and access controls, improving our ability to detect and respond to insider threats—while balancing the need to share information—and increasing awareness across the U.S. Government to the persistent and wide-ranging nature of foreign intelligence threats.

Far-Reaching Impact of the Cyber Threat

The national security of the United States, our economic prosperity, and the daily functioning of our government depend on a dynamic public and private information infrastructure. This infrastructure includes computer networks and systems, telecommunications and wireless networks and technologies that carry data and multimedia communications, along with control systems for our power, energy distribution, transportation, manufacturing, and other infrastructures. This information structure will also include new innovations such as the “Smart Grid” for intelligent production, distribution, and use of electric power.

We are also undergoing a phenomenon known as “convergence,” which amplifies the opportunity for disruptive cyber attacks, including against physical infrastructures. This phenomenon means that the same networks and devices are processing a full range of data and support a full range of applications, from banking to social networking, from supply chain management to patient health records. This convergence adds much convenience, but it poses new security challenges across a swath of our government and economy.

As we expand our ability to create and share knowledge, maintain our society and produce economic goods, we are developing new vulnerabilities and enabling those who would steal, corrupt, harm, or destroy public and private assets vital to our national interests. In the past year, we have seen a dramatic increase in malicious cyber activity targeting U.S. computers and networks; almost two-thirds of U.S. firms report that they have been the victim of cyber security incidents or information breaches, while the volume of malicious software (“malware”) on American networks more than tripled from 2009.

- Industry estimates that the production of malware has reached its highest levels, with an average of 60,000 new pieces identified per day. Almost half of all U.S. computers have been compromised, according to another industry survey. This current environment favors those who desire to exploit our vulnerabilities with the trend likely getting worse over the next 5 years because of the slow adoption of defensive best practices and rapid advances in offensive vulnerability discovery and exploitation.
- In April a large number of routing paths to various Internet Protocol addresses were redirected through networks in China for 17 minutes due to inaccurate information posted by a Chinese Internet Service Provider. This diversion of data would have given the operators of the servers on those networks the ability to read, delete, or edit e-mail and other information sent along those paths. This incident affected traffic to and from U.S. Government and military sites, including sites for the Senate, the Army, the

Navy, the Marine Corps, the Air Force, and the office of the Secretary of Defense, as well as a number of Fortune 500 firms.

- The complex, global nature of our information technology supply chain can hide many risks. Such vulnerability was demonstrated by employees at a U.S. firm who were convicted for supplying counterfeit computer hardware to U.S. Government, military, and private sector customers.
- We are seeing a rise in intellectual property theft. Last year some of our largest information technology and defense contractor companies discovered that throughout much of 2009 they had been the targets of a systematic effort to penetrate their networks and acquire proprietary information. The intrusions attempted to gain access to and potentially modify the contents of source code repositories, the intellectual ‘crown jewels’ of most of these companies.
- Our identities are increasingly vulnerable. Cyber criminals are stalking prospective victims on social networking sites, acquiring personal information to tailor ‘spear phishing’ emails to gather more information that can be used to facilitate identity theft. They are intercepting messages exchanged by mobile devices to validate transactions, and masquerading as their victims to steal funds from their bank accounts. Further, the consolidation of data captured in emails, social networks, Internet search engines, and geographic location of mobile service subscribers increases the potential for identification and targeting of government personnel by criminals, or by intelligence organizations.

In the last year, we have witnessed the emergence of foreign military capabilities in cyber space. This formalization of military cyber capabilities creates another tool that foreign leaders may use to undermine critical infrastructures that were previously assumed secure before or during conflict. The IC is reaching out to the private sector to ensure current understanding of the dynamic cyber environment. More government-private sector and international cooperation is still required across the cyber security landscape.

International Organized Crime

In the last 2 decades, globalization has internationalized once regional or local organized crime. International organized crime (IOC) quickly has taken advantage of the Internet, cellular telephones, and other forms of rapid communication that have revolutionized commerce. Many of the Soviet successor states have serious organized crime problems. Elsewhere, the nexus between weak and failing states and organized crime is growing. Parts of the world with smuggling routes or drug production zones—such as the Balkans, West Africa, the Horn of Africa, Southwest and Southeast Asia, Mexico, and other parts of Latin America—are prone to high levels of illicit activity.

In the past, international organized crime groups largely were formed around criminal syndicates that featured rigid lines of authority and controlled economic or geographic turf. Today, many international criminal organizations are loose networks of individuals or groups that operate independently and cooperate on an ad hoc basis sharing expertise, skills, and resources. International criminal organizations are targeting U.S. businesses, consumers, and government programs. IOC is increasing its penetration of legitimate financial and commercial markets, threatening U.S. economic interests, and raising the risk of damage to the global financial system. Increasingly, international organized crime groups are involved in cyber crime, which costs consumers billions of dollars annually, while undermining global confidence in the international financial system.

Terrorists and insurgents increasingly will turn to crime to generate funding and acquire logistical support from criminals, in part because of U.S. and western success in attacking other sources of their funding. Terrorists and insurgents prefer to conduct criminal activities themselves; when they cannot do so, they turn to outside individuals and criminal service providers. Involvement in the drug trade by the Taliban and the Revolutionary Armed Forces of Colombia (FARC) are critical to the ability of these groups to fund attacks.

IOC penetration of governments is undermining the rule of law, democratic institutions, and transparent business practices. The growing reach of IOC networks is pushing them to seek strategic alliances with state leaders and foreign intelligence services, threatening stability and undermining free markets. The nexus in Russian and Eurasian states among some government officials, organized crime, intelligence services, and big business figures enhances the ability of state or state-allied actors to undermine competition in gas, oil, aluminum, and precious metals markets.

*Export Controls and Economic Imbalances**Export Controls*

The United States faces increasing challenges in protecting sensitive technology from technologically competent parties, including nation-states, terrorists, and international criminal syndicates given the pace of technological diffusion across the globe. With the increase in technological development overseas, the multilateral export control regimes will need to identify and adapt to innovations and technological breakthroughs quickly or risk losing control of sensitive and potentially dangerous technologies.

Uneven Economic Recovery

Potential threats to economic security may result from the large imbalances in international trade and investment flows. Outstanding disagreements about how to address imbalances may cloud prospects for effective cooperation in international trade and finance and may create frictions that potentially can impede collaboration on a variety of difficult strategic issues.

Current account imbalances across the globe tended to widen last year. Deficits in 2010 grew in the United States and most of the EU, while surpluses grew larger in China, Germany, Russia, and Japan. A number of countries continued to accumulate large amounts of foreign exchange reserves in 2010, including China and Russia, and a number of East Asian countries. These market interventions limited the degree of rebalancing that could have been facilitated by more significant exchange rate adjustments.

The disparity between robust growth in emerging economies and irregular expansion in advanced industrial countries was striking last year. China achieved near double-digit growth, with a powerful rebound of exports, brisk domestic economic activity, and a sharp climb in imports. This activity stimulated output expansion across Asia and to export powerhouses like Germany, as well as to commodity producers in Latin America and elsewhere. In contrast, economic recovery in major industrial countries of Europe and in Japan was well below typical rates of growth in prior business cycle upturns. By comparison, for emerging markets as a whole, real GDP at the end of 2010 was 7 percent higher than a year ago. Only one sizable emerging market, Venezuela, registered a drop in real GDP last year.

The major drag on economic activity in Europe stemmed from a sudden, and largely unexpected, financial crisis that made it impossible for several European countries to access the capital markets to fund government fiscal requirements. The most severely affected countries were Greece and Ireland, with partial spillover onto Portugal and Spain. As a result, fiscal austerity, including constricted military outlays, will be the rule throughout Europe for years to come.

In the midst of a global financial meltdown and the 2008–2009 recession, economic policy coordination across a wide spectrum of issues was attainable for leaders of the Group of 20 countries. A start was made in harmonizing financial regulatory reforms that promise to strengthen bank capital and liquidity positions of major financial institutions, but many unresolved technical issues remain. The leaders of the G20 tasked the IMP to explore ways to identify through objective indicators unwelcome imbalances.

Expansion Centers on the Emerging Markets

Emerging market financial authorities are disinclined to raise domestic interest rates materially. They did not want to encourage even greater inflows of foreign capital, which were already putting unwanted upward pressure on their exchange rates, potentially eroding export competitiveness.

Most forces behind this massive movement of financial capital are generally positive, such as growing investor confidence in emerging markets, host government support for private enterprise, and sensible fiscal and monetary policies. But if risk assessments turn out to be faulty, there could be an abrupt reversal of capital movements that would destabilize economies and governments.

So far, serious inflation pressures have not materialized, but consumer prices have started to rise more quickly in China and Brazil, among others, suggesting that tightening of monetary and credit policies will likely be required in the coming year or two. As domestic interest rates turn upward, emerging market countries may impose controls on capital inflows to insulate their currencies from market forces.

China has been especially active in using a range of tools to influence the economy, beyond recalibrating interest rates. Its credit policies, for example, fueled a burst in domestic construction activity and a sharp run-up of real estate prices. During 2010, authorities responded with steps to prevent a speculative bubble, while maintaining an accommodative policy stance. China had strong growth in both ex-

ports and imports in 2010 and ended the year with a current account surplus exceeding 5 percent of GDP. Other countries with strong external positions in 2010 included Singapore, Malaysia, Taiwan, and Russia.

European Debt Crisis

Government and European Central Bank officials decided that the crisis threatened to spread to other euro members (notably Ireland, Portugal, and Spain), jeopardizing the viability of the common currency. In response, the EU in coordination with the IMF put together a euro 750 billion (\$1 trillion equivalent) financing facility, the European Financial Stability Fund (EFSF), to provide financing to countries unable to tap normal sources of credit.

Greece was the initial recipient. For a time, the introduction of the EFSF facility calmed financial market fears of contagion to other euro members. Additional pressures came to the forefront last fall, when doubts about Ireland's banking system generated heavy selling of Irish government securities; While these are relatively small EU countries and the cost of the rescue programs was manageable for the EU, the financial capacity of the EU would be strained if additional, and larger, countries need similar backing.

Market participants have focused on Portugal as the next country that might require support. There are fears that Germany may insist that bondholders accept losses as a precondition for German participation in future bail-outs under the EFSF. As European unity is shaken by different philosophies on how to deal with member-government financing problems, the capabilities of the NATO alliance will also face strains as deficit countries are compelled to make painful cuts in government outlays, including for defense.

Threats to Space Systems

Growing global use of space—along with the effects of structural failures, accidents involving space systems, and debris-producing destructive antisatellite tests—has increased congestion in space. The probability of radio frequency interference has grown as the demand for bandwidth increases and more transponders are placed in service. Growing space congestion, if unchecked, will increase the probability of mishaps and contribute to destabilization of the space environment. The IC is supporting interagency efforts to engage the international community to address congestion, develop transparency and confidence-building measures, enhance space situational awareness, and foster greater information sharing. We are also working to explore deterrence options and assess their effectiveness against potential adversaries, as well as protect vital U.S. space capabilities, improve our capability to attribute attacks, and provide adequate indications and warnings.

RESOURCE ISSUES

Global Energy Security Challenges

Global oil and natural gas markets have parted company in the past couple of years as a result of structural changes that will likely have a profound impact on both producers and consumers for years to come. Oil markets came into rough balance during 2010. Natural gas markets are continuing to adjust to the combination of a wholesale reassessment of medium-term price trends, following the expansion of liquefied natural gas capacity and the rapid development of shale gas reserves in the United States. These significant domestic shale gas reserve finds over the past decade may eliminate the need for the United States to import liquid natural gas (LNG) to meet domestic gas demand. Successful future exploitation of the shale gas reserves does, however, come with a number of caveats. Increasing vocal opposition to hydraulic fracturing may lead to a reassessment of permitting domestic shale gas extraction and thus force natural gas prices higher over the longer term.

Oil producers are moving forward on some of the projects postponed in late 2008 as a result of the expectation that demand for crude oil and refined products will continue to expand as a nascent global recovery takes hold. It is still unclear if future production levels will be able to meet expected demand growth, especially in China and other large emerging market economies. We therefore see a continuing threat of a return to heightened price volatility throughout the remainder of the decade.

Domestic natural gas production is increasing in many areas with existing production, as well as in a number of new or rapidly expanding regions. Technological breakthroughs have boosted U.S. production of shale gas, allowing LNG intended for the U.S. market to be routed to Europe, China, and other net importers of gas. The main obstacle to even greater gas supply availability is the lack of pipeline delivery capacity from land-locked areas such as Central Asia, particularly in Azerbaijan and Turkmenistan.

Despite Europe's continued dependency on Russian gas supplies, lower demand, higher gas storage levels, a growing LNG trade, and new pipelines linking national networks are working in the continent's favor. Russian exporters have in a few instances been willing to liberalize oil-indexation price formulas to retain business. European countries continue to work toward longer-term plans to expand pipeline connections to gas producers in the Caspian, Middle East, and North Africa. Russia has begun construction on a pipeline to bypass Ukraine to the north and is working on plans for a southern bypass. However, Central and Southeastern Europe remain heavily dependent on Russian natural gas supplies, which currently meet about two-thirds of their gas needs.

Growing Water Scarcity Issues

More than 260 river basins are shared by two or more countries. The growing pressure generated by growing populations, urbanization, economic development, and climate change on shared water resources may increase competition and exacerbate existing tensions over these resources. Greater cooperation and coordination to manage these shared resources will be critical to meeting human and development needs. Governing institutions in the developing world often fail to understand water challenges or make the necessary difficult political and economic decisions to correct deficiencies in water quality and quantity for human consumption, agriculture, or industry. Rapidly changing environmental conditions (e.g., large scale shifts or increases in hydrological variability), political shifts, and/or unilateral development increase the likelihood of conflict over shared water within a basin. Sound institutions that provide a means for raising and addressing concerns reduce the likelihood that disagreements/conflicts will become violent. These range from local-level water user associations to formal intergovernmental basin commissions.

In the absence of mitigating action, fresh water scarcity at local levels will have wide-ranging implications for U.S. national security. This scarcity will aggravate existing problems—such as poverty, social tensions, environmental degradation, ineffectual leadership, and weak political institutions—and thereby threaten state or regional stability. A whole-of-government approach—using the best modeling expertise from agencies outside the IC—will be needed to assess the impact of water and other resource scarcity on state stability.

STRATEGIC HEALTH THREATS

It is unlikely that any country will be able to detect cases early enough to prevent the spread of another new, highly transmissible virus should one emerge during the next 5 years, despite pandemic preparedness efforts by the World Health Organization (WHO) and many nations over the past decade. Once such a disease has started to spread, confining it to the immediate region will be very unlikely. Preparedness efforts such as the stockpiling of medical countermeasures will be critical to mitigating the impact from a future pandemic. Governments in much of Asia; the Americas, and Western Europe perceived pandemics as a serious threat, and their preparedness efforts helped them lessen the impact of the 2009–H1N1 pandemic. These nations are likely to apply the lessons they learned; however, tight budgets over the next few years will limit further improvements in preparedness and may cause some countries to backslide. In contrast, many countries in Sub-Saharan Africa and Eastern Europe did not prepare at all and even though they understand the threat, are unlikely to emphasize preparedness in the future because of a lack of institutional capacity and resources. This is particularly true in Africa.

Cholera and other diarrheal diseases are easily treatable and containable. Yet the epidemics that followed the 2010 earthquake in Haiti and the flooding in Pakistan devastated already vulnerable populations. Although the United States and many other nations and international and nongovernmental organizations (NGOs) answered the call for assistance in these cases, the magnitude of the challenges during catastrophic disasters initially overwhelmed national response capabilities and international support. These events challenge not only the lives and livelihood of ordinary citizens, but also the legitimacy of governments. They also challenge our ability to coordinate U.S. and international responses effectively.

In general, we have also seen a waning global commitment to immunization, resulting in a resurgence of vaccine-preventable diseases, particularly polio and measles. This is due in part to the deterioration in many developing countries' health systems because of lack of funding and shortages of trained healthcare workers. Declining health indicators are a harbinger of a nation's inability to protect and promote domestic stability and security, and also pose a significant security risk oil regional and global levels.

Non-Western Health Diplomacy on the Rise

In response to catastrophic events and other challenges, we see a growing proliferation of state and non-state actors providing medical assistance to reduce foreign disease threats to their own populations, garner influence with affected local populations, and project power regionally. These efforts frequently complement U.S.-led initiatives and improve the health of the targeted population in the short term. However, in some cases, countries use health to overtly counter western influence, presenting challenges to allies and our policy interests abroad over the long run. In other cases, governments have hindered the delivery of assistance to their own populations for political reasons.

- Iran in recent years has expanded its sphere of influence by providing health assistance and building hospitals in neighboring Iraq and Tajikistan, as well as a growing list of other countries, including Bolivia, Nicaragua, and Guyana.
- China's deployment of a field hospital and Chinese International Search and Rescue teams to Pakistan, humanitarian assistance and disaster relief operations in Haiti in 2010, and the goodwill mission of China's Peace Ark Medical Ship to East Africa represent the beginning of a more substantial health diplomacy mission to improve its image as a responsible global partner.

In last year's threat assessment, the IC noted that extremists may take advantage of a government's inability to meet the health needs of its population, highlighting that HAMAS's and Hizballah's provision of health and social services in the Palestinian Territories and Lebanon helped to legitimize those organizations as a political force. This also has been the case with the Muslim Brotherhood in Egypt.

CONCLUSION

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

Chairman LEVIN. Thank you so much, Director Clapper. Now we'll call on General Burgess, and we will follow that course of action, if you would like to take some additional time to address the questions which we raised in both of our opening statements.

General Burgess.

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

General BURGESS. Chairman Levin, Ranking Member McCain, and members of the committee, it is an honor for me to join Director Clapper before this committee.

I would like to comment on a few areas of special focus for Defense Intelligence. First is transnational terrorism, DIA assesses that al Qaeda continues to adapt in response to our counterterrorism efforts. We believe that while core al Qaeda is forced to focus more on survivability, it remains resilient, continues attack planning, and provides operational guidance to regional affiliates.

Affiliates such as al Qaeda in the Arabian Peninsula and al-Shabaab continue recruitment and fundraising efforts in support of their own attack planning. Terrorists inspired by the al Qaeda ideology also remain a persistent threat, most recently exemplified by the attack against U.S. Air Force personnel in Frankfurt, Germany.

Recent and ongoing events in North Africa and the Middle East have opened a period of uncertainty across the region, elevating

risk relative to traditional allies in other nations historically opposed to U.S. interests.

In Afghanistan, we likely will see higher levels of violence through this year, due in part to increased International Security Assistance Forces (ISAF) presence and operations. ISAF has constrained insurgents in some areas, but the Taliban in the south have shown a resilience and still influence much of the population, particularly outside urban areas. In the east, the Taliban and Haqqani network have suffered numerous tactical and leadership losses, with no apparent degradation in their capacity to fight. Violent demonstrations of Taliban influence persist in the north and the west.

The Taliban can sustain operations without al Qaeda, though al Qaeda uses its limited involvement to support attacks and for propaganda, fundraising, and legitimacy.

Turning to North Korea, of significant concern is decisionmaking relative to the apparent leadership succession underway and its implications for additional deliberate provocations against the South. The North Korean artillery attack against Yeonpyeong Island on November 23, 2010, and torpedo attack on the naval corvette *Cheonan* on March 26, 2010, show Pyongyang's willingness to use military force to advance its external and internal goals. Miscalculation could lead to escalation.

Elsewhere in Asia, China's leaders have stated their intentions and are allocating resources to pursue broadbased military transformation. While remaining focused on Taiwan as a primary mission, China will, by 2020, lay the foundation for a force able to accomplish broader and regional global objectives.

Despite significant improvements, the People's Liberation Army (PLA) continues to face deficiencies in interservice cooperation and actual experience in joint exercises and combat operations. Recognizing these shortcomings, China's leaders continue to stress asymmetric strategies to leverage China's advantage, while exploiting potential opponents' perceived vulnerabilities.

I'll close with a few words on Iran. At Iran's behest, Lebanese Hizballah provides Iraqi insurgents with weapons and training to attack U.S. forces. Iran also provides weapons, explosives, and munitions to insurgents in Afghanistan. While Iran is unlikely to initiate or launch a preemptive attack, it could attempt to block the Strait of Hormuz temporarily, threaten U.S. forces and regional allies with missiles, and employ terrorist surrogates worldwide. Iran's space launch missile program demonstrates progress towards technology that could eventually be used for an intercontinental ballistic missile.

These are DIA's assessments, and they also reflect our close working relationship with our IC partners and close allies. While I am proud to represent DIA today, I remain very mindful that what we do in the IC is a true team effort. This spirit of cooperation and integration has been most evident over the last 10 years of deployments by the men and women of DIA working in support of counterterrorism and counterinsurgency operations in Iraq and Afghanistan, the Horn of Africa, and elsewhere. Challenged by very hard targets and highly resilient and adaptive adversaries, DIA

today is a more forward-deployed, capable, and effective agency as it approaches its 50th anniversary later this year.

Sir, thank you for this opportunity. We will now begin the responses to your original questions.

[The prepared statement of General Burgess follows:]

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

Good morning, Chairman Levin, Ranking Member McCain, and members of the committee. Thank you for this opportunity to testify today and for your continued support to the dedicated men and women of DIA, more than 700 of whom are forward-deployed directly supporting U.S. and allied military forces in Afghanistan and Iraq, and supporting missions in 130 other countries around the world.

The United States continues to face a complex security environment marked by a broad spectrum of dissimilar threats, some emerging from nation-states and others from highly adaptive transnational networks. This testimony reflects DIA's analysis, derived from the agency's worldwide human intelligence, technical intelligence, counterintelligence, and document and media exploitation capabilities, along with information and intelligence from our Intelligence Community partners, coalition partners, and open sources.

I will begin my testimony with the two regions where we are actively supporting the warfighter on the ground: the Afghanistan and Pakistan region and Iraq.

In Afghanistan, Kabul has made incremental progress in the areas of governance, development, and security in 2010, but the security situation remains fragile and heavily dependent on International Security Assistance Force (ISAF) support. The Taliban-led insurgency remains capable of challenging

U.S. and international goals despite suffering setbacks in 2010. Insurgents are attempting to counter the increase in the number of ISAF troops and undermine local and international confidence in the Afghan Government by increasing attacks and influencing the Afghan population through intimidation and shadow governance efforts.

Afghanistan will experience record levels of violence through 2011, in part due to increased ISAF operations. Security is improving in major cities—to include Kandahar City—and the scope of insurgent influence has been constrained in some of the areas ISAF efforts are focused.

The Taliban does not require al Qaeda participation to sustain its insurgency in Afghanistan. By participating, al Qaeda is able to exploit Taliban successes for propaganda, legitimize its ideological message, and further its global objectives. This is also a vulnerability, since Taliban failures can also appear to be al Qaeda failures. Groups like Tehrik-e Taliban Pakistan (TTP) are receptive to this message and increasingly are adopting al Qaeda's anti-Western rhetoric and agenda. In fact, TTP was behind the May 2010 attempt to detonate a car bomb in Times Square, New York.

In the south, Taliban networks are under more pressure than ever before, but have shown resilience. Although they have taken tactical losses, they continue to maintain influence over much of the local population, particularly outside of urban areas. In the east, the Taliban and the Haqqani network have suffered numerous tactical losses, including the removal of several key leaders from the battlefield, but this does not appear to have affected their operational capacity, which included conducting several high-profile attacks against ISAF bases in 2010. The Taliban is attempting to increase its influence in the north and west through increased violence, including the assassination of the Kunduz provincial governor last October.

Although the Taliban have experienced some disruptions and encountered some financial constraints as a result of increased ISAF presence, they have remained able to sufficiently fund fighters through various funding streams. A poppy disease concentrated in southern Afghanistan led to a considerable decline in opium production in 2010; however, the United Nations Office on Drugs and Crime estimated a corresponding increase in the farmers' local price of opium, from \$64 per kilogram in 2009 to \$169 per kilogram in 2010, off-setting some insurgent losses from decreased opium yields.

The Taliban have publicly stated they believe the ISAF presence in Afghanistan will begin to end in July of this year. The Taliban have also stated that they have no intention to negotiate with the Afghan Government or ISAF, as they continue to believe in their inevitable victory. The Taliban are unlikely to compromise on core goals, such as the departure of foreign forces and Taliban control of the government, as long as they believe they are in a position of strength.

Afghanistan's army and police forces met growth targets ahead of schedule for 2010; yet achieving qualitative improvements remains a challenge. Addressing low Afghan National Army (ANA) retention rates will remain critical to the future sustainability of the force. The ANA has improved its ability to successfully plan and execute operations with ISAF support and now comprises a higher percentage of units involved in operations. ANA capability will rise modestly as additional ISAF units partner with ANA units. The ANA is generally regarded by the populace as a trusted and capable force.

The Afghan National Police (ANP) remains largely reliant on coalition oversight and support, and lags behind the ANA in planning and executing operations. The ANP faces the additional challenge of acting as a counterinsurgency element in addition to performing law enforcement duties, stretching its already thin capabilities. Afghan popular support for the ANP is increasing, but the police continue to be plagued by endemic corruption and limited capacity of some forces. The Afghan Government has initiated programs such as the Afghan Local Police to extend security to remote areas, although success will depend on the Interior Ministry's ability to provide adequate oversight.

We believe a concerted effort to strengthen the Afghan Border Police has led to an increase in the effectiveness of the force. Documented travel through the Afghanistan/Pakistan border has improved. The security situation at main transit points is stable, and customs revenues have increased in certain regions. However, to build on these successes border checkpoints, customs processing and revenue collection systems need further improvement, while border forces require expansion in terms of both manpower and training.

The Afghan Government's planning and execution of the September 2010 parliamentary election improved over the 2009 presidential election, but was insufficient to deter pervasive fraud and increased violence. Post-election negotiations to select a new speaker reflected shifting ethnic balances in parliament and may portend increased ethnic political friction over the coming months.

Afghanistan continues to struggle with corruption—nearly half of Afghans have reported that corruption has increased over the last 5 years. Predatory corruption—including extortion, land seizures, illegal checkpoints, kidnapping, and drug trafficking—undermines Afghan Government legitimacy and effectiveness and fuels support for the insurgency.

The Afghan Government took several actions to facilitate reintegration, but it is too early to assess whether these efforts will evolve into a sustained, tangible reintegration program. Reintegration efforts have not yet notably degraded insurgent capability, forced insurgents to alter their strategy or goals, or created widespread interest in negotiations. Prospects for reintegration depend upon Kabul's ability to overcome several significant challenges, including synchronizing the efforts of over 20 Afghan Government entities, provincial reconstruction teams, nongovernment organizations and other third-party organizations, and expanding human capital and bureaucratic infrastructure.

Iran continues its efforts to take full advantage of its influence along Afghanistan's western border and is using legitimate business and humanitarian efforts as cover for deliveries of weapons and logistic support to Afghan insurgents. Its covert shipments include explosively formed penetrators, rocket propelled grenades, light and medium machine guns, mortars, rockets, small arms ammunition, and explosives. Arms caches found in Afghanistan reveal substantial amounts of recently manufactured Iranian weapons. Tehran also wants to make the most of its influence with the Afghan Government and acknowledges providing regular payments directly to President Karzai.

Before moving on from the discussion of Afghanistan, it is fitting that I discuss al Qaeda's senior leadership. On Afghanistan's border with Pakistan, the Federally Administered Tribal Area (FATA) safe havens continue to enable militant groups targeting Pakistan and Afghanistan, including the Taliban and al Qaeda. Sustained counterterrorism pressure since 2008 has resulted in the deaths of dozens of al Qaeda and other militant leaders although the networks continue to operate, exploiting unpopular actions by Islamabad through targeted propaganda.

Senior al Qaeda leaders in the FATA are struggling to recover from successful counterterrorism pressure that is thinning their ranks and restricting their movement. Remaining leaders are assuming greater responsibilities, and some less-experienced operatives are filling senior roles. North Waziristan is al Qaeda's primary FATA safehaven, and the group's strong relationship with the Haqqani Network, a major power broker in the area, gives it added protection.

Despite setbacks, al Qaeda persistently shows it can recruit, train, and deploy operatives and stay in contact with external networks. It exports its terrorist agenda, and plans, supports, and directs attacks against the United States and Europe,

in addition to broader Western interests. In particular, it is recruiting and deploying Western operatives for attacks in Europe. Several terrorists arrested in 2010 for seeking to travel abroad to receive terrorist training or for planning attacks in the United States identified Department of Defense facilities and personnel as targets.

Senior al Qaeda leaders are strengthening their connections to its regional affiliates. These affiliates plan and initiate transnational attacks from diverse locations, allowing al Qaeda to convey a perception of a unified, worldwide jihad and attempt to take pressure off its Pakistan-based leadership.

Meanwhile, Pakistan continues to struggle with a resilient militancy, a feeble economy, political in-fighting and tense civil-military relations, all of which were compounded by last summer's flooding—the worst in the country's 60 year history. Relations between the civilian and military leadership remain tenuous. Pressing issues—including economic reform, maintaining public support for counterinsurgency operations, and reconstruction of conflict-hit areas—have been and will likely continue to be a secondary priority for the government. The military will continue to maintain pressure on the civilian government to tamp down corruption and focus on service-delivery. The Army remains dominant in Pakistani national security decisionmaking.

Following the devastating floods in August 2010, Pakistan's military led rescue operations, provided relief supplies and built temporary infrastructure for refugees. Relief operations eclipsed counterinsurgency operations due to the temporary diversion of the army's entire fleet of transport helicopters. As flood waters receded, the military has resumed low-level clearing operations in the tribal areas.

Pakistan also continues to pursue conventional weapons to offset what it perceives as an eroding conventional military balance with its traditional foe, India. Pakistan's modernization pursuits include the JF-17 multi-role aircraft as well as increasing its inventory of F-22 Frigates and the al-Khalid Main Battle Tank—weapons systems which are better suited to conventional conflict with India than to counter militants in mountainous tribal areas.

Relations between India and Pakistan remain strained despite several high level meetings in 2010. India wants future dialogue to move slowly and focus on relatively noncontroversial confidence building measures, while Islamabad wants discussions to center on Kashmir and move quickly. India continues to insist Pakistan takes meaningful steps against the perpetrators of the November 2008 terrorist attacks in Mumbai, but they have agreed to resume talks leading to a meeting between foreign ministers this year.

Kashmir remains the core dispute in the India-Pakistan relationship and political violence during the latter half of 2010 contributed to ongoing bilateral tension. New Delhi has promised a robust economic development package for the state and has offered talks with various political parties, but results have so far been modest.

The persistent India-Pakistan rivalry drives Islamabad to develop its nuclear infrastructure, expand nuclear weapon stockpiles which are based primarily on highly enriched uranium, and seek more advanced nuclear warheads and delivery systems, including cruise missiles. Once deployed, these new missile systems, along with its current ballistic missile system, will provide Islamabad the ability to strike a variety of targets at ranges of 200–2000 km with both conventional and nuclear payloads. Pakistan is able to safeguard its nuclear weapons, including protecting important segments of its nuclear program in underground facilities, although vulnerabilities still exist.

Iraq has remained on a generally secure path over the last year, and overall levels of violence remain at the lowest levels since 2003. Attack levels have periodically spiked, but terrorist and insurgent groups have not been able to sustain the level of attacks. Al Qaeda in Iraq (AQI) remains the most capable Sunni terrorist group in Iraq, however its success has been severely limited for three primary reasons:

- AQI no longer controls territory or has undisputed safe havens inside Iraq.
- Iraqi society has shown great resilience in the face of AQI attacks.
- The Iraqi Security Forces (ISF) continue to improve their capabilities.

Successive joint U.S. Forces and Iraqi operations last March and April eliminated al Qaeda in Iraq's (AQI) top two leaders Abu Umar al-Baghdadi and Abu Ayyub al-Masri and many of their key northern Iraq-based advisors. These operations resulted in unprecedented losses to the group's leadership cadre in 2010. However, AQI has proven resilient in the wake of these losses and demonstrated the capability to conduct periodic, coordinated attacks across Iraq in support of its long-term strategy.

AQI remains focused on Baghdad, hoping to destabilize the Iraqi Government during political negotiations and undermine Iraqi security efforts through targeted at-

tacks. Indiscriminate attacks against Shia civilians continue as AQI intends to exploit sectarian tensions; however, the group is unlikely to reignite widespread sectarian violence. AQI could regain strength in a more permissive operating environment in 2011 barring maturation of the ISF and improvement of Iraq's legal system during the U.S. forces drawdown.

Sunni Arab nationalist insurgents are transitioning from an anti-U.S. occupation posture toward increased opposition to the Iraqi Government. The insurgents have lost traction in recent years because the Iraqi Government has done a better job incorporating Sunni Arab elites into the political system and pushing resources to the provinces. Leading Sunni Arabs are represented in the current government, but greater accommodation leading toward national reconciliation has been blocked by a dispute over nominating the Defense Minister and other power-sharing issues.

Muqtada al-Sadr is setting the conditions to increase his influence within Iraq following U.S. forces' withdrawal in 2011. The Sadr Trend is the only political party in the government still operating an illegal militia—the Promised Day Brigade—despite at least two laws prohibiting organizations with militias from participating in the political process. Sadr continues to authorize the Promised Day Brigade to conduct extra-legal attacks on U.S. forces, although these attacks have declined.

Iraq formed a new government in December 2010, 9 months after the elections. Parliamentary blocs reached a power sharing agreement designed to reduce the potential for a resurgence of violent opposition to the central government and constrain the power of the prime minister. We do not expect the new government's relationship with the United States to differ greatly from the previous government. However, we judge the newly-elected parliament will face difficulty addressing critical issues, such as the provision of essential services, and the status of disputed territories.

Demand for services continues to outstrip supply, and the electricity shortage will worsen over the summer and almost certainly fuel rising domestic discontent with local governments and potentially, the national government. The Iraqi street, as well as Maliki's political rivals are watching public demonstrations occurring in the Middle East. Anti-regime forces, such as Iraq's Ba'th Party, as well as the legal political opposition are seizing on the government's shortcomings, hoping to rally public support and create a larger problem for Maliki's Government. However, unlike Tunisia and Egypt, the Iraqi Government is broadly representative and most of the protests are small and localized, focused on the shortcomings of the local government.

Following the 1 September U.S. change of mission, the ISF have taken the lead for security operations throughout Iraq. The ISF now conducts the majority of counterinsurgency operations independently, although the ISF still requires development of its capabilities in a number of areas: logistics, intelligence, surveillance and reconnaissance, and tactical communications.

The ISF has demonstrated an ability to put forces on the street, conduct static security of high-profile sites, operate checkpoints—including joint Kurdish and GoI checkpoints in the disputed territories—and increasingly conduct intelligence-driven targeting. However, numerous security vulnerabilities remain as a result of manning shortages, an overly centralized control of the ISF, and uneven enforcement in the security environment.

Iraq's Ministry of Interior police forces are continually improving and beginning preparations to take the lead for internal security. Locally recruited police officers have been vulnerable to terrorist attacks, intimidation, corruption and competing loyalties, requiring further leadership commitment to anti-corruption efforts. The transition to police primacy will require significant cooperation between provincial police forces and the nationally-controlled Federal Police. The Iraqi Army will play a continuing role in internal security through 2011, particularly with regard to offensive operations and reinforcement of the police in crisis situations.

Turning to Iranian aims in Iraq, Tehran wants a Shia Islamist-led government in Iraq so it can retain influence with Baghdad and undermine U.S. interests. Despite points of tension, such as border demarcation issues and the disposition of the Mujahideen-e Khalk, Iran generally has strong relations with its neighbor. However, over the long-term Iran remains concerned a strong Iraq could once again emerge as a regional rival and threat to Iranian influence.

Iran threw its weight behind a second Maliki Government, pushing for a Shia religious party-led coalition as the core of the new government. Although these parties want to benefit from Iran's support, they also seek to balance relations by having good ties to Washington too. For its part, Tehran sees competition for influence in Iraq as a zero-sum game—for Tehran to win, the United States has to lose. The Iranians hope to undermine U.S. interests in Iraq, but all Iraqi political parties, except for the Sadrists, see the advantage of a close relation with Washington.

Iran's Islamic Revolutionary Guard Corps (IRGC) IRGC-Qods Force oversees the execution of Tehran's policies in Iraq. The Revolutionary Guards also posts officers in Iran's diplomatic missions throughout Iraq, including Iran's current Ambassador to Iraq, Hassan Dani'far. We assess that Tehran approves the rules of engagement that guide the targeting of U.S. forces in Iraq.

The Revolutionary Guards continues to covertly provide money, weapons, safe haven and training to select Iraqi Shia militants and terrorists. In particular, the Revolutionary Guards supports Kataib Hizballah, an Iraqi Shia terrorist group designated a foreign terrorist organization on 2 July 2009, that targets U.S. personnel in Iraq. Tehran's strategic partner the Lebanese Hizballah has trained Iraqi insurgents in Iraq, Iran, and Lebanon, incorporating lessons learned from operations in southern Lebanon.

Although Tehran and Baghdad generally enjoy a positive relationship, and we assess Iran remains generally supportive of Maliki's Government, the Iranians' subversive activity, as just outlined, is an irritant to the relationship.

Elsewhere in the region, Iran continues efforts to gain regional power by countering Western influence, expanding ties with its neighbors, and advocating Islamic solidarity. It is undermining U.S. efforts by supporting and arming groups in Afghanistan, Iraq, and the Levant. The Iranian Islamic Revolutionary Guard Corps (IROC) is prominent in protecting the regime from internal unrest. It also trains and provides weapons and logistic support to Lebanese Hizballah. In turn, Lebanese Hizballah is training Iraqi insurgents at Iran's behest, providing them with tactics and technology to attack U.S. interests. The Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF) may be enabling similar training of HAMAS also using Lebanese Hizballah as a conduit.

Outside the region, Iran is cautious about engaging with the west and is trying to improve ties with countries in Asia, Latin America, Africa, and East Europe both to minimize its international isolation and challenge U.S. influence. Tehran has not demonstrated a willingness to abandon its nuclear program despite the passage in 2010 of UNSCR 1949, the toughest international economic sanctions to date against Iran.

Iran's military defends the regime against more modern external adversaries and internal opponents. The ground forces are refining their new organization to improve coordination and prepare for both external and internal threats. The navy is building bases on the Gulf of Oman and expanding bases in the Persian Gulf and Caspian Sea, and is adding boats and conducting exercises to improve operations in the Persian Gulf. It also is deploying vessels into the Arabian Sea for counter-piracy operations, and has, for the first time to sail two navy vessels into the Mediterranean Sea.

During an external crisis, Iran could attempt to block the Strait of Hormuz temporarily with its navy, threaten the United States and its allies in the region with missiles, and employ terrorist surrogates worldwide. However, we assess Iran is unlikely to initiate or intentionally provoke a conflict or launch a preemptive attack.

Iran is making progress in developing ballistic missiles that can strike regional adversaries and central Europe. In addition to its growing missile and rocket inventories, Iran is boosting the lethality and effectiveness of existing systems with accuracy improvements, new submunitions, and salvo launches. Iran's Simorgh space launch vehicle shows the country's progress toward developing an intercontinental ballistic missile.

International economic sanctions are not stopping Iran's drive to enrich uranium and operate its heavy water nuclear reactor. Iran has installed nearly 9,000 centrifuges at Natanz and accumulated more than enough 3.5 percent enriched uranium for a nuclear weapon, if it further enriches and processes the material. It began producing limited amounts of 20 percent enriched uranium in February 2010.

Buried, hardened facilities and improved air defenses are key elements of Iran's extensive program to protect its nuclear infrastructure from destruction. Iran has major underground nuclear facilities at Qom and Natanz. Russian President Medvedev's September 2010 edict to prohibit delivery of the SA-20 (S-300PMU2 Favorit) set back Iran's plans to modernize air defenses, but its goal to obtain advanced surface-to-air missiles with automated command, control, and communications has not changed. Iran seeks these missiles to protect senior leaders and industrial facilities, in addition to its nuclear infrastructure.

I would like to move on to the situation on the Korean peninsula which reminds all of us that the threats posed by nation-states and the unresolved issues of the last century remain real and dangerous.

North Korea's primary goal is to preserve its current system of government while improving its dismal economy. The Democratic People's Republic of Korea (DPRK) pursues nuclear and missile capabilities for strategic deterrence and international prestige, as well as for economic and political concessions. While North Korea may

be willing to abandon portions of its nuclear program in exchange for improved relations with the United States, Pyongyang is unlikely to eliminate its nuclear weapons.

Kim Jong Il appears to be firmly in control of the DPRK, but shows residual physical impairments from his August 2008 stroke. His health problems probably explain why the regime has accelerated the succession process for Kim's youngest son. Kim Jong Un, thought to be 28 years old, received the rank of four-star general and vice chairmanship of the Korea Workers' Party Central Military Commission in late September 2010. We continue to assess that his succession is likely to progress smoothly, although the concentration of power on Kim Jong Il poses some risk of factionalism and instability, especially if the father dies before his son fully consolidates authority.

North Korea—with strong encouragement from China, and because it needs economic help—is signaling it is prepared to return to Six-Party Talks. The North may now have several plutonium-based nuclear warheads that it can deliver by ballistic missiles and aircraft as well as by unconventional means. The DPRK will try to keep its nuclear weapons and gain international recognition as a nuclear state, together with security guarantees from Washington and expanded economic assistance.

North Korea's large, forward-positioned military can attack South Korea with little or no strategic warning, but it suffers from logistic shortages, aging equipment, and poor training. Pyongyang knows it cannot reunite the Korean Peninsula by force and is unlikely to attack on a scale that would risk the survival of its regime. It has, however, initiated small-scale attacks and maintains the capability for further provocations. A multinational Joint Civilian-Military Investigation Team concluded that a North Korean midget submarine sank South Korea's naval corvette Cheonan on March 26, 2010 near the contentious Northern Limit Line in the West Sea, causing the loss of 46 South Korean sailors. Then, in the first such attack against a civilian-inhabited area since the Korean War, North Korea shelled Yonpyong Island on November 23, 2010, killing two South Korean marines and two civilians. South Korea's response to these provocative acts was restrained, but has strengthened Seoul's resolve to react more forcefully in the future.

Pyongyang is making some efforts to upgrade conventional weapons, including modernizing every aspect of its deployed missile forces—short-, medium-, and intermediate-range systems. It has reinforced long-range artillery forces near the DMZ with a substantial number of mobile ballistic missiles that could strike South Korea, Japan, and U.S. bases in the Pacific with an array of warheads. However, we believe the DPRK's emphasis is on using nuclear weapons and missiles to defend against technologically superior forces. Given that emphasis, North Korea protects important segments of its nuclear programs underground.

We expect the North will continue to test-launch missiles, including the TD-2 ICBM/SLV, to refine their performance. With further TD-2 tests, North Korea may develop an intercontinental ballistic missile capable of reaching the U.S. Homeland. Pyongyang has a long history of ballistic missile proliferation and likely will continue to market and potentially export missile technologies to countries including Iran and Syria.

Elsewhere in the region, I would now like to discuss China. While China's military strategy may be defensive, its doctrine calls for seizing the initiative, including possible preemptive acts. China continues to field new weapons and test doctrines to counter U.S. capabilities. It increasingly can carry out military operations along its periphery. Growth in space, cyberspace, electronic warfare, and long-range precision strike capabilities could enable Beijing to delay or degrade U.S. military forces entering the region during a conflict.

China-Taiwan relations improved in 2010 as both sides are seeking economic and cultural engagement. Beijing seems willing to hold off on sensitive political or military talks, and it is showing flexibility by allowing Taiwan to participate in the World Health Assembly, which does not require sovereign status. Nevertheless, Beijing maintains its military presence opposite Taiwan and continues deploying many of China's most advanced weapon systems across the Strait. Consistent with this approach, the People's Liberation Army (PLA) remains focused on Taiwan contingencies.

We estimate China spent more than \$160 billion on military-related goods and services in 2010, compared to the \$79 billion Beijing reported in its official military budget. The published budget omits major categories, but does show spending increases for domestic military production, foreign acquisitions, and programs to improve professionalism and quality of life among military personnel.

The PLA Air Force continues to acquire precision-strike weapons, aircraft with greater ranges, and offensive electronic warfare capabilities. PLA Navy progress in

aircraft carrier research and development could enable China to start building a series of domestically produced carriers and associated support ships by 2020.

China is having moderate success introducing new missiles. The PRC currently has fewer than 50 ICBMs that can strike the continental United States, but probably will more than double that number by 2025. To modernize the nuclear missile force, China is adding more survivable systems, such as the road-mobile DF-31A ICBM. China deploys a limited but growing number of conventionally armed, medium-range ballistic missiles, including the DF-21C, and it likely is nearing deployment of a medium-range antiship ballistic missile. It has more than 1,000 CSS-6 and CSS-7 conventional short-range ballistic missiles opposite Taiwan for a variety of precision strike missions. It also is forming more missile units, upgrading some older missile systems, and developing methods to penetrate missile defenses. China, also a world leader in underground construction technology, is putting more of its military facilities below ground.

Realistic and complex training is part of the PLA's modernization and professionalization efforts. Mission Action 2010, the past year's most comprehensive mobilization training event, involved ground forces from three military regions. Greater force diversity now includes training for military operations other than war with emphasis on counterterrorism, emergency response, disaster relief, and international peacekeeping operations. The PLA is seeking bilateral training with a diverse set of countries in these areas and combat operations as well, and also emphasizing joint training under high-technology conditions.

PLA Navy ships routinely operate in the South and East China Seas, including patrols near the Spratly and Paracel Islands. Chinese military and civilian ships continue to respond to U.S. naval research vessels in both areas, but the extent to which Beijing coordinates these responses is unclear.

The space program, including ostensible civil projects, supports China's growing ability to deny or degrade the space assets of potential adversaries. China operates satellites for communications, navigation, earth resources, and intelligence, surveillance, and reconnaissance. It has successfully tested a direct ascent ASAT and is developing jammers and kinetic and directed-energy weapons for ASAT missions. Technologies from its manned and lunar space programs enhance China's ability to track and identify satellites, a prerequisite for ASAT attacks. Beijing is also increasing the quantity and quality of its satellite constellations, enabling space-based intelligence, surveillance, and reconnaissance, in addition to navigation and communication services. Some Chinese military commentary heavily promotes the importance of controlling space, noting the role of space in long-distance targeting and other battlefield domains. Beijing, however, rarely acknowledges direct military applications of its space program and refers to nearly all satellite launches as scientific or civil in nature.

Turning now to Russia, where its leaders are pursuing a more cooperative approach to relations with the United States and the west and are seeking access to foreign investment, technology, and markets. An example of cooperation is Moscow's willingness to permit supplies to pass through Russia to Coalition forces in Afghanistan. Russia also voted for a fourth round of U.N. Security Council sanctions on Iran and canceled Iran's SA-20 contract, but it still opposes unilateral U.S. or EU sanctions and will work with Iran in areas not subject to sanctions, including support for the nuclear power plant at Bushehr.

Moscow has concerns about how long the positive trend in U.S.-Russian relations will last. Moscow sees the New START agreement as a key element of the evolving bilateral relationship. However, Moscow worries that U.S. policy will become more confrontational. Other concerns are U.S. military assistance to Georgia and plans to deploy missile defenses in Europe as part of the Phased Adaptive Approach. Moscow's foreign policy pronouncements may increasingly reflect political posturing in advance of Russia's December 2011 parliamentary election and March 2012 presidential election.

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

Russia has moved from division-to brigade-centric ground forces, disbanded most of its Soviet-era mobilization Reserve structure, and consolidated air force units. To better control general purpose forces in regional conflicts, it has formed the first peacetime joint strategic commands—West, East, South, and Center.

Moscow's 10-year modernization plan is a top priority for the Armed Forces. Defense-related spending probably will increase in 2011 by 9.2 percent in real terms

to \$72.9 billion. The 2011–2020 State Armament Program aims to spend about \$630 billion with substantial increases for new weapons. Currently, the level of modern equipment in service is 10 percent; Moscow wants to increase it to 30 percent by 2015 and 70 percent by 2020. We assess that competing demands to sell arms abroad, Russia's aging industrial base, lack of resources plus corruption and mismanagement most likely will keep modern equipment below those levels.

New equipment for the general purpose forces will begin to increase in 2011, but deliveries will be small and Soviet-era weapons will remain the standard. Russia also will buy selected foreign systems, such as France's Mistral amphibious assault ship, and will integrate foreign technology and sustain joint production programs.

Russia is upgrading massive underground facilities that provide command and control of its strategic nuclear forces as well as modernizing strategic nuclear forces as another top priority. Russia will field more SS-27/Topol-M road-mobile ICBMs and SS-27 Mod-X-2 (RS-24) MIRVed ICBMs. It also will continue development of the Dolgorukiy/SS-NX-32 Bulava SSBN/SLBM and next-generation Air Launched Cruise Missiles.

Russia already has formidable space and counterspace capabilities and is improving its navigation, communications, ballistic missile launch detection, and intelligence-gathering satellites. It has extensive systems for space surveillance and tracking and others with inherent counterspace applications, such as satellite-tracking laser rangefinders. Russia is researching or expanding directed-energy and signal jamming capabilities that could target satellites.

Military readiness is generally increasing in Russia's new units, but demographic trends will complicate efforts to fill the ranks adequately. Programs to build a professional military stalled because they are expensive and Moscow's current priority is rearmament.

We continue to monitor the ongoing events in the Middle East and North Africa and the potential for further instability in the region. The removal of Tunisian President Zine el-Abidine Ben Ali and Egyptian President Hosni Mubarak and ongoing demonstrations and violence in the region risk the stability of other states in North Africa and the Middle East.

A changing dynamic throughout the larger region is emerging, as oppositionists seek to build on the momentum of successful movements in Egypt and Tunisia, while conversely some governments are taking proactive steps to forestall similar outbreaks.

In Egypt, the Supreme Council of the Armed Forces has taken steps to quiet the opposition and stem protests since the resignation of former President Mohamed Hosni Mubarak on 11 February. While Egypt's opposition groups lack a unifying leader and a common platform to address political, social, and economic issues, Egypt's Muslim Brotherhood—the most organized opposition group—could wield disproportionate political influence in post-Mubarak Egypt. Opposition groups will likely be satisfied with the Supreme Council's announced 2-month timeline for a referendum and 6-month timeline for Presidential elections. We do not believe simple delays will result in protests similar to those seen in early February.

Following departure of Ben Ali and the establishment of an interim government as a result of a popular uprising in Tunisia, the military has stabilized the country. The interim government likely will continue to distance itself from Ben Ali while working to hold elections. However, stability remains fragile.

This January, Algeria witnessed its most significant unrest in over 20 years and is faced with ongoing demonstrations. I am watching events in Algeria closely, and I am concerned unresolved socio-economic and political grievances will continue to serve as a catalyst for potentially destabilizing unrest—not only in Algeria but across the region.

In the Arabian Peninsula, two nations currently must deal with heightened unrest likely spurred in part by the resignation of leaders in Tunisia and Egypt. In Bahrain, members of the Shia community, who account for 70 percent of the population, have held demonstrations calling for political and economic reform in the capital Manama. These demonstrations have led to clashes between government security forces and the Shia demonstrators. Likewise, in Yemen, student-led protesters calling for President Salih's ouster have held daily protests in the Yemeni capital of Sanaa; some of which have included violent confrontations with pro-government counter-demonstrators. These demonstrations, and protests in other major Yemeni cities, have added to existing stresses on the Yemeni Government. Yemen continues to combat a Huthi tribal insurgency in the north, increasingly violent but fractured southern secessionists, and a growing terrorist challenge from al Qaeda in the Arabian Peninsula. These threats, combined with dwindling water and oil resources, continue to increase the risk of serious instability in Yemen over the next 3 years.

All Gulf governments remain skeptical of Iraq's Shia-led government but have engaged with Baghdad at various levels. The United Arab Emirates, Bahrain, and Kuwait now have diplomatic relations with Iraq, however Saudi Arabia continues to refuse to send an ambassador largely because of security concerns and its distrust of Iraqi Prime Minister Maliki.

Gulf countries share a common fear of Iran, its growing power in the region, and its potential to develop nuclear weapons. Most also fear Iran's influence on their own marginalized Shia populations. They are not united in their response, but some offer public statements of support for peaceful nuclear technology in the region.

Al Qaeda in the Arabian Peninsula (AQAP) plans attacks in the United States, as well as attacks against U.S., Western, and local government interests in Yemen and likely elsewhere in the Arabian Peninsula. It attempted to detonate bombs in cargo holds of aircraft bound for the United States in October 2010 and carried out two attacks against British Officials' convoys, and plotted to assassinate the Saudi Deputy Minister of Interior for Security Affairs. Propaganda in AQAP's English-language online magazine, Inspire, encourages followers to commit individual acts of terrorism in support of al Qaeda's agenda.

In the Levant, Israel's northern and southern borders have been calm despite brief periods of tension, including an August 2010 altercation on the Israel-Lebanon border. Both HAMAS and Hizballah are applying lessons learned from past conflicts with Israel. Even if neither intends to resume fighting, escalation could result from miscalculated responses to a provocation or incident.

In Gaza, HAMAS is preoccupied with internal Palestinian issues and is still re-arming and rebuilding after Israel's December 2008 Operation Cast Lead. It is avoiding provocations that could trigger another major conflict with Israel. Increased international cooperation against HAMAS and Iranian arms smuggling will hamper the group's rearmament but will not affect its ability to control Gaza. We assess that another round of fighting in the Gaza Strip is likely in the next 2 to 3 years.

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

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

Since it interdicted an international, Turkish-led aid flotilla to the Gaza Strip in May 2010, Israel has reaffirmed its intention to maintain a naval blockade of Gaza but changed its policy from a list of permitted items to a list of prohibited items. This allows entry of more food and commercial goods. Israel also has reiterated that it will permit international aid shipments to Gaza if they come through Israeli-controlled crossing points after unloading in an Israeli or Egyptian port.

Syria's military remains inferior to Israel's, but continues upgrading missiles, rockets, antitank weapons, and air defenses. Regionally, Syria seeks to strengthen its influence in Lebanon through support to Hizballah and other allies.

Damascus perceives Hizballah as an extension of its defense against Israel. It continues to apply lessons learned from the 2006 Israel-Hizballah conflict, and we expect Syria increasingly will develop smaller, infantry-based units armed with advanced, portable antiarmor weapons to counter Israel's ground-force superiority. Syria's strategic partnership with Iran centers on shared regional objectives that include countering Israel by transferring increasingly sophisticated arms to Hizballah.

Damascus is buying air defense equipment from Russia, contracting for Russia's medium-range SA-17 system and Bastion coastal defense system. These will augment several SA-22 self-propelled short-range gun and missile air defense systems it obtained in June 2008. Additionally, Syria views ballistic missiles as a strategic deterrent against Israel and relies on such systems to offset shortfalls in its conventional forces. Its inventory includes older Russian-built SS-21 SRBMs, as well as Scud B, Scud C, Scud D, and the Iranian-origin Fateh-110 missiles.

Syria's well-established chemical warfare program includes a stockpile of nerve agent, which can be delivered by aircraft or ballistic missiles. Syria continues to seek chemical warfare-related precursors and expertise from foreign sources. Some elements of the country's biological warfare program may have advanced beyond research and development, possibly giving Damascus a potential for limited agent production.

Moving to Africa, al Qaeda in the Lands of the Islamic Maghreb (AQIM) continues expanding its operations in North Africa and the Sahel despite increased counterterrorism efforts by North African Governments. In 2010, AQIM executed a French hostage it held in northern Mali, kidnapped five French nationals in Niger, and carried out its first vehicle-borne improvised explosive device (VBIED) attacks in Mauritania and Niger.

The Al-Shabaab group seeks to establish an Islamic state in Somalia. It is enforcing Sharia, appointing regional officials, and taking over media outlets, while also conducting near-daily attacks against the Transitional Federal Government and African Union Mission in Somalia (AMISOM). Al-Shabaab has been working more closely with al Qaeda since both groups publicly vowed in 2009 to support each other. The bombing in Kampala, Uganda, in July 2010 was al Shabaab's first attack outside Somalia, killing 64 civilians, including a U.S. citizen. Al-Shabaab warned of more attacks in Uganda and Burundi if AMISOM does not withdraw from Somalia.

We assess that clan infighting, endemic corruption, and a persistent insurgency will keep Somalia unstable. The Transitional Federal Government (TFG) is a victim of factional infighting and depends on AMISOM for its survival in Mogadishu. Despite a recent increase to 7,000 troops, however, AMISOM is unable to expel al-Shabaab insurgents from the capital. Al-Shabaab's terrorist actions and growing capabilities continue to destabilize the entire country and threatens regional stability. Somalia's neighbors—Ethiopia, Kenya, and Djibouti—will support the TFG to pursue their respective national interests and contain militant Islam.

Piracy is a symptom of Somalia's poor governance, instability, and lack of economic opportunities. Pirate attacks on ships transiting the Somali coast have stayed on par with 2009 levels over the past year, with a slight reduction of successful hijackings. Final ransom payments are substantially higher. Poor weather, coalition anti-piracy patrols, and improved defensive measures by merchant vessels have hampered but not deterred the pirates.

I will close my regional review by turning to Latin America. More than 28,000 people have died in Mexico's drug-related violence since President Calderon declared war on cartels shortly after taking office in December 2006. Security forces—the Army, Navy, and police—have captured or killed 17 of Mexico's 37 most wanted traffickers on a list the attorney general announced in March 2009. Security reforms to improve operational effectiveness are awaiting action in the legislature.

President Raul Castro is in firm control of Cuba with his brother Fidel's peripheral involvement. His priorities are domestic and focus on reforming the island's economy and social system. Cuba's 6th Communist Party Congress in April will set the domestic agenda for several years. Havana primarily receives its foreign support from Venezuela but is trying to reduce that dependence and expand economic ties to other countries, especially China and Brazil.

President Hugo Chavez is trying to shore up voter support leading into Venezuela's 2012 elections and will stay focused on domestic issues, such as poverty and the country's high crime rate. Chavez signed no new arms contracts with Russia in 2010 but did obtain an agreement from Russia to help develop a nuclear energy program. The Venezuelan military received 18 K-8 fighter trainers from China and is waiting for deliveries from Russia that include T-72 tanks and armored personnel vehicles. Negotiations are under way to buy air defense systems.

Colombia is in the 46th year of its internal conflict against the Marxist-oriented Revolutionary Armed Forces of Colombia (FARC). The group maintains a presence and influence in Colombia's coca-growing areas but continues to lose its ability to threaten democratic institutions. Sustained security force operations have cut FARC strength by more than half to about 8,000 personnel, increasing the possibility that the group will eventually fragment into several criminal organizations and continue their criminal activities.

I would now like to summarize a few other transnational threats and trends.

First, the proliferation and potential use of weapons of mass destruction (WMD) and ballistic missiles against the American people, U.S. forces, our allies, and interests remains a grave and enduring threat. Securing nuclear weapons and materials is a worldwide imperative to prevent both accidents and the potential diversion of fissile and radiological materials. Chemical and biological weapons are spreading and becoming more technically sophisticated as technology proliferates. Al Qaeda and other terrorist organizations are working aggressively to acquire and employ chemical, biological, and nuclear materials.

Ballistic missiles continue to become more survivable, reliable, and accurate with greater range. Potential adversaries are using denial and deception measures and basing more missiles on mobile platforms at sea and on land. Technical and operational measures to defeat missile defenses also are increasing. China, Iran, and North Korea, for example, exercise near simultaneous salvo firings from multiple lo-

cations to counter missile defenses. Technology is also improving the range and accuracy of ballistic missiles. Countries are designing them to launch from multiple transporters against a broad array of targets, enhancing their mobility and effectiveness on the battlefield. Shorter launch-preparation times and smaller footprints are making new systems more survivable, and many have measures to defeat missile defenses.

Theater ballistic missiles already are a formidable threat in the Middle East and Asia, and proliferation is expanding their availability worldwide. We assess that technology sharing will accelerate the speed with which potential adversaries deploy new, more capable ballistic missile systems over the next decade. Sophisticated missiles and the equipment to produce them are marketed openly. Transfers of complete missile-production infrastructures are helping countries rapidly develop and field systems that endanger U.S. and allied forces.

Many advanced nations are cooperating to stop WMD proliferation, however some aspects of WMD-related research and technology are beyond their direct control, including commercial scientific advances, scientists' enthusiasm for sharing their research, and the availability of dual-use studies, information, training, and education. Determined groups and individuals, as well as the proliferation networks they tie into, often sidestep or outpace international detection and export-control regimes. They supply WMD- and ballistic missile-related materials and technologies to countries of concern by regularly changing the names of the front companies they use, operating in countries with permissive environments or lax enforcement, and avoiding international financial institutions.

Second, governments and commercial enterprises continue to proliferate space and counter-space related capabilities, including some with direct military applications. Space technologies that have both civilian and military uses—in such areas as communications, reconnaissance, navigation and targeting—remain relatively easy for countries and non-state groups to obtain.

Russia and China continue developing systems and technologies that can interfere with or disable vital U.S. space-based navigation, communication, and intelligence collection satellites. Other countries and non-state groups rely on denial and deception techniques to defeat space-based imagery collection, conduct electronic warfare or signal jamming, and possibly attack ground sites for space assets.

Third, cyber attacks against the United States continue to increase and attackers are using more sophisticated methods. Widely available advanced technologies for computer attacks, as well as inconsistent security policies, help adversaries access U.S. networks and offer opportunities to cause major damage and disruptions. We also must be alert to new risks from applied technologies—such as biometrics—that endanger operations and identities of U.S. intelligence personnel. The Department of Defense remains a prime target for collection of sensitive but unclassified military information and data on contractor research and development. The risks increase when U.S. defense communications transit commercial networks operated by foreign providers and equipment.

A fourth transnational threat is a very longstanding one. The United States and Department of Defense continue to face a persistent and significant intelligence threat posed by numerous countries and a few sub-national actors. A few transnational terrorist groups, sometimes aided by several foreign intelligence organizations, have developed their own increasingly sophisticated intelligence collection and counterintelligence capabilities. Effective counterintelligence is a significant priority for the DIA, the Military Services, other Defense Agencies, and the Department.

Foreign intelligence services conduct a wide range of intelligence activities to degrade U.S. national security interests worldwide. They target the U.S. Armed Forces, warfighting and commercial research, development and acquisition activities, national intelligence system, and national policymakers' perceptions and decision processes. In addition, foreign intelligence services and international terrorist organizations will continue to seek out and exploit those who could betray national interests.

An emerging threat involves possible foreign compromise of the U.S. supply chain in an era of globalized commerce to degrade or defeat government information systems or weapons platforms by inserting malicious code into or otherwise corrupting key components bound for these important warfighting systems.

Several countries pose a serious challenge, consistently demonstrating in the past exceptional persistence in pursuing priority U.S. targets and attacking U.S. interests. The United States remains a top priority intelligence target for Russia as evidenced by the FBI arrest in June 2010 of 11 Russian illegals operating covertly in the United States. Russian intelligence and security services continue to target Department of Defense interests in support of Russian security and foreign policy ob-

jectives. China in the past has used its intelligence services to target U.S. military technology, strategic warfighting capabilities, and global command and control information systems. In recent years, multiple cases of economic espionage and theft of dual-use and military technology have uncovered pervasive Chinese collection efforts.

North Korea maintains a continuing interest in U.S. military activities on the Korean peninsula—a top intelligence collection priority for Pyongyang. North Korea continues to recruit South Korean agents to collect U.S. information—including sensitive war plans—and deployed intelligence officers under defector cover to assassinate a prominent North Korean defector in Seoul in April 2010. Additionally, a North Korean intelligence service has been accused of directing and orchestrating attacks against the South Korean naval corvette Cheonan in March 2010 and Yonpyong Island in November 2010.

Iran is a growing foreign intelligence threat to the U.S. military and our coalition partners in Iraq and Afghanistan as it tries to gain a better understanding of our capabilities and intentions.

Cuba has traditionally been a foreign intelligence threat to the U.S. Government and U.S. Intelligence Community. It has conducted espionage activities in the United States—to include inside the DIA—and anti-U.S. propaganda and influence campaigns throughout the Western hemisphere.

In an era of increasing cyber dependency, globalized commerce and rapidly developing regional conflicts, effective Department of Defense counterintelligence activities are critical to confronting current and potential adversaries, ensuring the integrity of U.S. technical systems and weapons, and managing potential threats from insiders who seek to steal U.S. secrets or harm Americans.

The use of underground facilities, a fifth transnational trend, is expanding as potential adversaries conceal and protect their most vital national security functions and activities. Dozens of heavily fortified, deep underground facilities are under construction to support command and control, nuclear, and ballistic missile operations. They will reduce the U.S. Government's ability to monitor activities, in addition to greatly improving survivability. The spread of Western tunneling technology and equipment is contributing to a rise in construction by countries and organizations that have not previously used modern techniques.

Sixth, unmanned aerial vehicles (UAVs) are revolutionizing air forces worldwide as adversaries integrate them not only for intelligence, surveillance, and reconnaissance missions, but also for air attacks. UAVs are particularly attractive because they offer longer endurance, autonomous navigation, and lower costs than typical manned aircraft.

Countries in Europe, Asia, the Middle East, and Africa are leading UAV proliferators. Many routinely offer multiple systems for export and market UAV technology to countries and organizations with little or no previous capabilities. Industry proliferators are mounting weapons on UAVs—for example, the Chinese Caihong-3—and touting them as economical, low-crew-risk alternatives to strike aircraft. Such UAVs threaten U.S. military units and installations, as well as those of our allies. UAVs are alternatives for nations and non-state groups that are unwilling or unable to field modern manned aircraft.

Global health security is the final transnational issue that I will address. Health care deficiencies hurt stability and growth in developing countries, such as Afghanistan. Expanding and improving health systems, on the other hand, will boost resiliency in these countries and mitigate illness and death from disasters, medical emergencies, and potential health effects of climate change. While most health aid will be positive, some adversaries, such as Iran and transnational terrorist groups, will use health aid to gain regional influence. Countries that can medically support their military forces abroad, as China can with its hospital ships, likely will be able to project influence well beyond their borders.

Possible emerging pathogens, including severe pandemic influenza, are a threat to health systems, populations, and U.S. forces worldwide. A highly transmissible virus that causes severe disease could appear anywhere, and for at least the next 5 years, most of the world will not be able to detect the pathogen early enough to prevent its spread.

Inadequate global food safety and pharmaceutical controls raise the likelihood of mass illness from consumption of contaminated food or counterfeit or contaminated drugs. This and other threats—for example, an accidental or intentional release of toxic industrial chemicals or radioactive materials—could imperil populations and U.S. troops in areas where they occur.

Future abilities to modify human performance for military purposes could give foreign adversaries operational advantages. At present, however, foreign techniques

to modify human performance have questionable effectiveness, and new, better approaches are at least 10 years away from implementation.

CONCLUSION

Today's focus on combat operations against insurgents and transnational terrorists does not preclude the potential that other threats will come to the fore. In cooperation with the Intelligence Community, DIA is strengthening collection and analysis and sharing more information across intelligence disciplines and among agencies and the Nation's close allies.

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

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

Chairman LEVIN. Thank you very much, General.

Let me go back to you, Director.

Mr. CLAPPER. Yes, sir. What I propose is, I'll take a cut at the issues that you and Senator McCain raised, and then I'll ask Ron to jump in and amplify or correct as required.

First, sir, you brought up about the friction that appears to be emerging between Taliban or insurgent elements in Afghanistan versus their command hierarchy in sanctuaries in Pakistan; and that's true. We are seeing more of that and I think that is a direct result of the effects of the surge in Afghanistan, as more and more pressure has been put on the Taliban. To say, though, that that's going to turn into a groundswell and, going to have a lot of Taliban march with their feet—I think that remains to be seen. Certainly, the interval between now and next spring, as the weather improves and combat intensifies, I think we'll have to watch that and see if that's a developing trend.

You asked about the Afghan army and Afghan police, and expanding that to approaching 400,000 people. Actually, that would be a good thing. I think the issue then will be whether the Afghan government can sustain a force of that size, and in doing so, reduce the attrition, absences, if you will, that we continue to see in both those forces.

With respect to Pakistani safe havens, I would say this: that oftentimes our interests and the Pakistani interests are congruent, and other times they're not. The primary threat for the Pakistanis continues to be India, and that consumes and preoccupies, I think, where their strategic interests lie. It's a very complex, delicate relationship with the Pakistanis, and we'd be pleased to speak more to that in closed session.

You spoke very eloquently about this tectonic change—I think, and I don't think that's an exaggeration—that's going on in the Middle East. It demonstrates, I think, the universal hunger that people have for economic improvement, for freedom of expression, for the opportunity to participate in and have credible, honest elections, and their great aversion, as we've seen, to corrupt governments. I think what we've also seen, which is a subject of great interest to me as the head of the IC, is the impact of social media and our ability to monitor that social media and understand what's going on in this groundswell.

I think the outlook generally is, we're in for a bumpy time in the Middle East. This is not going to be an equally smooth transition from country to country. It's going to vary from point to point.

With respect to the rebels in Libya and whether or not they will succeed or not, I think, frankly, they're in for a tough row because a very important consideration here for the regime is that, by design, Qadhafi intentionally designed the military so that those select units loyal to him have had the most, are the most, luxuriously equipped and the best trained. That is having a telling effect now with the rebels and, I think, logistically, the overwhelming power or control that Qadhafi has.

You're quite right. Obviously, there are a range of options being considered, of which one is a no-fly zone. I think of great interest is the Arab League's apparent interest in and support for the conduct of a no-fly zone.

You asked about the opposition. What appears to have emerged is a council of about 31 leaders that are drawn from the various towns and cities that are generally held in opposition hands. That in turn is led by an executive group of three, and the senior appears to be a man named Jalil, who is the putative former Minister of Justice.

I think what has happened in Iraq has been a very interesting and encouraging evolution; they're going through a very difficult transition into a democracy. Demonstrations have taken place widely throughout many cities in Iraq. I personally was heartened by the excellent performance of the Iraqi security forces who reacted temperately and professionally, for the most part, to these demonstrations.

You brought up the NIE, actually, the Memorandum to Holders, which is a revision or update if the original 2007 NIE on Iranian nuclear capabilities and intentions. I would suggest, sir, that it would be best to discuss this in closed session and, as soon as we can get that scheduled, we'll have our lead National Intelligence Officer, Andy Gibb, be available to brief you on that update.

With respect to the effect of sanctions, it is having effects on the economy of Iran. I don't think there's any question about that. We cannot say, however, that it's having any direct effect on their nuclear program or their nuclear intentions. I think you're quite right to point out the incongruity of the Iranian reaction to the unrest in the Middle East—demonstrations are good, just not here—which, I think, puts them in a very awkward position.

With respect to prospects for missile defense in Europe in cooperation with Russian, the Vice President is in Russia now. I'm sure that's one of the topics he'll discuss, as I think the standard reaction here would be, the Russians will, as always, act in what they think is their best interest. To the extent that we can entice them to participate cooperatively in a missile defense program, I think that would convey a very compelling message to Iran.

With respect to North Korean intentions, obviously they continue to play their nuclear card. That is their single, I think, leverage point, or leverage device, they can use to attract attention and seek recognition for them as a nuclear power. I think personally—and General Burgess, I'm sure, has a view on this—that the likelihood of a conventional attack on South Korea is frankly rather low.

Senator McCain, and in turn Senator Levin, expressed appreciation for the men and women in our IC. As you've both, all of you have visited folks in the field, so you can understand the environ-

ment they operate in, often at great personal risk to themselves. I'm about to go out on a trip to the Far East this Saturday, and I will be visiting many of these people. In fact, Senator McCain, it'd be the first time back to Vietnam for me since I left in 1966. I'm looking forward to that.

As I know General Burgess does, I completely agree with your assessment of the world environment. I've been in the intelligence business 47 years. I cannot remember or recall a time that has had more complex challenges for us as a community to face. I appreciate your recognition of that, and I appreciate as well, sir, your call for being realistic about the expectations. We're not clairvoyant.

I do agree as well with—and I think Chairman Mullen indicated this recently—all the uprisings and demonstrations in the Middle East, I think are in fact a repudiation of al Qaeda and its ideology.

I would also agree that we believe that Qadhafi is in this for the long haul. I don't think he has any intention—despite some of the press speculation to the contrary—of leaving. From all the evidence we have, which I'd be prepared to discuss in closed session, he appears to be hunkering down for the duration.

With respect to General Tony McPeak, who was Chief of Staff when I was in the Air Force, his typical candid view, I would just comment that it's really not entirely a military problem. From the standpoint of the threat there, the Libyan air defense structure on the ground, radars, and surface-to-air missiles (SAM), is quite substantial. In fact, it's the second largest in the Middle East after Egypt. They have a lot of Russian equipment, and there is a certain quality in numbers. Some of that equipment has fallen into oppositionist hands. They have about 31 or so major SAM sites, a radar complex which is focused on protecting the coastline, where 80 or 85 percent of the population is.

They have a large number of manportable air-defense systems, that is, manportable SAM, and of course there's great concern there about them falling into the wrong hands. Their air force has lots and lots of aircraft, but not very many of them are operational. Approximately 75 or 80 or about a third of those are transports, a third, helicopters, and the remainder are fighters. They have used them to some extent in attacks on the ground. They're somewhat, though, akin to The Gang That Couldn't Shoot Straight, since they're doing this visually, and have not caused very many casualties, although some physical damage.

With that, I will turn to General Burgess for any commentary he may want to add to those questions.

Chairman LEVIN. Thank you very much, Director Clapper.

General Burgess.

General BURGESS. Sir, I would just add a couple of points on to Director Clapper's points.

Reference the friction that you noted upfront. Actually, I think the IC has been reporting on the friction between the Taliban inside Afghanistan and those that are back in Pakistan since 2002. This has actually been fairly consistent even from the mujahideen days in the 1980s, for those that were inside the country fighting and those that were back in sanctuary, and who was pulling what

in terms of fair share. So that friction has been there and been reported on. I think it is fair to say that we are seeing a heightened level of reporting at this time on some of that. But we have not seen any evidence at all yet that this friction is superceding the desire of the insurgents in Afghanistan to continue to fight. Nor is it contributing at this time to what I would call very nascent re-integration opportunities that are presenting themselves.

Reference the Afghan National Army and the Afghan National Police. Sir, what I would say on that is, as you all are well aware, the Afghan National Police and the Afghan National Army have met their targets again for this year, and they continue to meet the levels that are set for them.

For both the army and the police, I think it is a matter of balancing what I would call quantitative growth with qualitative improvement in figuring out how you bring that. In our assessment, the Afghan National Army is ahead of the Afghan National Police in that regard at this time. As instruments of the central government's power, we need to continue to reinforce.

On Libya, DIA would agree with, as the Director put it, Qadhafi does give indication at this time, sir, that he's in this for the, as he said, long haul. He put it a different way. I generally quote someone, and it was Napoleon who said, "Mass has an inherent quality all of its own." He was referring to artillery, but clearly Qadhafi has both on the air side and the ground side, and the SAMs. He has all of that, and the qualitative advantage is in that material that is in the western part of the country, as opposed to the eastern, which is controlled by Qadhafi. So, right now he seems to have staying power, unless some other dynamic changes at this time.

The only other one that I would add a comment on was Director Clapper's reference to North Korea. It is also our assessment at this time that there is a low probability of a conventional attack by the North upon the South. But as I mentioned in my statement, North Korea has shown a proclivity for doing sometimes the unexpected. It is the unintended consequences of those events that may precipitate something else, sir.

Chairman LEVIN. Thank you both very much.

Let's have a first round of 7 minutes.

General Burgess, when you say there's a low probability of a conventional attack by North Korea, I assume that that would include a nuclear attack as well, perhaps even lower. Is that correct?

General BURGESS. Yes, sir.

Chairman LEVIN. Relative to Iran, Director Clapper, you mentioned in your statement that the IC does not know if Iran will eventually decide to build nuclear weapons. I read into that that Iran has not made a decision as of this point to restart its nuclear weapons program. Is that correct?

Mr. CLAPPER. Yes, sir. I would like, though, to defer a more fulsome response to a closed session.

Chairman LEVIN. Okay. But, what is the level of confidence that you have that as of this time they have not decided to restart that program? Is that a high level of confidence?

Mr. CLAPPER. Yes, it is.

Chairman LEVIN. If Iran made the decision to restart its nuclear weapons program, what is the likelihood that we would know reasonably shortly thereafter that that decision was made?

Mr. CLAPPER. I would prefer to discuss that in closed session.

Chairman LEVIN. Okay. Are you able to tell us in open session what I think has been assessed before openly, but you tell us whether you can do it now—if Iran decided to restart its nuclear weapons program today, about how long, what range of years, would it take for them to have a complete, fully assembled nuclear warhead, including the necessary highly enriched uranium?

Mr. CLAPPER. Again, sir, I would prefer to respond in a closed environment.

Chairman LEVIN. Okay. We respect that. Would a missile still be the most likely delivery vehicle?

Mr. CLAPPER. Yes, sir.

Chairman LEVIN. Okay. Relative to Afghanistan—and I think that you both said this, but I want to be sure that I hear you correctly—you both are cautious, but let me just ask you point blank then. We had an assessment both from Secretary Gates and General Petraeus recently that there has been progress in Afghanistan in the last year or so, and in General Petraeus's words, "the momentum of the Taliban has been halted in much of the country and reversed in some important areas." Would you agree with General Petraeus?

Mr. CLAPPER. Yes, sir, I do. We had this discussion, debate, during the NIE deliberation, and I don't think there's any question about the tactical successes that the ISAF forces led by General Petraeus have enjoyed, particularly in light of the surge.

I think the issue and the concern that the IC has is after that, and the ability of the Afghan Government to pick up their responsibility for governance. I think that's what we're going to be watching very carefully. But I don't think there's any question about the success that ISAF forces have enjoyed. Our troops have had great success, as Secretary Gates commented, on the battlefield and have made tremendous progress.

General BURGESS. I would agree that we have enjoyed tactical defeats and operational successes against the Taliban. However, the Taliban does remain resilient and will be able to threaten U.S. and international goals in Afghanistan through 2011.

Chairman LEVIN. Thank you. Let me ask both of you, has the U.S. Government presented evidence to the Pakistan Government about the location of the Quetta Shura and the Haqqani network? Do they know where these guys are?

Mr. CLAPPER. Generally, yes, sir. They have. But I think they are generally aware. We've had those discussions, and that's probably all I ought to say in public.

Chairman LEVIN. All right. Let me just say that, the reason I ask you that is that every time we talk to the Pakistanis what they tell us is, give us the evidence about the location. Tell us where they are. We've done that, and you confirm it here today. So, I don't think that answer from the Pakistanis is going to carry any water, and shouldn't carry water. They might have other reasons why they're not going after those people who are moving so easily into Afghanistan to attack us and our Afghan partners and the Afghan

people. But it can't be that they don't know where the Quetta Shura is. It's obviously and openly located in Quetta, and the Haqqani network is located in Waziristan, and they know where it is. I'm glad to hear you say that because it's important the Pakistanis not hide behind that fiction.

Relative to Iraq, can you give us an assessment about the vulnerability of the Government of Iraq to the kinds of protests which have, we've seen in other parts of that region? Has the Government of Iraq cracked down on peaceful demonstration, and could that lead to greater demonstrations?

Mr. CLAPPER. Sir, I think the people in Iraq have the same aspirations as we're seeing throughout the Middle East, the same four factors I indicated. I think the word crackdown, I guess that's somewhat of a loaded word. I guess they have curtailed, controlled these demonstrations. I think the real test is going to be how responsive the Iraqi Government can be for things like provision of water and electricity to the people. I think it's basic fundamental needs. The Government of Iraq, I think, understands that. I think that Prime Minister Maliki certainly does, and that he has to deliver. That's going to be the test. To the extent that they're not able to do that, then I think that frustration will fester more among the Iraqi people.

Chairman LEVIN. Just to wind that up, what is the Iranian influence in the Iraqi Government? What's the extent of it?

Mr. CLAPPER. There is a tendency to overstate that. I think clearly they're interested, they're going to try to influence things in Iraq in a manner that's supportive of their interests. I think, though, Prime Minister Maliki, eyes are wide open here. He has some background with the Iranians, and I think they're very much aware of that, and certainly that's a great concern to others in the region.

Chairman LEVIN. So, you say it's a limited effect, the Iranian influence?

Mr. CLAPPER. I wouldn't—I don't know what the right characterization is. It is a concern, it's a factor. Certainly the Iranians will want to exploit any openings they can, whether in Iraq or anywhere else in the region. Some measures, in some ways they would like to exploit the situation. But I think that that's going to be very problematic for them.

Chairman LEVIN. Thank you.

Senator McCain.

Senator MCCAIN. Thank you, Mr. Chairman.

I thank the witnesses again.

Director Clapper, I hope you enjoy your visit to Vietnam. I want you to go to the statue next to the lake where I was shot down. I know you'll express to the Vietnamese government that we are somewhat disappointed in their lack of progress in human rights. In fact, recent crackdowns have been disappointing to all of us who supported the normalization of relations between our countries.

Do you believe that in the Middle East there's a perception that the United States is in the decline?

Mr. CLAPPER. I don't know that, so much in decline as much as very unpopular. I think if you look at the polls that we take, that, throughout the Middle East, that our image is not very good. I don't know that that's a reflection that they think we're in decline

as much as just an aversion to what they believe our interests are, or things we have or haven't pushed. I think it has more to do with that. But we're just, I would characterize it as, we're very unpopular there.

Senator MCCAIN. Two of the reasons might be that our failure to support the democratic movements within some of these countries robustly enough, and the other perhaps could be that we have not been able to assist them in the ways that they feel are important. I think we all realize that it is the economy of these countries, and the lack of opportunity and the lack of jobs. What they want is our investment, not so much our guidance, but our investment so that we can create jobs. Would you agree with that?

Mr. CLAPPER. Yes, sir. I think the economic issues are high on their mind. You have a very high population of unemployed youth. I think in Saudi it runs, for example, around 40 percent. So you have this huge youth bulge in the Middle East. The effect of social media, so, they are aware of what is potentially, what's possible.

I think that has created this huge groundswell of frustration for economic betterment. So, probably, yes, they would welcome investment as long as we're not telling them what to do.

Senator MCCAIN. The other factor could be the lack of progress on the Israeli-Palestinian issue.

Mr. CLAPPER. Yes, sir. I think that's quite true. That's an issue very prominent in the minds of many.

Senator MCCAIN. This argues, at least in my mind, a greater urgency to make progress on the Israeli-Palestinian peace process. Do you agree?

Mr. CLAPPER. Yes, sir. I have to say, since I'm not a witness to all this, the administration has worked that very hard.

Senator MCCAIN. I wasn't being critical of the administration. I just think that the perception out there is not helpful to U.S. interests.

Again, on the issue of the no-fly zone, do you agree—and I understand, you talked about their array of defenses and SAMs and radars—do you agree with General Odierno's assessment that the U.S. military would be able to establish a no-fly zone over Libya within a couple of days if the international community decided that such a move was needed?

Mr. CLAPPER. I'd have to take that under advisement, sir. I don't know about 2 days. It may be a little longer than that because this would, I believe, involve a suppression of the air defense equipment there and sorting out which equipment is in the hands of the oppositionists and which isn't and the intelligence that would be required to support the imposition of the no-fly zone. So, I'm a little reluctant to say 2 days.

Senator MCCAIN. A relatively short period of time. I must say with respect, it think it's fairly obvious where their air assets are located and where most of their air defense assets are located, and that's around Tripoli. It's obvious, because the eastern part of the country is not under their control.

I noticed with interest that the French Government has recognized the provisional government, which you, I think accurately, described as in Benghazi. That's bound to be a boost to their morale. Should the United States consider recognition or let me put

it this way: wouldn't it be helpful to their morale, which is sagging somewhat right now, if the United States recognized the provisional government, particularly in light of the fact that the President of the United States has announced that Qadhafi must go?

Mr. CLAPPER. It probably would raise their morale, sir. That's a policy call, and certainly not in my department of intelligence.

Senator MCCAIN. Thank you. I understand that. But, from an intelligence standpoint, it would be certainly helpful to have them recognized. We've done that in the past in other cases.

How serious is the damage to your capability to carrying out your responsibilities was the WikiLeaks situation?

Mr. CLAPPER. From my standpoint, it was quite damaging because of the chilling effect it has on people who are willing to be recruited and to provide information to us.

Senator MCCAIN. So, it was a lot more than just embarrassing to diplomats who were candid in their assessments?

Mr. CLAPPER. Yes, sir. Bear in mind, there are some potentially 700,000 documents, that are out there, and there have only been about 5,000 publicly revealed, so this could go on for quite some time as these revelations are stretched out.

Senator MCCAIN. It literally puts people's lives in danger who were cooperating with us, whose names, identities may be revealed in these leaks, is that correct?

Mr. CLAPPER. That's possible. But I, frankly, am more concerned about the ones we won't get in the future, that we can't count, who won't engage with us because of fear of revelation.

Senator MCCAIN. I thank you, Mr. Chairman. I bring that up because I'm intrigued by this debate that seems to go on it's, we needed to know what our diplomats were saying to each other, and we needed these candid—that's not what this is all about is it?

Mr. CLAPPER. The embarrassment factor, it makes for juicy headlines and all that sort of thing. But that's not really what the serious impact is. Of course, I should not dismiss that. That also is a negative effect on the candor involved in diplomatic discourse, diplomatic exchanges.

I think so and certainly the dialogue I've had with foreign interlocutors, while they're not happy about it, I think they see that there is a larger interest here in a continued relationship with the United States—but from an intelligence perspective, there's been some damage.

Senator MCCAIN. Could I finally say, Mr. Chairman, I agree with your assessment about our unpopularity, and it also seems to me that this is a window of opportunity for the United States of America to declare our assistance to these people, to help in their economies. Again, not to interfere. The one message that Senator Lieberman and I got from meeting with these young revolutionaries was that they don't want our interference, but they see the United States as a prime way of improving their economy and creating jobs in these countries. I know, obviously, you would agree this is a time of challenge, but also a time of opportunity for the United States of America to return, not our popularity, but our prestige, our ability to help people, our image, and frankly, fulfill the mission of what our country's supposed to be all about.

Mr. CLAPPER. Sir, I agree. I think it's a great testimony, even though it is difficult, but it is a great testimony to our way of life and the values we stand for. I think what we're seeing here is a universal longing for that which has manifested itself so dramatically.

Senator McCAIN. I thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator McCain.

Senator Lieberman.

Senator LIEBERMAN. Thanks, Mr. Chairman.

Thanks to both of you.

Just to pick up on that last exchange between Senator McCain and you, Director Clapper. I know that as we debate here, the debates are going on within the administration and allied capitals about how we should relate to what's happening in Libya, one of the concerns expressed is that we should not get involved in a third Arab country militarily. In the first place, nobody here is talking about on-the-ground foreign military intervention.

But more to the point, is it, this one is really different, because we're being asked by an escalating chorus of voices from within the Arab world to please help the opposition to Qadhafi. It starts from the streets that Senator McCain and I visited in Tunisia and Egypt, with this new, remarkable generation of peaceful democratic revolutionaries in the Arab world now who view the opposition to Qadhafi as their allies, their brothers and sisters in this peaceful uprising, and Qadhafi as typical of the authoritarian regimes against which they rebelled, except that he turned his guns on them. So, they want to see us support the opposition.

Now we've had officially the Gulf Cooperation Council, some of our closest allies in the Arab world, calling on us to work with our allies around the world, really, to impose a no-fly zone in support of the opposition. The Arab League, presumably, will do the same over the weekend. So, I think there's a different context here, and I present that in the sense of a kind of second chance, or a new chance for us to link up with the aspirations of people in the Arab world. I thank you for your answer to that.

I want to go back to Libya briefly here at the beginning. Both of you, Director Clapper and General Burgess, presented your assessment that at this point, notwithstanding anything to the contrary in the media, Colonel Qadhafi is hunkering down. He's not going anywhere, as far as he's concerned.

I wanted to ask you two, if you would in that context give us your best estimate of the military situation on the ground, because the media seems to have been suggesting, from people there, reporters there over the last couple of days, that the momentum has now turned in favor of the Qadhafi government and forces against his opposition. Is that your assessment?

Mr. CLAPPER. This is a very fluid situation. One of the reasons why this is hard to assess is because of the apparent tactic of the regime forces to attack, say, a town, go in and attack the opposition forces, and then pull back, refit, repair, and all that sort of thing. So, these places are changing hands. My own view is that I just think the important dimension here is logistic.

Senator LIEBERMAN. Right.

Mr. CLAPPER. I think the regime has more logistical resources in terms of the equipment they have, first line equipment, and, anywhere in Libya that is held by the regime forces. There are two special brigades, the 32nd and the 9th, which are very loyal to Qadhafi and do his bidding. They are the most robustly equipped with Russian equipment, to include air defense, artillery, tanks, and mechanized equipment. They appear to be much more disciplined about how they treat and repair that equipment. I just think from the standpoint of attrition that over time, it's a stalemate back and forth. But I think over the longer term, that the regime will prevail.

General BURGESS. Sir, I would identify myself with the way Director Clapper put it.

I was going to mention the 32nd and the 9th, which are clearly two elements that we're trying to follow.

The impetus, I think the press had it about right in terms of, initially the momentum was with the other side. That has started to shift. Whether or not it has fully moved to Qadhafi's side at this time in country, I think is not clear at this time. But we have now reached a state of equilibrium where the initiative, if you will, may actually be on the regime's side at this time, but we're watching that in these days right now.

Senator LIEBERMAN. Director Clapper, at the end of your answer to my first question you said you were concerned or thought that in the long run the regime might actually prevail because of its superiority and logistics, weaponry, all the rest. Did I hear you correctly?

Mr. CLAPPER. Yes, sir.

Senator LIEBERMAN. That's certainly my concern, that people have begun to say that it looks like it's heading to a stalemate. But I think if you start to balance the forces on both sides, it's not a balance, and that the regime, there's a real probability that the regime will prevail against the opponents. Then I think we have to ask ourselves as we watch this and think about what's at stake, and remember what the President has said, which is that Colonel Qadhafi must go—and I agree with that totally—whether, unless the world community intervenes in some way—either to, beginning with recognition of the opponents, the opposition in Benghazi, perhaps a no-fly zone, perhaps supplying them with weapons, perhaps using our superior intelligence and sharing it with them about the movement of the Qadhafi forces, perhaps using our extraordinary technological capability to jam communications or intervene with telecommunications by the regime—then Qadhafi will not only survive, but he will prevail. That's a very bad outcome here. I think it calls out to our leadership here in Washington and throughout the Arab world and the rest of the world that is invested in security in the Middle East. I think invested in seeing the peaceful democratic uprisings that have occurred succeed, really, it calls on us to act quickly to not let this happen.

Mr. CLAPPER. Sir, I just would suggest to you that there is perhaps another outcome here which would be a reversion to the pre-Qadhafi, pre-king history of Libya, in which there were three semi-autonomous mini-states.

Senator LIEBERMAN. Right.

Mr. CLAPPER. So, you could end up with a situation where Qadhafi would have Tripoli and its environs, and then Benghazi and its environs could be under another mini-state, and then there was another—and of course, there's a lot of history here, and the tribal dynamics would have to be factored in here. So, there, you could have an outcome where you'd have both parties survive.

Senator LIEBERMAN. Yes. I agree. To me, that's not a good outcome, either. Secretary Clinton said a week or so ago that one of the dangers here is that, if this becomes a stalemate or breaks into a division of Libya, that it could become fertile ground for al Qaeda to both infiltrate into one or another of the new separate divisions of Libya, or simply to use Libya, parts of Libya as a base of operations because some parts would not actually be governed. That's another reason, I think, for us to act quickly.

Mr. CLAPPER. Or you could end up with a Somalia-like situation.

Senator LIEBERMAN. Exactly. That's the other national interests that we have. People say, what is America's interest there? Part of it is humanitarian because people are being slaughtered. But the other part is that we don't want it to end up as a base like Somalia for anti-American Islamist terrorism.

My time is up, but I just want to say finally that I appreciate that President Sarkozy yesterday recognized—or maybe earlier today—the opposition government of Benghazi. If we're for removing Qadhafi from power, if we feel that he has to go, remembering an old adage that we all know from our own political careers, you can't beat somebody with nobody. There are somebodies there in Benghazi. They're led by reputable people. I think we urgently need to give them the credibility that comes with recognition at least. I hope that our Government and other governments will soon follow the leadership example set by President Sarkozy in France.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Lieberman.

Senator Cornyn.

Senator CORNYN. Thank you, Mr. Chairman.

Gentlemen, I'd like to direct your attention to violence, really, a war occurring right out our back door in Mexico and to get some of your observations about that.

But first, Director Clapper, the Government Accountability Office (GAO) has documented that there were 445,000 illegal entries into the United States across our southern border in fiscal year 2010. The Border Patrol has reported that out of those 445,000, about 45,000 are immigrants coming from countries other than Mexico. It's more than 100 different countries, including at least 4 state sponsors of terrorism, so designated by the Department of State (DOS).

I would like to get your assessment of whether that represents a national security threat to the United States, a potential nationality security threat.

Mr. CLAPPER. Yes sir, it does. I think the issues of narco-trafficking and the prevalence of the drug cartels in Mexico is a matter of national security interest to both countries. I think it was recognized and reaffirmed recently with President Calderon's visit here with President Obama.

From an intelligence perspective, I think we've made a lot of progress in partnering with the Mexicans. There's some excellent work going on down there together which has resulted in significant take-downs of high value targets, cartel leaders, and the like, and that will continue.

We're actually following a pattern that was established in Colombia. I think Colombia is instructive, since that took a long period of time to reach the state we are now. But, clearly, the whole situation there is a serious one. I am going to be shortly making the rounds to visit El Paso Intelligence Center (EPIC) and Border Patrol and other entities down there, intelligence entities, that are committed to this problem. But, it's a serious one.

Senator CORNYN. I'm glad to hear that you'll be traveling to EPIC. They're doing some very good work down there. But, frankly, a lot more needs to be done.

But, would you agree with me, Director Clapper, that an individual with enough money and enough determination can penetrate our southwestern border and make their way into the United States, anyone with that determination, enough money? Does that represent a potential terrorist threat to the United States?

Mr. CLAPPER. Yes, sir. I don't pretend, and nor do I think Secretary Napolitano would pretend, that we have an ironclad, perfect system. But, at the same time, I'd be remiss not to commend the tremendous work of the Border Patrol and Immigration and Customs Enforcement, and others that are involved with this problem. But to say that it's ironclad, perfect, and somebody could get through, yes, sir.

Senator CORNYN. I think the GAO would agree with you. In fact, they state in a February 15 report that there's still 1,120 miles of our 2,000-mile southern border that is not under the control of the U.S. Government when it comes to border security. So, I think we have a lot of work to do. But I agree with you, Director Clapper, we need to commend the good work that is being done, although it's under-resourced and short-staffed. We need to do more to secure our borders—not just to restore the rule of law, but also to prevent our country from suffering terror attacks through that southern portal.

General Burgess, the former CIA Director, General Mike Hayden, after he'd left the government, he said that, as a national security challenge that would keep him awake at night, is the fact that Mexico has seen the drug-related violence increase—some 35,000, roughly, Mexicans killed since 2006, about, more than 140 Americans killed in that violence since 2006—he said that's one of the things that would keep him awake at night concerning the proximity of Mexico to the United States, the fact that they're our third largest trading partner. I would like to know, do you think that the United States has a coherent, meaningful strategy in place to deal with the escalating violence in Mexico? I worry that once President Calderon leaves office, we don't know who his successor will be or what their commitment will be to continuing that fight. I'd be interested in your assessment of that, sir.

General BURGESS. Sir, a couple of points—it probably would be inappropriate for me as the Director of DIA to comment on whether

we as the U.S. Government have a complete, coherent strategy vis-a-vis Mexico.

From an intelligence standpoint, I know from my days in the Office of the DIA in a previous life that we have worked with our friends in Mexico to ensure that, from an intelligence standpoint, we have put the processes and the capabilities in place that will enable both of our national interests, in terms of following some of the problems you have been identifying, and that we have made some progress towards that, though I would characterize it as a work in progress as we put it together.

I have been testifying since 2000 during my time—not as long as Director Clapper—in terms of doing testimony up here. I used to refer to the problem you are somewhat describing, in my days at U.S. Southern Command, as beams of light into the United States, and that these beams of light—whether it be illegal migration or however you want to phrase the term, or whether it be the drugs coming across or the weapons that are moving back and forth—that all of those are beams of light coming across our southern border. It is a national security concern because if you can move drugs, if you can move people, you can move other things that are of concern to us as a nation, so it is something that we need to have an interest in.

Senator CORNYN. If I could just follow up, one last question with Director Clapper.

You compared what's happening in Mexico, I believe, to our experience in Colombia. How would you describe the nature of what's happening in Mexico now? At one point, Secretary Clinton characterized the situation in Mexico as an insurgency. Others seemed to walk back from that characterization. But how would you characterize it?

Mr. CLAPPER. I just think the whole business of drug trafficking is just a very serious national security problem. It's one that both countries share in. As President Calderon points out, if it weren't for the demand here, that wouldn't generate the business down there. It's just a serious national security concern to both countries, is the way I'd characterize it.

Senator CORNYN. You do consider it comparable to Colombia?

Mr. CLAPPER. Yes, sir, I do. In the context of, what I meant by that is that we learned a lot from our cooperation with the Colombia Government, particularly with respect to intelligence and the tactics, techniques, and procedures that were used and developed and honed over a period of 10 or 15 years in Colombia. We're applying that same approach to the extent that the Mexican Government—which is a sovereign nation—will permit us to help them. I think we are enjoying some success. But, as General Burgess says, this is a work in progress.

Senator CORNYN. Thank you very much.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator Cornyn.

Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman.

Thank you both for being here, Director Clapper and General Burgess.

You point out in your written testimony and, actually, in your comments, Director Clapper, that WMD continue to be a major concern because of the proliferation both by nation states and because of the potential for terrorists to access a nuclear weapon. Can you speak to whether the threat of a WMD-capable terrorist organization is rising or falling in the current environment?

Mr. CLAPPER. I'd say it's about the same. What we have seen, particularly with al Qaeda, is aspirations for WMD. This is something that's of interest to them. This is, obviously, something we try to track very carefully. One of the organizations I'm responsible for is the National Counterproliferation Center, which works closely with another organization I'm responsible for, the National Counterterrorism Center. One of the things we are very focused on is that nexus—WMD—falling into the hands of terrorists—something that we track a lot.

Knock on wood, so far we haven't seen evidence of any such materials falling into the hands of the terrorists, at least as far as we know now. But, believe me, in the category of things that keep you awake at night, that's one of them.

Senator SHAHEEN. Are you confident that we're devoting enough of our intelligence resources to tracking what's going on?

Mr. CLAPPER. Ma'am, there's never enough intelligence on any given problem, so we could always use more. I think, though, in general, particularly since September 11, we have profoundly increased the resource allocation to both WMD and terrorism, and particularly the nexus of those two. So, I think, yes, there have been a lot of resources committed to that. Would I like more? Sure. But we have a lot dedicated to it.

Senator SHAHEEN. One of the countries that's often talked about because of what's happened in the past with their nuclear program is Pakistan. The Washington Post has run a series of reports that suggest that Pakistan may be building a fourth plutonium-producing reactor, and that it's expanding its nuclear arsenal. Can you comment on what the impact of this has regionally? Also, you noted in your prepared assessment that Pakistan can protect its nuclear arsenal but that there are some vulnerabilities that exist, and can you speak to those vulnerabilities and whether we believe Pakistan is taking the appropriate steps to address the vulnerabilities?

Mr. CLAPPER. I'd be happy to discuss all that with you in a closed environment. Yes, ma'am.

Senator SHAHEEN. Thank you.

On Lebanon, to switch to another part of the Middle East, there's a new government in Lebanon that many feel is controlled by Hizballah. Given this new reality, can you talk about the role of the Lebanese Armed Forces (LAF) and how you see our support for them in terms of the changes in the government there? Either one of you.

General BURGESS. Ma'am, I think a concern that we have seen, so far the LAF have proven to be a very good military force there in Lebanon. The concern has been continually for not only ourselves, but some of our allies, is in terms of the LAF and its ability in the southern part of the country to exert control over other factions that are in there, such as Lebanese Hizballah.

So, what this means to the future of that is something that we're following very closely at this time.

Senator SHAHEEN. Should we be continuing to support the military in the way that we are?

Mr. CLAPPER. That's a policy call, ma'am. I would think, though, that to the extent that we can sustain influence and insight, and help counterbalance the Hizballah military wing, that it would be a good idea. But again, that's a policy thing, not intelligence.

Senator SHAHEEN. Okay.

One of the areas that I've been very involved in has been the Balkans. I chair the European Affairs Subcommittee of the Foreign Relations Committee and have had a chance to travel there. I note that you, Director Clapper, point out in your written testimony that a stalemate continues in Bosnia. Do you have any intelligence that indicates what a continued stalemate there might do to destabilize the other emerging countries in the region?

Mr. CLAPPER. I guess my concern, having visited there myself in my last job in the Pentagon, we have the lid on there. I think we still have some concerns about the political dynamics there. I'm not sure, though, that the situation within Kosovo necessarily means spillover, or has some implications elsewhere. I'm just concerned about the situation there itself, and for that caldron to bubble up again.

Senator SHAHEEN. You said Kosovo. Did you mean Bosnia just then? I was asking about Bosnia.

Mr. CLAPPER. Okay. Bosnia. I thought you said Kosovo. The same comment applies.

Senator SHAHEEN. Okay. Thank you very much.

Chairman LEVIN. Thank you, Senator Shaheen.

Senator Ayotte.

Senator AYOTTE. Thank you, Director Clapper and General Burgess. I want to thank you for your distinguished service to our country and for what you're doing to keep us safe.

I wanted to ask you, Director Clapper, about our national debt, and from an intelligence perspective, how does our national debt, in your view, present a national security threat generally? Then, more specifically, ask you about our relationship with China, given that they are a significant holder of our bonds, and how does that position us with respect to some of their aggression and some of the areas where they could assert themselves that we would obviously take a contrary position?

Mr. CLAPPER. The size of our debt, I think, is a concern to all of us, whether intelligence or not. That is certainly a factor in our national security, and so, yes, we're concerned about it.

With respect to China, I think this is what's to me one of the striking differences. Oftentimes people make the comparison between China as a peer competitor versus the former Soviet Union. This is a huge difference that exists, because unlike with the Soviet Union, where our economies were mutually exclusive, they're certainly not with China. Since they hold so much of our debt, that obviously has to be a concern.

Senator AYOTTE. Just as a follow-up, it's a concern, at this point, have we seen any assertion of that as a way to use leverage?

Mr. CLAPPER. I haven't. I don't know that we have any intelligence on that. It's in the Chinese interest to sustain a stable economy in the world just as it is for us, I understand.

Senator AYOTTE. General?

General BURGESS. No, ma'am. I was just going to add, I would be in the same place Director Clapper is. I am unaware that I have seen any evidence that it has been used as a means in terms of leverage from the other side.

Senator AYOTTE. But it certainly, from a common sense perspective, remains a concern if we continue to go into debt?

General BURGESS. Yes, ma'am.

Senator AYOTTE. We have a 25 percent recidivism rate from detainees who are held at Guantanamo (GTMO), and how much of a threat that presents right now with respect to what we're trying to accomplish in fighting al Qaeda and other terrorist groups?

Mr. CLAPPER. Actually, one recidivist is one too many. So, it is obviously a concern when someone having been through GTMO or anyplace else does, in fact, return to the battlefield. So, what we've done, which has been reinforced recently by Executive order, is to engage in a very rigorous assessment process in which intelligence plays a prominent role in judging whether someone is suitable for return or repatriation.

Of course, part of that evaluation is the ability of the host country to track these people and rehabilitate them if that's the case, to ensure they don't go back to the battlefield. That's precisely what occasioned the President's suspension of Yemen, for example, as a place where we will not, for now, return any detainees.

Senator AYOTTE. But even with the suspension of certain countries, for example, Yemen, by the President, that also, when we get an agreement with another country to hold a detainee, we also don't have the same level of control, for example, we would have at a facility like the GTMO facility.

Mr. CLAPPER. That's true. That's why we depend on liaison with the countries in question and we also use our own intelligence means to try to track these people.

Senator AYOTTE. How well are we tracking those who have left GTMO, and how good a sense do we have where all of them are?

Mr. CLAPPER. It varies. It's certainly a priority for all components of the IC that would have some way of tracking them. Certainly when we do, and if we see indications of return to the battlefield, we certainly convey that to our warfighters.

Senator AYOTTE. Finally, one of the issues that I've become deeply concerned about is what we're doing when we were to, for example, if tomorrow we were to capture a high value target in an area like Yemen, or an area outside of where we're currently in battle in Afghanistan, where we would put that individual. Do you have any concerns about that? What is our current plan of where we would put someone like that?

Mr. CLAPPER. Right now it would be probably the facility that's at Bagram—Parwan—or perhaps a U.S. military facility.

I think, though, that this question has come up before. If we were to capture luminaries, if I can use that term, like Osama bin Laden or Zawahiri, I think that would be a subject of intense inter-

agency discussion as to just what would happen and how we'd handle them.

Senator AYOTTE. Right. Certainly there would be concerns that would arise about necessarily putting somebody of that caliber, so to speak, in Bagram, versus a GTMO base situation in terms of security and access.

Mr. CLAPPER. As I say, all those factors would have to be weighed at the time depending on who it was.

Senator AYOTTE. Thank you very much.

Chairman LEVIN. Thank you, Senator Ayotte.

Senator Gillibrand.

Senator GILLIBRAND. Thank you, Mr. Chairman, for holding this hearing.

Thank you both for your service, your dedication, and your testimony today. I appreciate it very much.

I want to recognize in particular that I have a staff member from DIA who's working as our special assistant, Mitch Catazaris. So, thank you for recommending him and offering him to our team.

I'd like to talk a bit about cyber threats. Both of you in your testimony went into some detail about the growing increase in cyber threats to our national security.

You've said in your testimony, Mr. Clapper, that there's been unprecedented opportunities for our adversaries to target the United States due to our reliance on information systems. You talk a bit about a phenomenon known as convergence, how we are particularly vulnerable because of the nature of our physical infrastructure and banking networks and other kinds of records that are online. Then you further go into the increase in the last year of the amount of malicious cyber activity targeting U.S. computers and networks.

Then you give a particularly concerning example that happened in April, where information was delayed in China for 17 minutes and it affected military sites, U.S. Government sites, Army, Navy, Marine Corps, Senate, Air Force, Secretary of Defense, and a number of Fortune 500 companies. So, obviously this report is particularly alarming and concerning.

I'd like to get an update from you. Obviously, cyber security is an issue that affects both the military, the Department of Homeland Security (DHS), and civilian use. I know that you are working together in a collaborative effort between the military and DHS. How is that partnership going? Do you see the need for any new authorities? Is there appropriate coordination?

Mr. CLAPPER. I think this is another work in progress. I think it's actually going very well. I think the standup of the U.S. Cyber Command by the Department of Defense (DOD) was a major step forward, and I think the notion of dual-hatting the Director of the National Security Agency (NSA) in that role, was the right course. In fact, I supported that strongly when I was in DOD.

I, as well, think that the emerging partnership with DHS is a good news story. I think DHS has a very important role to play as the interlocutor with State, local, tribal, private sector entities but I think at the same time recognize that the Nation's center of excellence for the technical expertise resides in, with, within NSA.

What I see as the growing awareness of the threat here by industry is very important, so that they are motivated to help work this problem themselves, without necessarily the government doing it all on their behalf. What I see is an emerging awareness and a coalescence on the part of the role of an industry to attack this problem.

Senator GILLIBRAND. With regard to the specific military threats in the last year, your report says that we've witnessed the emergence of foreign military capabilities in cyberspace, and this formalization of military cyber capabilities creates another tool that foreign leaders may use to undermine critical infrastructures and our national defense. I'd like you to comment on what you think we need to do to address that, whether there is sufficient protocols available on an international perspective to address that. I particularly am working out a bill with Senator Orrin Hatch on that subject, to begin to develop these international protocols for enforcement.

Mr. CLAPPER. There are some, as I understand it, 50 legislative proposals that have been made in both houses, dealing with various aspects of cyber and cyber security and cyber protection. It's my understanding that the White House is evaluating all these proposals, and I believe intends to provide back to the Senate leadership an assessment of what the administration preference would be. I honestly don't know if there is emerging a position with respect to international agreements or something of that sort. I'm not up to speed on that.

Senator GILLIBRAND. General?

General BURGESS. No, ma'am. I would not have anything to add. This is an issue that I think actually, progress has been made since it was first brought to the fore almost 3½, 4 years ago. From a military standpoint, as Director Clapper pointed out, with U.S. Cyber Command, we are working and have been working consistently to protect those networks that we have. Any work that could be done to ensure a standardization or protocols and others would be beneficial, because it would probably help us point our defenses in a better way. But we are taking the steps necessary as we see it now to protect what we are, what we call the .mil domain and our own infrastructure.

Senator GILLIBRAND. You may not be able to answer this in open session, but over the last decade China has developed and implemented a very robust cyber warfare capability. A report by the U.S.-China Economic and Security Review Commission indicated that recent high profile Chinese-based computer exploitations continue to suggest some level of state support. How do you see the Chinese cyber warfare capabilities evolving, and what threat do they pose to U.S. warfighting capabilities?

Mr. CLAPPER. The Chinese made a substantial investment in this area. They have a very large organization devoted to it. They're pretty aggressive, this is just another way in which they glean information about us and collect on us for technology purposes. So, it's a very formidable concern.

General BURGESS. It's what I was referring to, ma'am, when in my opening statement I talked about China and some of this asym-

metric capability. But it would probably be better if we did not go into that in an open hearing.

Senator GILLIBRAND. Okay. May I ask just one final question?

I have a concern that these are emerging threats that can affect every aspect of our national security or economic security. Terrorists could shut down an electric grid in the middle of winter, they could corrupt or zero-out bank accounts, take down a stock exchange. The amount of disruption and pain and death that could be created through many scenarios is pretty significant.

Have we created the ability to recruit all of the best and brightest that we will need to be part of our cyber warfighting force, our cyber capabilities force—with regard to both intelligence and the military?

Mr. CLAPPER. I think we, certainly, the civilian agencies, there's an unprecedented number of people that—which has been the case since September 11—wish to work in the IC in service to their country. Certainly we're able to attract, I think, a lot of the best and brightest. This is certainly true if you have occasion to visit NSA and meet the wonderful people they have there.

With respect to the military, I'll defer to General Burgess. I think the issue there is, we get a lot of great people who come in. The challenge for the military, of course, is retention—keeping these highly capable, technically proficient people in for a military career.

General BURGESS. Yes, ma'am, I was going to say, I would agree with Director Clapper. From a military standpoint, it clearly is a matter of the retention piece of once we get someone up to speed or they bring a skill set in, and then being able to hold onto them.

From our civilian workforce—and I would not speak for General Keith Alexander at NSA—but as an agency head and, again, from my days at DNI, already the amount of authorities that Congress and others have given us in terms of our ability to hire the people we need from an incentivized standpoint, or going after folks with a particular skill set, we have a lot of tools in the tool box that you all have made available to us that really help us out a lot in this area.

Senator GILLIBRAND. Thank you, Mr. Chairman.

Thank you both for your testimony.

Chairman LEVIN. Thank you, Senator Gillibrand.

Senator Manchin.

Senator MANCHIN. Thank you, Mr. Chairman.

Thanks, both of you, for being here. We appreciate your service.

First of all, Director Clapper, I would just ask, my first question would be, in your estimation, which is the greatest threat we have in the world against the United States of America, whether it be a buildup of their army or their defenses or their economic threat they pose or a combination of both?

Mr. CLAPPER. Are you speaking of a nation state, sir? I'm sorry?

Senator MANCHIN. Yes. A country.

Mr. CLAPPER. Oh, a country. Certainly, the Russians still have a very formidable nuclear arsenal, which does pose potentially a mortal threat to us. I don't think they have the intent to do that.

Certainly China is growing in its military capabilities. It has the full array of, whether conventional or strategic forces, that they are

building. So, they, too, pose potentially, from a capability standpoint, a threat to us, as a mortal threat.

The issue, though, is, which we always have trouble gauging, is intent versus the capability.

Having said all that, my greatest concern, though, does not lie with a nation state posing a threat to us, as much as it is in the area of terrorism, as I indicated in my opening statement.

Senator MANCHIN. I notice also I think both of you talked about basically the unpopularity of Americans in the Middle East. I'd like to have both of your opinions on branding—our policy on the money that we spend in these countries and really not getting much credit for it.

Mr. CLAPPER. Sir, that's a policy thing—how we provide security assistance to any of these nations. I'd just comment on the indications are that our image is not as good as we'd like in the Middle East.

Senator MANCHIN. Now, I was privileged enough and honored to go over and visit, and we spend so much of the taxpayers' dollars trying to build this goodwill and stability around the world, and those are decisions made. But I found that, alarming to me was that the branding, basically, whether it's water line or bridge or anything good, we get very little credit for. Then we wonder why our image is so poor. I can't figure out why those decisions are being made that we shouldn't take credit for every dollar we spend. But, that's a policy decision, as you're telling me? Who makes that policy?

Mr. CLAPPER. Well, the IC doesn't. That's for sure. [Laughter.]

Senator MANCHIN. General?

General BURGESS. Yes, sir, I was just going to say, from my time, as I've followed through the years, whenever we are engaged in the sort of works that you are describing, it would be, I think, a fair characterization that that's not what people focus on, and we do not get the credit for that in some cases. How that's painted is not an intelligence call. I'm not even sure that's a policy call. But, I think that would apply to any place around the world, just not the Middle East that we're talking about now, as I have followed things over time in terms of what we receive credit for, in terms of what we do to help other nations.

Senator MANCHIN. So, it was very disturbing, I will tell you that. The billions of dollars that's invested on an annual basis, and to have the poor relations that we have, or the public opinion by the countries that we're really trying to help. That's something we should look at.

Director, if I could go back to China. There's been a lot of comments on China, the amount of money that's being spent. I remember back at the end of the Cold War that basically it looks like we just spent Russia into oblivion. Do you have concerns that China might be trying to do the same to us?

Mr. CLAPPER. I don't know that they have a conscious policy to try to outspend us. They have their own economic challenges and stresses. So, I can't say that that's their intent. I think they feel they are a world power, and they want to be recognized that way. Certainly the accoutrement of a world power is a powerful military, and they're building one.

Senator MANCHIN. One final question, in Afghanistan they have told us that there has been tremendous deposits of natural resources that have been discovered. Why is it that China is the only country that's able to extract that, and do it in such a turbulent environment, and nobody else seems to be able to work in those conditions? Have you all evaluated that? How are they able to get that done, with their copper mines and the billions of dollars they've invested? They're looking at every other resource over there.

Mr. CLAPPER. No, sir. I don't think we have. I guess we could look at that. I think the Chinese have the same problem that any developer in Afghanistan would, which would be the actual extraction of these natural resources, which are quite profound. But I guess I really haven't done a case study on that.

Senator MANCHIN. General?

General BURGESS. Sir, I have not seen, from a military standpoint, any reporting that would allow me to give you a fulsome response.

Senator MANCHIN. I know this must be from DOS, but wouldn't it be interesting to find out how they're the only country able right now that we know on a commercial scale, able to extract these resources, and do it in this environment, when we're told that we cannot attract any other companies from America that have the expertise, whether it's to mine their coal or drill for their gas, or do all the extraction that they have been able to uncover. But one country's doing it.

Mr. CLAPPER. Sir, I have to be smarter on just what the Chinese are doing in—you're speaking in Afghanistan, is that—

Senator MANCHIN. Afghanistan. Right in the heart of it.

Mr. CLAPPER. I'll take that for the record and do some research on that.

Senator MANCHIN. If you could, I'd appreciate it. I really would. I've found it to be fascinating, and haven't gotten much of an answer yet. I appreciate it. Thank you.

[The information referred to follows:]

[Deleted.]

Chairman LEVIN. Thank you, Senator Manchin.

We're going to have a classified meeting of the committee immediately following this hearing. It will be in Hart 219. There's been a request for it. I don't expect it would last long. But we will move directly to Hart 219.

Senator Manchin asked a question, I was frankly surprised by your answer, Director Clapper. He asked a very direct question; who represents the greatest threat to the United States? Your first answer was Russia, and then you clarified it in terms of saying, "well, that's in terms of capability, but they don't have any intent to use that capability." But I still was kind of surprised by your answer. Then the next one was China, who also would have the capability, I guess, but, without the intent.

By that, and you didn't mention Iran or North Korea, which would have been the first two countries that I would have thought of in response to that question. I was really taken aback almost by your answer. I thought it was a very clear question.

Mr. CLAPPER. I interpreted the question as which country is, or countries, would represent a mortal threat to the United States.

Chairman LEVIN. Could have the potential of being a mortal threat?

Mr. CLAPPER. Yes.

Chairman LEVIN. Okay.

Mr. CLAPPER. The two that come to mind are—because of their capabilities—Russia and China. Obviously Iran and North Korea are of great concern. I don't know that at this point in time they pose a direct mortal threat to the continental United States.

Chairman LEVIN. Does Russia or China at this time represent a direct mortal threat to the United States?

Mr. CLAPPER. They have the capability because of their strategic nuclear weapons.

Chairman LEVIN. Right.

Mr. CLAPPER. I don't think, intent is low, but they certainly have the capability.

Chairman LEVIN. By that measure we represent a direct mortal threat to both of them, right? We have the capability of attack—

Mr. CLAPPER. Yes, sir. We do.

Chairman LEVIN. So that, you would say, as the DNI, that, you wouldn't mind a headline out there in Russian and China saying, the United States represents a direct mortal threat to Russia or China?

Mr. CLAPPER. Each of these countries certainly have the capability, and our strategic arsenals—

Chairman LEVIN. Vice versa?

Mr. CLAPPER. Yes, sir.

Chairman LEVIN. Okay. At any rate, I just wanted to let you—
Senator MANCHIN. Can I—

Chairman LEVIN. Please.

Senator MANCHIN. Sir, maybe I can clarify. Which country represents to you, that has the intent to be our greatest adversary? Who has the capabilities—I know you've gone through it. But who has the intent?

Mr. CLAPPER. Probably China.

Senator MANCHIN. China? So, Donald Trump's right.

Mr. CLAPPER. If the question is, pick one nation state—

Senator MANCHIN. That has the intent.

Mr. CLAPPER. No. I said—oh, I, if we didn't, we have a New START treaty with the Russians, so I guess I would rank them a little lower because of that. We don't have such a treaty with the Chinese.

Chairman LEVIN. I'm just as surprised by that answer as I was by your first answer. You're saying that China now has the intent to be a mortal adversary of the United States?

Mr. CLAPPER. The question is, who, from my vantage, from among the Nation states, would pose potentially a greatest, if I have to pick one country—which I am loath to do, because I'm more of a mind to consider their capabilities. Both Russia and China potentially represent a mortal threat to the United States. Now we're getting into gauging intent which I really can't do. I don't think either country today has the intent to mortally attack us.

Chairman LEVIN. Okay. I just want to be real clear. By that measure, we represent the greatest potential threat to both China and Russia. By that measure.

Mr. CLAPPER. From a capability standpoint.

Chairman LEVIN. Which is the measure you're using.

Mr. CLAPPER. Yes, sir.

Chairman LEVIN. Okay. By that measure, we represent the greatest intent—the greatest threat, by that measure, to both China and Russia.

Mr. CLAPPER. I don't think our intent is to be—attack them. [Laughter.]

Chairman LEVIN. I hope not. [Laughter.]

I hope that clarifies your answer, Senator Manchin.

Senator MANCHIN. Just one—

Chairman LEVIN. Please, take your time.

Senator MANCHIN. I think to expand on this, is that, China—it's been said that basically we know what they're doing and we know the jobs that we've lost. We know the economy is, we're facing challenges all over the country. It's been said that if they're not capable, or they're not able to ruin us economically, they'll be prepared militarily. That, I think, is the concern that maybe I would have, or my constituents, are, through their economic opportunities are they able to prepare themselves to be a true military giant?

Mr. CLAPPER. They could be. There's no question about that.

Senator MANCHIN. That's their intent right now, is, the buildup that you're seeing—you all definitely are watching their buildup militarily. They're doing it because of their economic prowess, if you will, in the position they are, and it's done at the backs of Americans. But with that being done, we're setting back, and they're building up economically, and now militarily, so if one doesn't, they would have capability to do the other?

Mr. CLAPPER. That's, if they were to make that decision to use the economic weapon, my guess, they could do that, and they have a lot of capability there, too.

Chairman LEVIN. I think it's clear that China has the intent to become a military giant. I think that's unquestioned. But when you add the word, threat, at that point you're getting into an area of intent. I would hope that you would always say, in terms of intent, you don't see an intent on the part of either Russia or China to be a military threat to us. Although they want to be a military giant—they both are—and would be in the position to either threaten us or defend themselves. Either way. That's the position that they're going to put themselves.

I happen to agree with Senator Manchin in terms of the economic giant, and that China intends to be a military giant. I happen to agree with you, and that that's something that should concern us. I happen to agree with that.

When the DNI talks about, what are the greatest threats—unless he starts with capabilities and uses that, and doesn't just answer China and Russia the way he did, I was concerned by the answer. Because it didn't start with, I'm giving you an answer based on capabilities. It started with just the direct—

Mr. CLAPPER. Yes, sir. I should have answered that way, because that was the, precisely the criterion I had in mind when the ques-

tion was posed—which nation or nations potentially have the capability to strike a mortal blow to us? Those two countries come to mind. I do not believe they have the intent to do that.

Senator MANCHIN. If I could just—

Chairman LEVIN. No, please.

Senator MANCHIN. Those of us who can recall the Cold War and the superpowers of the Soviet Union and the United States, and then we watched the Soviet Union engage in the Afghanistan war, it weakened them tremendously. Our economy was flourishing. We were able to build on our economy. We were able to build on our DOD. We got them in a juggernaut, if you will. This is looking at it from afar, not having the ability to see what you all see on a day-to-day basis.

I am absolutely concerned about repeating that, and repeating it at the cost of America, not at the cost of the Soviets. Just looking at what happened with their engagement in Afghanistan where we are—in a much longer war now, and with no end in sight, then where Russia was—weakening us economically, to be able to be an economic giant. Now you see China coming on, taking advantage, basically, of our vulnerability. I'm concerned, sir. I'm very much concerned. That's why I thought it was so important for you to respond.

Chairman LEVIN. Thank you.

I just have one more question, and this has to do with the no-fly zone. General, let me ask you this question. Would the imposition of a no-fly zone in Libya—or any other country for that matter—which would require the use of military force to attack a country's air defense system, for instance, within its own sovereign territory without its consent, constitute an act of war?

I have asked the General on this one, before we get to you. I was asking General Burgess, but I'll ask you, too. Either one. I'll start with you if you'd like, Director Clapper.

Mr. CLAPPER. Sir, I guess I'd like to consult with counsel on that whether that fits that definition.

Chairman LEVIN. Okay. That's fair enough.

General Burgess, would that in normal usage constitute an act of war?

General BURGESS. Sir, I would probably take the same answer that Director Clapper did. But, my general understanding—and you have Mr. DeBobes, who's a good lawyer sitting there behind you, as well, in addition to yourself—

Chairman LEVIN. He prepared the question for me.

General BURGESS. Yes, sir. I'm sure Rick did. But my understanding is, I studied in my schools that would be considered an act of war.

Chairman LEVIN. Thank you.

Are we all set? Okay.

We will move directly to Hart 219.

Thank you for a lively session.

We stand adjourned.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR CARL LEVIN

NUCLEAR ARMED LIBYA

1. Senator LEVIN. Mr. Clapper and General Burgess, with the work of the Intelligence Community (IC) and the National Nuclear Security Administration (NNSA), the Libyan nuclear weapons program was discovered and all elements of that program removed from Libya. While there is usually significant attention focused on nuclear weapons and materials in the hands of terrorists, the United States has not focused much on what could possibly happen to such materials and weapons if a government with nuclear weapons and materials fell and chaos resulted. If the Libyan weapons program had not been stopped many years ago, but had continued, the crisis in Libya would now take a very different form. Please discuss how the situation would be different if Libya had a nuclear weapons program or nuclear weapons.
Mr. CLAPPER and General BURGESS. [Deleted.]

2. Senator LEVIN. Mr. Clapper and General Burgess, does the current situation present any lessons to be learned as to why it is important to continue to work with countries like North Korea to give up their nuclear programs?
Mr. CLAPPER and General BURGESS. [Deleted.]

SUDAN

3. Senator LEVIN. Mr. Clapper, in recent days we have seen increased violence in Sudan—partly due to regional issues and partly due to post referendum issues. What is the IC's current assessment of the situation in Sudan?
Mr. CLAPPER. [Deleted.]

4. Senator LEVIN. Mr. Clapper, how will the protest movements and political upheaval in the Middle East and North Africa impact the ongoing implementation of the Comprehensive Peace Agreement?
Mr. CLAPPER. [Deleted.]

5. Senator LEVIN. Mr. Clapper, does the IC anticipate sustained levels of violence in North and South Sudan?
Mr. CLAPPER. [Deleted.]

AVOIDING TECHNOLOGY SURPRISE FOR TOMORROW'S WARFIGHTER

6. Senator LEVIN. Mr. Clapper and General Burgess, in 2009, the National Academies held a symposium on "Avoiding Technology Surprise for Tomorrow's Warfighter" aimed at looking at how the scientific and technical IC assessed potential future national security threats stemming from emerging technologies. Among a number of observations produced by the symposium, were two key issues: The scientific and technical IC lacks a central point of contact so it is difficult to know whom to alert when either an exciting or a worrisome development has been detected; and communication gaps exist within the scientific and technical IC and with its consumers. How is the IC addressing these shortcomings?
Mr. CLAPPER and General BURGESS. [Deleted.]

7. Senator LEVIN. Mr. Clapper and General Burgess, what investments is the IC making to improve our scientific and technical intelligence capabilities?
Mr. CLAPPER and General BURGESS. [Deleted.]

8. Senator LEVIN. Mr. Clapper, in 2005, Ayman al-Zawahiri, al Qaeda's second-in-command, declared that "We are in a battle, and more than half of it is taking place in the battlefield of the media." The new National Military Strategy lists "countering violent extremism" as the first National Military Objective and stresses the importance of long-term "whole-of-nation" approaches to countering extremism beyond short-term activities of killing and capturing extremists. However, earlier this year, a nonpartisan study highlighted the lack of a U.S. strategy to counter radical ideologies that foment violence (e.g. Islamism or Salafist-Jihadism). What is the IC's role in supporting efforts by the geographic combatant commands to counter the spread of violent extremist ideology and the radicalization of vulnerable populations?
Mr. CLAPPER. [Deleted.]

9. Senator LEVIN. Mr. Clapper, to what degree does the IC draw upon research conducted by the Department of Defense's (DOD) Minerva and Human Social Cultural Behavioral Modeling programs?

Mr. CLAPPER. [Deleted.]

QUESTIONS SUBMITTED BY SENATOR JOHN CORNYN

VIOLENCE IN MEXICO

10. Senator CORNYN. General Burgess, our troops in Iraq and Afghanistan have been battling insurgencies for almost a decade. What common threads do you see between the cartel-driven unrest in Mexico and the insurgency-driven violence in Iraq and Afghanistan?

Mr. CLAPPER. [Deleted.]

11. Senator CORNYN. Mr. Clapper and General Burgess, retired Army General Barry R. McCaffrey, former commander of U.S. Southern Command and former Director of the Office of National Drug Control Policy, released a report following his December 2008 visit to Mexico to assess firsthand the drug war raging there. He predicted that "before the next 8 years are passed—the violent, warring collection of criminal drug cartels could overwhelm the institutions of the state and establish de facto control over broad regions of northern Mexico." Do you agree with this assessment?

Mr. CLAPPER. I concur with the separate response provided by General Burgess. General BURGESS. [Deleted.]

12. Senator CORNYN. Mr. Clapper and General Burgess, could Mexico become a failed state, and what would that mean for the United States?

Mr. CLAPPER. I concur with the separate response provided by General Burgess. General BURGESS. [Deleted.]

13. Senator CORNYN. Mr. Clapper and General Burgess, what are the risks to our own national security if the Mexican drug cartels are not defeated?

Mr. CLAPPER. I concur with the separate response provided by General Burgess. General BURGESS. [Deleted.]

NATIONAL DEBT AS A THREAT TO NATIONAL SECURITY

14. Senator CORNYN. Mr. Clapper, the Chairman of the Joint Chiefs recently testified to this committee that "our debt is the greatest threat to our national security." Last Congress, I introduced a bill called the "Foreign-Held Debt Transparency and Threat Assessment Act," which would have required regular assessments from the Government Accountability Office (GAO) on the national security risks of the ballooning national debt. In addition to the sheer size of our national debt (now more than \$14 trillion), I am also deeply concerned about our Nation's clear dependence on foreign governments such as China to fund our deficit spending, so my bill would also require the President to report quarterly to Congress on the national security risks posed specifically by foreign holdings of U.S. Government securities. Do you agree that this type of risk analysis is important?

Mr. CLAPPER. [Deleted.]

15. Senator CORNYN. Mr. Clapper, our relations with China can be fairly rocky at times, yet they hold more U.S. Government securities than any other nations—currently over \$1.16 trillion, according to the Treasury Department. Some Chinese military officials have publicized the potential use of U.S. Treasury securities as a means of influencing U.S. policy and deterring specific U.S. actions. What risks to our national interests are posed by China's extensive holdings of U.S. Government securities?

Mr. CLAPPER. [Deleted.]

IRANIAN INFLUENCE IN IRAQ

16. Senator CORNYN. Mr. Clapper and General Burgess, you noted in your testimony that Iran has provided money, weapons, safe haven, and training to militants and terrorists in Iraq and Afghanistan. Through these actions, it is clear that Iran has been waging a war against U.S. troops by proxy. In Iraq, how great is the risk

that the Iranian regime will obtain a significant and destabilizing influence following the planned withdrawal of the last U.S. troops by December 2011?

Mr. CLAPPER. I concur with the separate response provided by General Burgess. General BURGESS. [Deleted.]

IRANIAN TIES WITH VENEZUELA

17. Senator CORNYN. Mr. Clapper, in your testimony, you briefly note that Iran is seeking to develop improved political and economic ties with a range of nations, including some in Latin America, to offset and circumvent the impact of sanctions. Reports indicate that Iran's Islamic Revolutionary Guard-Qods Force has had an increased presence in Venezuela in recent years. What is your assessment of the current relationship between Iran and Venezuela, and of the risk posed by this relationship to U.S. interests in Latin America?

Mr. CLAPPER. [Deleted.]

IRAQI SELF-SUFFICIENCY

18. Senator CORNYN. Mr. Clapper and General Burgess, several military and civilian leaders have expressed serious concern regarding the Iraqis' limited military capabilities in the key areas of logistics, intelligence, and aviation, and what that will mean once U.S. forces withdraw as planned, by December 31, 2011. In light of these obstacles, will the Iraqis be able to adequately prevent terrorist organizations from taking root and growing in Iraq?

Mr. CLAPPER. I concur with the separate response provided by General Burgess. General BURGESS. [Deleted.]

19. Senator CORNYN. Mr. Clapper and General Burgess, how concerned are you about al-Qaeda returning to Iraq following the departure of U.S. Armed Forces?

Mr. CLAPPER. I concur with the separate response provided by General Burgess. General BURGESS. [Deleted.]

AFGHANISTAN

20. Senator CORNYN. Mr. Clapper and General Burgess, prior to September 11, we know that Afghanistan was ruled by the fundamentalist Taliban and served as a safe haven for al Qaeda terrorists to incubate and export radical Islamic terrorism. I remain concerned by this administration's insistence on timetables for the future U.S. drawdown in Afghanistan. If we withdraw our forces precipitously and the Afghan Government fails, we would be left with a failed state not much different than the pre-September 11 Afghanistan. If Afghanistan were to become a failed state, what is your assessment of the likelihood that al Qaeda would reestablish itself there, and what are the implications for our own national security?

Mr. CLAPPER. I concur with the separate response provided by General Burgess. General BURGESS. [Deleted.]

INTERAGENCY COOPERATION

21. Senator CORNYN. Mr. Clapper, the President's 2010 National Security Strategy highlights the need for a "whole-of-government" approach toward strengthening our national security. What steps is the IC taking to ensure effective and efficient cooperation with other agencies?

Mr. CLAPPER. The guiding principal of the ODNI is to lead intelligence integration across all 16 IC elements. Intelligence integration means synchronizing intelligence collection and analysis to ensure we are providing our policymakers and warfighters with timely warning, rich insight, and decision advantage. At a tactical level, intelligence integration ensures that all IC elements are aligning resources and priorities against and coordinating efforts in support of the 2010 National Security Strategy.

In support of the goals and objectives of the National Security Strategy, the ODNI is leading the IC in intelligence integration largely through the newly implemented National Intelligence Manager (NIM) construct and Unifying Intelligence Strategies (UIS). The NIMs represent a single intelligence focal point in the community and it is their responsibility to deconflict, synchronize, align, and prioritize IC collection and analysis to ensure that resulting products provide quality intelligence in a timely manner that strengthen our ability to counter threats. NIMs also have the responsibility to lead the community in the development and implementation of UIS

which address the Nation's most pressing national security concerns, persistent, and emerging threats. UIS prioritize regional and functional issues across the community and establish metrics to continually assess progress. UISs serve as the process for fostering an environment that encourages, enables, and recognizes integration at all levels of the IC.

The ODNI also supports the intent of the National Security Strategy through continued engagement and coordination with all IC elements as related directly to policy. Where a national strategy, Presidential Decision Directive, Executive Order, Departmental Quadrennial Review, or whole-of-government policy or strategy extends beyond the purview of a NIM, ADNI for Policy and Strategy (P&S) coordinates the IC response with interagency stakeholders. ADNI (P&S) also supports the Strategic Planning Interagency Planning Committee in executing the 2010 National Security Strategy.

CHINESE J-20 FIGHTER

22. Senator CORNYN. Mr. Clapper, in January 2011, China demonstrated its clear intent to attain a fifth-generation fighter aircraft with the first flight of the J-20. This fighter, if news reports are accurate, could potentially rival our own fifth-generation fighters. You mention in your testimony that "this program, like others in China, will have to overcome a number of hurdles before reaching its full potential." What is your assessment of how long it will be before China develops and reaches initial operational capability on a stealthy fifth-generation fighter?

Mr. CLAPPER. [Deleted.]

QUESTIONS SUBMITTED BY SENATOR JAMES M. INHOFE

HUAWEI

23. Senator INHOFE. Mr. Clapper, what is the IC's role in dealing with the threat of foreign companies with close ties to foreign governments and foreign militaries and intelligence agencies having a significant presence in the supply chain for the networks of U.S. telecommunications and information systems?

Mr. CLAPPER. [Deleted.]

24. Senator INHOFE. Mr. Clapper, how does the IC ensure that the supply chains of DOD and the IC are free of equipment that is linked to such companies?

Mr. CLAPPER. [Deleted.]

25. Senator INHOFE. Mr. Clapper, would you be comfortable with a company like Huawei, which was founded with close ties to the People's Liberation Army and which continues to receive upwards of \$80 billion in credit lines and other subsidies from the communist government of the People's Republic of China, gaining a significant presence in the telecommunications or information systems supply chains of the U.S. military or the military intelligence agencies?

Mr. CLAPPER. [Deleted.]

26. Senator INHOFE. Mr. Clapper, what about ZTE Corps, which has similar ties to the communist Government of China? If yes, please explain. If no, please explain what you intend to do about it.

Mr. CLAPPER. I would refer you to my response to your previous question.

27. Senator INHOFE. Mr. Clapper, please explain what you see as the IC's role in making sure that its equities on the Committee on Foreign Investment in the United States are well-represented.

Mr. CLAPPER. [Deleted.]

EXPORT CONTROLS

28. Senator INHOFE. Mr. Clapper, in view of current proposals for the restructuring of export controls, do you believe that the various IC agencies should assess the level of risk involved in any export control reform proposal to fully understand the potential of the diversion of sensitive U.S. military goods and technology and that these assessments should be made available to the Senate and Senators, if requested?

Mr. CLAPPER. [Deleted.]

[Whereupon, at 11:36 a.m., the committee adjourned.]

