ANNUAL THREAT ASSESSMENT OF THE U.S. INTELLIGENCE COMMUNITY

HEARING

BEFORE THE

PERMANENT SELECT COMMITTEE ON INTELLIGENCE HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

HEARING HELD IN WASHINGTON, DC, FEBRUARY 3, 2010

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ANNUAL THREATS ASSESSMENT, PART I

WEDNESDAY, FEBRUARY 3, 2010

HOUSE OF REPRESENTATIVES,
PERMANENT SELECT COMMITTEE ON INTELLIGENCE,
Washington, DC.

The committee met, pursuant to call, at 10:05 a.m., in room HVC–210, Capitol Visitor Center, the Honorable Silvestre Reyes (chairman of the committee) presiding.

Present: Representatives Reyes, Eshoo, Holt, Ruppersberger, Thompson, Schakowsky, Langevin, Schiff, Hoekstra, Gallegly, Thornberry, Rogers, Myrick, Blunt, Miller, Conaway, and King.

The CHAIRMAN. Good morning. The committee will please come to order.

And Director Blair, welcome again to our committee. As always, we are happy to have you here and glad that you were able to navigate through all the snow we got overnight, and I see that we have some members and hopefully other members will be able to come in. I don't know how many are affected by the weather today.

Today marks the fourth annual threat assessment hearing that I have chaired. It is one of the rare opportunities for our committee to receive open and unclassified testimony on the threats the Intelligence Community is working to address throughout the world.

Our purpose here today is to address the threats we will face in the future. It is not an effort to Monday-morning quarterback. What has happened in the last year obviously is not irrelevant. The challenges we have faced are in some ways indications of what we will face in the near future.

We have seen in recent months the tragedy of self-radicalization and home-grown threats, both in the attacks on the soldiers and civilians at Fort Hood and the incident on Christmas Day. We have seen, of course, the continued efforts of al Qaeda to strike us. That was evident in the attempted bombing on Christmas Day and in the conspiracy of Najibullah Zazi in New York.

In the Christmas Day attempt, we saw that we still have a ways to go to improve our defenses against terrorism. In the Zazi case, frankly, we saw that, I believe, sometimes we get this right. And, really, the times that we have gotten things right and have not publicized it, are, for national security reasons, are important to note today as well.

Finally, on December 30th, in Khost, Afghanistan, we saw the grave risk faced by the men and women of the Intelligence Community. They paid the ultimate price and made a sacrifice that we as Americans must never forget.

The central lesson of all these things is clear. Today, more than 8 years after September 11th, our principal challenge is the same: Identify terrorist plots and stop them before they harm American citizens and American interests.

Al Qaeda and its affiliates are as determined today as ever to harm the United States. Addressing that threat, I think, involves attacking the problem on three fronts: at home; in the border regions of Afghanistan and Pakistan; and, finally, in emerging terrorist safe havens around the world.

On the home front, we have to address the threat of terrorism within the United States and the problem of self-radicalization. The shootings at Fort Hood were a devastating reminder of the threat posed by self-radicalized extremists that are inside the United States.

So this morning, Director Blair, one, among some of the questions that I would like to have you address are, what steps will you take to identify and address terrorist threats within the United States? How will we strike the proper balance between law enforcement and intelligence? I fully understand and know that this issue has been hotly debated lately, but I want to know what your plan is and what you will do going forward.

In the border regions of Afghanistan and Pakistan, our efforts to fight extremists are greatly dependent on cooperation from both governments. Those governments struggle with the challenges of both internal threats and corruption. Despite the best intentions of our allies, the Afghan Taliban is gaining strength. This presents one of our biggest challenges to date, fighting extremism in the nation that continues to struggle to provide basic services to its own citizens. Again, what are our plans for turning back the Taliban and building stability in Afghanistan?

Over the past 7 years, the war in Iraq placed a huge burden on the Intelligence Community's resources. While the IC continues to support our warfighting operations in Iraq, today I am particularly interested to hear how you are supporting the President's strategy of increased operations in Afghanistan as the United States continues to draw down its troops in Iraq.

In Pakistan, the government recently claimed that, due to a strain on its military, Pakistan could not launch any new offensives against extremists in North Waziristan for at least 6 months. What effects do Pakistan's limitations have on the Intelligence Community's ability to counter extremism in that volatile region?

A comprehensive approach to terrorism has to deal with emerging terrorist safe havens. We only have to remember the bombing of the USS Cole in October of 2000 to remind us that the threat from terrorist activities in Yemen is not a new threat. However, Yemen is not the only area of the world that affords terrorists relative safety to plan, to train and to launch potential attacks against the United States and our allies.

In past years, this committee has taken particular interest in Somalia and areas of North Africa. The Horn of Africa has been a particular concern for many years because they have weak central governments or experienced great instability that might allow the creation of safe havens to develop. Our primary concern in raising this issue is one of sufficient resources. So the questions are, does

the Intelligence Community have sufficient collection and analytical resources directed at understanding the political, the economic, the military and the leadership dynamics of these nations in this conflictive part of our word.

Terrorism, sadly, is not the only threat that we face. Iran and North Korea still pose significant threats to U.S. interests and to international security. I remain extremely concerned about Iran's nuclear weapons program, especially in light of the revelation of a second nuclear enrichment facility, near Qom. It seems that the prospects for diplomatic dialogue are diminishing as the Iranian government's crackdown on its people becomes more violent.

Just overnight, the Iranians claim to have the ability to launch satellites into space. Those are all daunting challenges on many different fronts but certainly affect our ability to have a clear understanding of the intelligence challenge that it is to us.

I am also quite concerned about North Korea's nuclear and missile program. In January, North Korea issued two statements posing peace treaty talks and sanctions removal before it returns to nuclear talks. However, just last week, North Korea exchanged fire with South Korea, raising tensions on a regional basis. What is the Intelligence Community's current assessment of this program and this region, and have we seen any willingness from North Korea to dismantle the program as a precondition to negotiations?

China, a U.S. ally, still clearly poses a threat to our national interest. Although the President has promised a more conciliatory era in U.S.-China relations, we cannot ignore the Chinese-oriented cyber attacks and the continued and significant buildup of the Chinese navy. Despite reports to the contrary, I hope that China remains a top priority for our Intelligence Community.

The United States continues to be a victim of a disturbing increase in the scope, virulence and potency of cyber attacks. Whether the perpetrator is a terrorist organization or a state actor, the threat to our energy, financial, communications and security infrastructure remains the same. The Intelligence Community has a critical role to play in understanding the threat, securing our classified information technology systems and working with the business community to secure our critical infrastructures.

In the last year, we have stepped back from the brink of financial ruin and even of a potential global financial depression. While times are still hard and the greatest threat has passed, we still have many challenges on those fronts. I fear that one cyber attack could put us right back where we were a year ago on the brink of potential economic disaster.

Finally, I am interested to hear your assessment of a situation that I continue to monitor closely, and that is the rampant violence in Mexico related to drug-trafficking organizations and criminal gangs and the Calderon administration's willingness to take those organizations on.

While Mexico has seen a number of encouraging successes this year, including the arrests of Teodoro Eduardo Garcia Simental and Carlos Beltran Leyva, and of course the death of Arturo Beltran Leyva, a number of us still remain very concerned about that situation.

As you know, Director Blair, right across the border from my district is Ciudad Juarez, a city that has seen a staggering number of murders, kidnappings and other violent crimes. Just last Saturday, several gunmen brazenly murdered 16 people, most of them below the age of 20. The brutality of this attack was shocking even to the people of Juarez, who over the course of the last 2 years have witnessed a tremendous amount of violence and mass shootings, and that raises the level of concern to our national security.

This is not just a matter of Mexico's national security. Those of us who live on the border know that our futures are linked and that narco-related criminal activity is just as much our problem as it is Mexico's. To that end, I am interested to hear how the Intelligence Community is coordinating with the Government of Mexico in the continued fight against narco traffickers and criminal gangs.

Again, Director Blair, I thank you for being here this morning. I know I have given you a lot to respond to. But, as you know, we have many challenges coming at us from varied and different areas globally, and so we appreciate your willingness to come here and share your thoughts with the committee.

So I will close by noting that I have great respect for the men and women of the Intelligence Community who are working under your guidance throughout the world. I take great pride in working on their behalf in Congress, and I am committed to making sure that they have the resources that they need to protect our Nation from the many threats that face us all collectively.

With that, let me now recognize the ranking member for any comments that he may wish to make in his opening statement.

[The statement of the Chairman follows:]

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Opening Statement of Chairman Silvestre Reyes Hearing on the Intelligence Community's Annual Threat Assessment

WASHINGTON, DC (February 3) – *House Permanent Select Committee on Intelligence Chairman Silvestre Reyes of Texas delivered the following opening statement during today's open hearing on the Intelligence Community's Annual Threat Assessment:*

"Today marks the Fourth Annual Threat Assessment Hearing that I have chaired. It is one of the rare opportunities for the Committee to receive open, unclassified testimony on the threats the Intelligence Community is working to address throughout the world.

"Our purpose here today is to address the threats we will face in the future; it is not to Monday-morning quarterback. What has happened in the last year is not irrelevant. The challenges we have faced are in some ways indications of what we will face in the future.

"We've seen in recent months, the tragedy of 'self-radicalization' and home-grown threats, in the attack on the soldiers and civilians at Fort Hood. We've seen, of course, the continued efforts of al-Qa'ida to strike at us, in the attempted bombing on Christmas Day and in the conspiracy of Najibullah Zazi in New York. In the Christmas Day attempt, we saw that we still have far to go in improving our defenses against terrorism. In the Zazi case, frankly, we saw that sometimes we get it right.

"Finally, on December 30 in Khost, Afghanistan, we saw the grave risks faced by the men and women of the Intelligence Community. They paid the ultimate price and made a sacrifice we will never forget.

"The central lesson of all of these things is clear. Today, more than eight years after September 11, 2001, our principal challenge is the same: Identify terrorist plots and stop them before they harm American interests.

"Al-Qa'ida and its affiliates are as determined as ever to harm the United States. Addressing that threat, I think, involves attacking the problem on three fronts: at home, in the border regions of Afghanistan and Pakistan, and finally, in emerging terrorist safe havens.

"On the home front, we have to address the threat of terrorism within the United States and the problem of self-radicalization. The shootings at Fort Hood were a devastating reminder of this growing danger. I know this issue has been hotly debated lately; I want to know what you'll do going forward.

"In the border regions of Afghanistan and Pakistan, our efforts to fight extremists are greatly dependent on cooperation from both governments. Those governments struggle with the challenges of both internal threats and corruption.

"Despite the best intentions of our allies, the Afghan Taliban is gaining strength. This presents one of our biggest challenges: fighting extremism in a nation that continues to struggle to provide basic services to its citizens. What are our plans for turning back the Taliban and building stability in Afghanistan?

"Over the past seven years, the war in Iraq placed a huge burden on the Intelligence Community's resources. While the Intelligence Community continues to support our war-fighting operations in Iraq, I am particularly interested to hear how you are supporting the President's strategy of increased operations in Afghanistan as the United States continues to draw down its troops in Iraq.

"In Pakistan, the government recently claimed that, due to strain on its military, Pakistan could not launch any new offensives against extremists in North Waziristan for at least six months. What effects do Pakistan's limitations have on the Intelligence Community's ability to counter extremism in the region?

"A comprehensive approach to terrorism has to deal with emerging terrorist safe havens. We only have to remember the bombing of the USS Cole in October 2000 to know that the threat from terrorist activities in Yemen is not new. However, Yemen is not the only area of the world that affords terrorists relative safety to plan, train, and launch attacks against the United States and its allies.

"In past years, this Committee has taken particular interest in Somalia and areas of North Africa that have a weak central government or experience a degree of instability that might allow these safe havens to develop. My primary concern in raising this issue is one of sufficient resources: Does the Intelligence Community have sufficient collection and analytic resources directed at understanding the political, economic, military, and leadership dynamics of these nations?

"Terrorism, sadly, is not the only threat we face. Iran and North Korea still pose significant threats to U.S. interests and to international security. I remain extremely concerned about Iran's nuclear weapons program, especially in light of the revelation of a second nuclear enrichment facility near Qom. It seems that the prospects for diplomatic dialogue are diminishing as the Iranian government's crackdown on its people becomes more violent.

"I am also quite concerned about North Korea's nuclear and missile program. In January, North Korea issued two statements proposing peace treaty talks and sanctions removal before it returns to nuclear talks. However, just last week, North Korea exchanged fire with South Korea, raising regional tensions. What is the Intelligence Community's current assessment of this program? And have we seen any willingness from North Korea to dismantle the program as a precondition to negotiations?

"China still clearly poses a threat to our national interests. Although the President has promised a more conciliatory era in U.S.-China relations, we cannot ignore Chinese-originated cyber attacks and the continued and significant build-up of the Chinese Navy. Despite reports to the contrary, I hope that China remains a top intelligence priority.

"The United States continues to be the victim of a disturbing increase in the scope, virulence, and potency of cyber attacks. Whether the perpetrator is a terrorist organization or a state actor, the threat to our energy, financial, communications, and security infrastructures remains the same. The Intelligence Community has a critical role to play in understanding the threat, securing our classified information technology systems, and working with the business community to secure its critical infrastructure.

"In the last year, we have stepped back from the brink of financial ruin, and even of a global financial depression. Times are still hard, yes, but the greatest threat has passed. But I fear that one cyber attack could put us right back where we were a year ago – on the brink of economic disaster.

"Finally, I'm interested to hear your assessment of a situation that I continue to monitor closely: the rampant violence in Mexico related to drug trafficking organizations and criminal gangs.

"While Mexico has seen a number of encouraging successes this year, including the arrests of Teodoro Eduardo Garcia Simental and Carlos Beltrán Leyva, and the death of Arturo Beltrán Leyva, I remain very concerned.

"Right across the border from my district, Ciudad Juarez has seen a staggering number of murders, kidnappings, and other violent crimes. Just last Saturday, several gunmen murdered 16 people, most of them below the age of 20. The brutality of this attack was shocking, even to the people of Juarez who have witnessed mass shootings and an unbelievable level of violence for more than two years.

"This is not just a matter of Mexico's national security. Those of us who live on the border know that our futures are linked and that narco-related criminal activity is just as much our problem as Mexico's. To that end, I'm interested to hear how the Intelligence Community is coordinating with the Government of Mexico in the continued fight against narco-traffickers.

"Director Blair, again, I thank you for being here. I know I've given you a lot to respond to; I wish it were a simpler world.

"I will close by noting that I have great respect for the men and women of the Intelligence Community who are working under your guidance throughout the world. I take great pride in working on their behalf in the Congress, and I am committed to making sure that they have the resources they need to protect our nation from the many threats that face us."

Mr. HOEKSTRA. Thank you, Mr. Chairman.

Director Blair, it is good to have you here today.

Mr. Chairman, I have a written statement that I would like to submit for the record.

The CHAIRMAN. Without objection.

Mr. HOEKSTRA. Then I will just kind of speak for a couple of minutes.

I want to kind of change the tone a little bit, and I want to talk about accountability. I want to talk about inability of the community to hold itself accountable for its performance and what I see as an increasing, from my perspective, an increasing demonstration that this community is unwilling to be held accountable by Congress and this committee.

How do I come to this conclusion? You know, we are coming to a close on a very painful chapter in the Intel Community. The shoot down of Americans, the death of a mother and a daughter in Peru almost 9 years ago. The accountability board has recently finished its work. But if there is ever an example of justice delayed, justice denied, this is it.

The justice or the accountability board was empaneled too investigate the wrongful deaths of these two Americans, misleading, and some might say lying, to Congress by the Intel Community. And the result of this is, after 8 years, there has been minimal accountability. I think the only reason that there has been any accountability is because of the work of people on this committee. Myself, Ms. Schakowsky, who has been a stalwart in working with me, and Mr. Miller, in continuing to press the issue forward.

You know, you go through this whole process, and then you add what I consider insult to injury. You know, I have asked the community, what information can be shared with the surviving family members? And, again, Ms. Schakowsky is working with us to get them a full accounting of exactly what happened on that fateful day of 2001.

But the information that I have been told that I could share with the family was, mistakes were made; people were held accountable; and it won't happen again.

That is totally unacceptable, and I hope that, under your leadership, the leadership of Director Panetta, this family will get a much more complete accounting of what happened to their wife, their daughter, and their grandchild on that day.

The community's performance in terms of accountability has been unacceptable. From my perspective, you could almost say that the bureaucracy won.

These were Americans that were killed with the help of their government. The community covered it up. They delayed investigating. It took 3 years—3 years—for the IG to complete its report, so the accountability board really wasn't empaneled until 7 years after the incident, and it took more than 8 years before any sanctions were ever proposed and implemented.

From my perspective, it is a failure of all levels of leadership within the community to hold itself accountable in perhaps the most tragic of circumstances where people and family members were killed by their own government or with the help of their own

government. Maybe you can explain today why it took 8 years, more than 8 years, for there to be any type of accountability.

My second point is, this committee can't do its job if you don't share information with us. It was last week that we began a hearing by holding up the Washington Post, because the Washington Post had more information than this committee had about what the Intel Community might be doing in regards to targeting Americans.

Today, we get a story from the New York Times. The White House hastily called a briefing on Tuesday evening to discuss the new details of this case. I wish you would hastily call a meeting or a conference call with this committee to share information on terrorist cases. That might help, but it is interesting that, you know, to get your best information on what is going on in the Intel Community today, it appears you go to the newspapers.

And these are not the only two instances. It also concerns Fort Hood. It took us weeks to get information on Fort Hood. It took us weeks to get information on the Christmas Day bomber.

Even you, yourself, admitted or said a couple of weeks ago that, Congressman, that they played games with you when they went to Yemen, when they wouldn't share information with you on the specific instructions from people from the Intel Community and the administration saying, you know, when Congressman Hoekstra is in Yemen, and he asks questions about these areas where he has oversight, tell him that you can't answer those questions, and that information will be forthcoming when he comes back to Michigan—or, excuse me, when he comes back to Washington D.C.

What is the community unwilling to share with this committee? What policies can't pass public scrutiny or pass the scrutiny of this committee?

Finally, I do want to get back to the story, excuse me, I want to get back to the story that was in the Washington Post last week, targeting of Americans. It is a very sensitive issue, but, again, there has been more information in the public domain than what has been shared with this committee.

We know the spokesman for bin Laden, Godahn. He has been the spokesperson for bin Laden for years. He is an American. He has been charged with treason.

We know of, more recently, the Northern Virginia Five, the people who are now under arrest in Pakistan for, again, supposed terrorist connections.

We all know about Awlaki, the American-born radical cleric who is connected in certain ways with Fort Hood and is connected to the Christmas Day bomber in Detroit.

What is our policy towards them? They are terrorists. They are traitors. You know, when we dealt with these kinds of issues previously about how we deal with Americans, we went through a painstaking process to develop that policy and hopefully get by and by the administration and Congress.

You know, probably the best example of that is the Terrorist Surveillance Program, about how tools could be used against various targets, including Americans. But we went through a very painstaking process, so that we all on this committee kind of understood

the rules and the Intel Community understood what those rules were going to be and the box that they had to operate within.

In other cases, we had congressional Gang of Eight briefings on some of the most sensitive issues, but it was an attempted partnership between the administration and this committee or representatives of this committee on the most sensitive of U.S. policies. I can't think of anything that is more sensitive in this threat that we face today of this emerging trend of them targeting Americans for recruitment and sometimes being successful and how we will respond to those Americans who are successfully recruited and have decided that they are now part of a radical jihadist movement targeting their fellow citizens.

We need to understand and develop that policy. We need to understand it, because we need to do the oversight. We need to know and understand and help shape the box that the Intel Community and the U.S. Government has when it is dealing with Americans.

It is obvious in the case, you know, in 2001, that the rules may have been clear, but the policy was not implemented very well when we shot down that plane in Peru. The concern that I have today is that I am not sure that the box is very clear or very well understood as to what you and the people in your organizations can do when it comes to Americans who have joined the enemy.

We have asked the questions. The chairman has indicated he has a genuine interest in getting to the answers and understanding this.

The question that I have, when will the answers be forthcoming? When will the administration submit itself to having that dialogue with this committee so that we can understand and help shape that box, and then we will be in a position to do the oversight that needs to be done?

I can't think of anything that is more important for this committee to do at this point in time than to answer those questions, because there is nothing more dangerous to this country than Americans who have joined the enemy and have as their goal to attack us, and we need to understand and implement that policy.

Mr. Chairman, thank you very much.

[The statement of Mr. Hoekstra follows:]

Opening Statement for Ranking Member Hoekstra
World Wide Threats
February 3, 2010

Thank you Mr. Chairman and welcome Director Blair. Each year this hearing is one of the most important hearings this committee holds. It is designed to inform us of the current threats we face as a Nation and of what the Intelligence Community is doing to protect us from these threats. It also gives the American public an opportunity to watch the Committee performing its critical oversight work, which often has to occur behind closed doors because of the sensitivity of information we receive.

Mr. Chairman, I am becoming increasingly concerned about this Administration's refusal to work with Congress. The Administration seems to forget that it is a requirement, not an option, for the executive branch to keep Congress fully and currently informed. While I appreciate your efforts to work with the Committee, Director Blair, the record as a whole has been dismal.

Last month, the Administration set a new low for Congressional relations when senior Defense Department and intelligence officials in Washington directed officials at the U.S. Embassy in Sana'a, Yemen not to brief me on certain intelligence related matters within this Committee's jurisdiction during my trip to Yemen. Never before in my time on this Committee has Washington directed the field not to brief a Member of Congress on a topic that falls squarely in their jurisdiction. Director Blair, you acknowledged recently that someone was playing games with me, and I appreciate your efforts to get me the information I'm looking for, but this is truly a new low.

This incident was just the cap on a frustrating year of stonewalling by the Administration. For example, the Fort Hood shooting brought to the surface serious threats to our national security, yet it was like pulling teeth to get any information about the shooting. Only after more than a month of prodding were we able to receive a substantive briefing on the review conducted of the shooting. And I use the word "substance" generously, as the review completely ignored critical issues relating to the threat from radical

jihadism, and the failure of the intelligence community to recognize and act on that threat despite clear warning signs. The review ignored so many key issues that arose in relationship to Fort Hood, and nothing was apparently done to follow up on these issues before the Christmas Day attack that followed.

This is not an isolated example. We consistently have to make repeated requests to the executive branch over many weeks and sometimes months to get basic information that this Committee is entitled to—and need in order to fulfill our oversight obligations.

Given this incident and other refusals to provide information or consult with Congress, I am left wondering if the Obama Administration understands that, aside from its superficial pledge of "transparency," it has a legal obligation to keep this Committee fully and currently informed.

Mr. Chairman, today's hearing is about worldwide threats, and I am just as concerned about the Administration's apparent failure to recognize apparently critical threats as with its failure to work with Congress to fix the problems in our intelligence apparatus. This year, this hearing comes at

a critical time in the wake of two recent attacks whose perpetrators shared a common link to radical Islamic cleric Anwar al-Awlaki. The reports that we have seen as well as statements made by Administration officials indicate a serious lack of understanding about the threats that we face, and the possible terrorist connections beneath the surface.

Last year, I mentioned to you, Director Blair, that I wanted to see a long term plan for rooting out and ultimately defeating the threat from radical jihadists. Yet, it appears that the Administration is still addressing threats in a reactive, ad hoc manner. The two recent attacks illustrate both intelligence failures at a working level, and a policy agenda that has not prioritized the threat of radical terrorists. The threat from radical jihadists has continued to grow since September 11. Yet, the first year of this Administration was more focused on making sure Khalid Sheikh Mohammad is guaranteed constitutional rights than with putting systems in place and directing resources at preventing future attacks. I am concerned that the Administration is so focused on closing Guantanamo and

bringing its occupants to the United States for trial that it has failed to consider the threats we face from doing just that. In addition, the Abdulmutallab interrogation continues to raise concerns about the level of understanding some in the Administration have about the nature of the threat we face. The misplaced prioritization on providing terrorists with civilian trials opens us up to losing valuable intelligence that will help us prevent a future attack. As I have reiterated for years, our first priority should be prevention, not prosecution.

Additionally, the threat from homegrown terrorists appears to be growing and, I believe, presents a much harder threat to combat. Take, for example, the influence of Anwar al-Awlaki, who was born in the U.S. and speaks perfect English, and has been using his own Web page, social-networking sites such as Facebook, and e-mail to preach a message of violence to English speaking Muslims around the world. We need to better understand how Mr. al-Awlaki and other radical jihadist figures are using new technologies to recruit and communicate with their homegrown followers.

We also need to understand how radical Jihadist groups are being financed. It has been reported that Maj. Hasan, the Fort Hood shooter, sent money abroad to Islamic charities that reportedly support terrorism. How much funding are these so-called charities receiving from the U.S.? How much U.S. government funding is indirectly going to these groups? I don't know whether suspect Islamic charities are supporting radical jihadists such as Mr. al-Awlaki, but this is possibility that should be looked into.

On a separate matter, Director Blair, I am disappointed to hear that the CIA's Accountability Review Board on the Peru Shootdown recently concluded without any significant accountability action being taken for those involved. This was a situation where innocent Americans were killed as a result of critical shortcomings in performance that could have and should have been prevented. The CIA Inspector General later raised significant concerns that employees may have tried to cover up facts to avoid liability and accountability. Whatever the reasons for the handling of this matter by the Department of Justice and the

Accountability Board, the end result leaves us all unsatisfied.

Director Blair, I appreciate your presence here today, and value the candor we have seen from you in recent testimony before other Committees as well as in past testimony in front of this Committee. I look forward to discussing the issues I've raised more thoroughly with you today.

The CHAIRMAN. Thank you, Mr. Hoekstra.

And I just want to remind our members and witnesses that we are in open session this morning.

Clearly, some of the questions that Mr. Hoekstra asked, you can't respond to in open session.

I, too, if you have a magic formula on how to stop leaks to the press, I am interested in hearing what you propose to do. But, frankly, it has been something that we have wrestled with for the last two administrations, the amount of information that gets leaked.

And then I would remind all of us that, although sensational, some of that information that gets reported in the media, we have known and have heard from our experts in closed session that a lot of that information is wrong; a lot of that information is embellished; a lot of that information is untrue. So while it is aggravating and irritating, let's make sure we keep that in perspective.

The other thing I want to mention before I recognize Director Blair is that when Mr. Hoekstra talks about lack of information, I have, and I believe he has, been contacted by members of the administration. I know on Christmas Day, when that incident occurred, I got an extensive briefing from Mr. Brennan on that night.

Then subsequent to that, we have had information. But I also know, I guess it is based upon my law enforcement experience, that we need to give our professionals that you work with, Mr. Director, the time to fully investigate, to find out what all the circumstances are, and then bring people in and get the correct information rather than information that is misreported and misconstrued and misused in some cases.

So, with that, I just want us to keep things in perspective. We do have serious challenges that we have to face. I think it is a legitimate issue, and I am awaiting the subcommittee's report on the issue that Mr. Hoekstra brought up about the shooting in Peru. I know that Director Panetta is taking that issue very seriously.

I can remember back to the initial hearing that we held where I raised some issues that, the circumstances of that shooting really didn't make sense to me because you had a dynamic in there where people were having to translate several times before the action was taken.

So those are all things that we hope will come out in this subcommittee investigation, and I look forward to those results and then moving forward with, how do we make sure that that never happens again?

With that, Director Blair, your written testimony will be made part of the official record of this hearing, and now you are recognized for any opening statement that you may wish to make.

STATEMENT OF DENNIS C. BLAIR, DIRECTOR OF NATIONAL INTELLIGENCE

Admiral BLAIR. Well, thank you very much, Chairman Reyes, Ranking Member Hoekstra.

There are two different sets of questions and issues that have been raised in your opening statements, one having to do with the overall threat assessment to the United States going into the future; the second, these questions of accountability and procedures,

especially those involving the way the Intelligence Community treats Americans.

I will be glad to go in more detail in questions and especially in more detail in the closed session, and some of the matters I think are best discussed there.

But before talking about the overall threat, let me just say, Congressman Hoekstra, that in both the collecting of intelligence and certainly in the use of force in direct action by the Intelligence Community and in the support that we give to the Department of Defense, which is the other branch of government which blows stuff up and kills people, we follow a set of defined policy and legal procedures that are very carefully, carefully observed.

And when there are questions, they are raised, and we give guidance down to the field so that we know that they are acting towards Americans. That has been the experience in the year that I have been director. Director Panetta and I have had direct conversations about things going on now.

As far as the issues that you raise of the past, the Peru shoot down, the grinding on of that process, I agree with you; that is an awfully long time to do that, and I will take another look at it.

I know Director Panetta has. I will look over his shoulder and make sure that we are doing the right thing. But I just want to share with everybody in open session that we take American citizens' status and rights as Americans seriously. We spend a lot of time making sure we are doing the right thing, whether it is in collection or in direct action, and we can discuss some details subsequently.

But let me turn to the overall threat assessment. You have seen my extensive written report on it, but let me just summarize some of the highlights and, first, by emphasizing that it is the product of the work of the thousands of patriotic, skilled brave professionals that I have the honor of leading as the world's finest intelligence team. And the work that they do, as I think particularly brought into relief by the seven deaths that we have had recently of officers and the dozen more who have been wounded in recent weeks who we are caring for, it is a serious business that we are in.

All of these Intelligence Agencies, the 16 in the Intelligence Community, participated in the statement that I submitted for the record and in the remarks that we will make.

Let me start with the subject of information technology, since we all know, on a personal and on a business basis, every day there are new gadgets, there are new services, which make our lives faster and more efficient. But I think what we don't quite understand as seriously as we should is the extent of malicious cyber activity that is growing now at unprecedented rates, extraordinary sophistication.

The dynamic of cyberspace, when you look at the technological balance, right now it favors those who want to use the Internet for malicious purposes over those who want to use it for legal and lawful purposes, and we have to deal with that reality.

An additional important factor is the growth of international companies in supplying both software and hardware, not only to private companies in this country but also for our sensitive U.S.

Government networks. This increases the potential for a subversion of the information in those systems.

The recent intrusion of Google is yet another wake-up call about just how seriously we have to take this program.

Cybercrime is on the rise. Global cyber bank and credit card fraud has serious implications for economic and for financial systems worldwide. Attacks against networks that control the critical infrastructure in this country and in others, energy, transportation, attacks on those infrastructures could wreak havoc.

Cyber defenders, right now, it is simply the facts of the matter, have to spend more and work harder than the attackers do. And our efforts, frankly, are not strong enough to recognize, deal with that reality. The United States Government and the private sector—and we are deeply intertwined in this matter—have to do more to ensure that adequate cyber defenses are in place.

Let me turn to the global economy, where the trends are more positive. A year ago, I was here warning about the dangers of a global depression. But in that year, an unprecedented policy response by both governments around the world and by central banks has laid the foundation for a global recovery that most forecasters expect will continue through this year, although unemployment will persist.

Not all countries, however, have emerged from the slump, and several of them are important to the United States. Pakistan and the Ukraine are still struggling to put their economic houses in order. Our allies, who have forces with us in Afghanistan and elsewhere, are dealing with budget cuts, which affect their ability to participate.

China is emerging from the events of the past year with enhanced clout. Its economy will grow from being approximately a third of America's to about half by 2015, faster than we had previously forecast, if current trends continue. Last year, Beijing contributed to the G–20's pledge to increase International Monetary Fund resources. It deployed naval forces to the international antipiracy patrols in the Gulf of Aden, and it supported new U.N. Security Council sanctions against North Korea. That is all very positive.

Nonetheless, Beijing still believes that the United States seeks to contain it, to transform its society, and that reinforces their concerns about internal stability about perceived challenges to their sovereignty claims. China continues to increase its defense spending. Preparations for a Taiwan conflict involving a U.S. intervention continues to dominate their modernization and their contingency plans, and they are also increasingly concerned about how to protect their global interests.

Turning to violent extremism, we have been warning in the past several years that al Qaeda itself—its affiliates and al Qaeda-inspired terrorists remain committed to striking the United States. And in the past year, we have some names that go behind these warnings.

As the chairman mentioned, Najibullah Zazi, two coconspirators were allegedly trained by al Qaeda in Afghanistan. Umar Faouk Abdulmutallab, the Nigerian who allegedly attempted to down a U.S. airliner on Christmas Day, represents an al Qaeda-affiliated

group. And Major Nidal Hasan at Fort Hood, a homegrown, self-radicalized extremist.

The violent extremist threat is evolving. We have made complex multi-team attacks very difficult for al Qaeda to pull off. But as we saw with the recent rash of attacks last year, both successful and unsuccessful, identifying individual terrorists, small groups with short histories, using simple attack methods is a much more difficult task.

We in the Intelligence Community did not identify Mr. Abdulmutallab before he boarded Northwest Flight 253 on Christmas Day for Detroit. We should have. And as we have discussed with this committee, we are working hard to improve so that we can.

On a more positive note, only a decreasing and ever smaller minority of Muslims support violent extremism, and that is according to a number of polls taken in many Muslim countries. But still, al Qaeda's radical ideology seems to appeal strongly to a disaffected group of young Muslims, and this is a pool of potential suicide bombers, and this pool unfortunately includes Americans.

Although we don't have the high-level home-grown threat facing Europeans, we have to worry about the appeal that figures like Anwar al-Awlaki exert on young American Muslims.

However much we improve, we cannot count on intelligence to catch and identify every threat. Intensified counterterrorism efforts in the Pakistan theatre, as well as around the world, Yemen, Somalia, elsewhere are crucial to diminishing this threat. So, too, is working with allies and partners, enhanced law enforcement and other security measures, including immigration and visa controls, aviation and border security. All of these can disrupt terrorist plans. We need a multilayered dynamic defense supported by good intelligence.

Let me then turn to the outlook in Afghanistan and Pakistan, where the Intelligence Community is putting extraordinary efforts forth in combination with both Department of Defense deployments and with civil teams.

Since January 2007, that is 3 years ago, the Taliban has increased its influence and expanded its insurgency while holding on to its strongholds in the Pashtun belt in Afghanistan.

So the challenge is clear:

First, reversing this Taliban momentum while holding onto security gains elsewhere.

Second, improving Afghan security forces, governance, economic capability, so that as security gains are made, they can endure, and responsibilities can be turned over to the Afghans themselves.

Now, early successes in places like Helmand, where the Marine units have been deployed for several months, where there is an aggressive counter-drug program, economic programs in place, where local governance is competent; these show us that we can make valid progress, we can make solid progress. Even where the threat is great.

The safe haven that the Afghan insurgents have in Pakistan is the group's most important outside support. And disrupting that safe haven won't be sufficient by itself to defeat the insurgency in Afghanistan. But disrupting that presence in Pakistan is nec-

essary. It is a necessary condition for making overall progress in Afghanistan.

The increase in terrorist attacks against their country has made the Pakistani public more concerned about the threat from Islamic extremists, including al Qaeda. Pakistanis continue to support the use of military force against insurgents in their country, and Islamabad has demonstrated determination and persistence in combatting the militants that it perceives are dangerous to its interests. But it has also continued to provide some support to other Pakistani groups that operate in Afghanistan.

Looking to the future, U.S. and coalition successes against the insurgency in Afghanistan could provide new long-term incentives for Pakistan to take steps against Afghan-focused militants. Increased Pakistani cooperation is more likely if Pakistan is persuaded that the United States is committed to stabilizing Afghanistan and is capable to doing so.

Let me finally turn to Iran, where the available intelligence indicates that Tehran is keeping open the option to develop nuclear weapons. This is being done in part by developing various nuclear capabilities that bring it closer to the ability to produce weapons.

One of the key capabilities Iran continues to develop is its uranium enrichment program. Published information from the International Atomic Energy Agency, the IAEA, indicates that Iran has significantly expanded the number of centrifuges in its facility at Natanz. It also has had problems operating these centrifuges, which has constrained the production of low-enriched uranium.

The United States and other countries announced last September that Iran for years had been building in secret a second enrichment facility near the City of Qom. We assess that Iran has the scientific, the technical, the industrial capacity to produce enough highly enriched uranium for a weapon in the next few years and eventually to produce a nuclear weapon. The central issue is a political decision by Iran to do so.

Meanwhile, Iran continues to improve its ballistic missile force. The chairman mentioned another step it took recently, and this enhances its power projection, provides Tehran the means for delivering a possible nuclear payload.

We do not know if Iran will eventually decide to build nuclear weapons. We continue to judge that it takes a cost-benefit approach to making decisions on nuclear weapons, and we judge that this offers the international community opportunities to influence Tehran's decision making.

Meanwhile, apart from these nuclear decisions, which are a great concern to us, the Iran regime has found itself in a weaker internal political situation following last June's disputed presidential election and the ensuing crackdown on protesters. Reacting to the stronger-than-expected opposition in the regime's narrowing base of support, Supreme Leader Khamenei, President Ahmadinejad and their hard line allies appear determined to retain the upper hand by force.

They are moving around in a more authoritarian direction to consolidate their power. However, they have not been successful so far in suppressing the opposition.

Mr. Chairman, this is the top layer of threats. There are other areas which you mentioned in your statement that continue to demand our continued attention and focus including continued security in Iraq, the Korean Peninsula, weapons of mass destruction proliferation, and challenges right here in the Western Hemisphere, as you have mentioned, working with Mexico against the drug cartels and also other developments in Latin America.

I am also prepared to discuss important transnational issues like global health. Indeed, the very complexity and number of these issues, the large number of actors, both countries, nonstate actors, increasingly constitutes one of our biggest challenges, as they all mix together in forming the international environment in which the United States operates. But I am very encouraged by what I have seen in the past year on the job about how the Intelligence Community is organizing both to collect intelligence and then to analyze this complexity.

The 100,000 military and civilian intelligence professionals I have the honor to lead work hard on these problems. They produce good results, and I believe they are providing a tremendous contribution to the security of the country.

Thank you, Mr. Chairman, I would be happy to answer questions.

[The statement of Admiral Blair follows:]

Annual Threat Assessment of the US Intelligence Community for the House Permanent Select Committee on Intelligence

Dennis C. Blair

Director of National Intelligence

February 3, 2010

House Permanent Select Committee on Intelligence

US INTELLIGENCE COMMUNITY
ANNUAL THREAT ASSESSMENT

STATEMENT FOR THE RECORD

Chairman Reyes, Ranking Member Hoekstra, Members of the Committee, thank you for the invitation to offer the Intelligence Community's assessment of threats to US national security.

The strategic landscape has changed considerably for US interests over the past year. We see some improvements, but also several entrenched problems and slow progress in some areas for the foreseeable future. Several large-scale threats to fundamental US interests will require increased attention, and it is on one of these threats that I will focus our initial discussion.

Far-Reaching Impact of the Cyber Threat

The national security of the United States, our economic prosperity, and the daily functioning of our government are dependent on a dynamic public and private information infrastructure, which includes telecommunications, computer networks and systems, and the information residing within. This critical infrastructure is severely threatened.

This cyber domain is exponentially expanding our ability to create and share knowledge, but it is also enabling those who would steal, corrupt, harm or destroy the public and private assets vital to our national interests. The recent intrusions reported by Google are a stark reminder of the importance of these cyber assets, and a wake-up call to those who have not taken this problem seriously. Companies who promptly report cyber intrusions to government authorities greatly help us to understand and address the range of cyber threats that face us all.

I am here today to stress that, acting independently, neither the US Government nor the private sector can fully control or protect the country's information infrastructure. Yet, with increased national attention and investment in cyber security initiatives, I am confident the United States can implement measures to mitigate this negative situation.

The Evolving Threat and Future Trends

The United States confronts a dangerous combination of known and unknown vulnerabilities, strong and rapidly expanding adversary capabilities, and a lack of comprehensive threat awareness. Malicious cyber activity is occurring on an unprecedented scale with extraordinary sophistication. While both the threats and technologies associated with cyberspace are dynamic, the existing balance in network technology favors malicious actors, and is likely to continue to do so for the foreseeable future. Sensitive information is stolen daily from both government and private sector networks, undermining confidence in our information systems, and in the very information these systems were intended to convey. We often find persistent, unauthorized, and at times, unattributable presences on exploited networks, the hallmark of an unknown adversary intending to do far more than merely demonstrate skill or mock a vulnerability. We cannot be certain that our cyberspace infrastructure will remain available and reliable during a time of crisis. Within this dynamic environment, we are confronting threats that are both more targeted and more serious. New cyber security approaches must continually be developed, tested, and implemented to respond to new threat technologies and strategies.

We face nation states, terrorist networks, organized criminal groups, individuals, and other cyber actors with varying combinations of access, technical sophistication and intent. Many have the capabilities to target elements of the US information infrastructure for intelligence collection, intellectual property theft, or disruption. Terrorist groups and their sympathizers have expressed interest in using cyber means to target the United States and its citizens. Criminal elements continue to show growing sophistication in their technical capability and targeting. Today, cyber criminals operate a pervasive, mature on-line service economy in illicit cyber capabilities and services, which are available to anyone willing to pay. Globally, widespread cyber-facilitated bank and credit card fraud has serious implications for economic and financial

systems and the national security, intelligence, and law enforcement communities charged with protecting them.

The cyber criminal sector in particular has displayed remarkable technical innovation with an agility presently exceeding the response capability of network defenders. Criminals are developing new, difficult-to-counter tools. In 2009, we saw the deployment of self modifying malware, which evolves to render traditional virus detection technologies less effective. The Conficker worm, which appeared in 2008 and created one of the largest networks of compromised computers identified thus far, continues to provide a persistent and adaptable platform for other malicious enterprises. Criminals are targeting mobile devices such as "smartphones," whose increasing power and use in financial transactions makes them potentially lucrative targets. Criminals are collaborating globally and exchanging tools and expertise to circumvent defensive efforts, which makes it increasingly difficult for network defenders and law enforcement to detect and disrupt malicious activities

Two global trends within the information technology environment, while providing greater efficiency and services to users, also potentially increase vulnerabilities and the consequences of security failures. The first is *network convergence*—the merging of distinct voice and data technologies to a point where all communications (e.g., voice, facsimile, video, computers, control of critical infrastructure, and the Internet) are transported over a common network structure—will probably come close to completion in the next five years. This convergence amplifies the opportunity for, and consequences of, disruptive cyber attacks and unforeseen secondary effects on other parts of the US critical infrastructure. The second is *channel consolidation*, the concentration of data captured on individual users by service providers through emails or instant messaging, Internet search engines, Web 2.0 social networking means, and geographic location of mobile service subscribers, which increases the potential and consequences for exploitation of personal data by malicious entities. The increased interconnection of information systems and data inherent in these trends pose potential threats to the confidentiality, integrity and availability of critical infrastructures and of secure credentialing and identification technologies.

The Intelligence Community plays a vital role in protecting and preserving our nation's cyber interests and the continued free flow of information in cyberspace. As Director of National Intelligence, I am creating an integrated and agile intelligence team to help develop and deploy a defensive strategy that is both effective and respectful of American freedoms and values. In the 2009 National Intelligence Strategy, I focused the Intelligence Community on protecting the US from a multi-vector cyber threat, covering malicious actors seeking to penetrate a network from the outside, insiders, and potential threats hidden within the information technology supply chain. We are integrating cyber security with counterintelligence and improving our ability to understand, detect, attribute, and counter the full range of threats. I started this last summer when I charged my new National Counterintelligence Executive to create a cyber directorate within his office that would provide outreach for foreign intelligence threat warnings and ensure insider threats are thwarted by the USG through use of technology and operational countermeasures. I believe this emphasis can augment and improve existing cyber efforts toward improving national and economic security for our nation.

We cannot protect cyberspace without a coordinated and collaborative effort that incorporates both the US private sector and our international partners. The President's Cyberspace Policy Review provides a unifying framework for these coordinated efforts. The five elements of the framework—leading from the top, building capacity for a digital nation, sharing responsibility for cybersecurity, creating effective information sharing and incident response, and encouraging innovation—serve to align the efforts of the Intelligence Community with its many government and private sector partners. As Director of National Intelligence, I will continue to ensure that information on these threats reaches executive and legislative leaders quickly, to allow them to make informed national security decisions. I will also stay in touch with private companies that provide network services so that we are both helping them stay secure and learning through their experience.

Also, I continue to report to the President on the implementation of the Comprehensive National Cybersecurity Initiative (CNCI), which was designed to mitigate vulnerabilities being exploited by our cyber adversaries and provide long-term strategic operational and analytic capabilities to US Government organizations. By enabling the development of these new technologies and strategies, as a core component of a broad strategic approach to strengthening cybersecurity for the nation, the CNCI will give the United States additional tools to respond to the constantly changing cyber environment. Simultaneously, the CNCI stresses the importance of the private sector as a partner through information sharing and other best practices to address vulnerabilities. My Cyber Task Force produces quarterly reports on this government-wide effort, providing a balanced assessment of its progress at improving the US Government's cyber security stance. The Congress funded most, but not all, of the Administration's request last year. We will need full funding of this program to keep close to pace with our adversaries.

The Changing Threat to the Global Economy

A year ago I began my Statement for the Record by addressing the threat to global economy, which at the time was in a free fall and generating fears of a global depression. An unprecedented policy response by governments and central banks in most large economies compensated for the sudden drop in private sector activity and laid a foundation for a global recovery that most forecasters expect will continue through 2010. Asia, led by China, India, and Indonesia, has been the most robust region globally and has helped support the return of growth elsewhere.

This is likely to be an economic policy transition year in which governments and central banks will face difficult choices about when and how to begin withdrawing stimulus measures as their economies gain steam. Exit strategy missteps could set back the recovery, particularly if inflation or political pressures to consolidate budgets emerge before household consumption and private investment have begun to play a larger role in the recovery. From a geographic perspective this risk is greatest in Europe where the recovery is anemic; and some governments are likely to begin consolidating their budgets despite weak economic conditions. The financial crisis has increased industrial country budget deficits and efforts to reduce those deficits are likely to constrain European and Japanese spending on foreign priorities—such as supporting

efforts to stabilize Afghanistan, assisting poorer countries in coping with climate change and reducing CO2 emissions, and addressing humanitarian disasters—and spending on their own military modernization and preparedness for much of this decade.

Financial contagion risks are falling but have not disappeared. Most emerging market nations have weathered the crisis, international private investment flows are recovering, and the IMF has the resources to intervene when necessary. Nonetheless, the economies of several countries remain at risk despite the improving global environment. Pakistan and Ukraine are still struggling to put their economic houses in order and probably will face economic setbacks, particularly if they lose support from the IMF and other sources of finance. Bulgaria, Estonia, Greece, Hungary, Iceland, Ireland, Latvia, Lithuania, and Romania remain fragile and the breaking of euro pegs in the region would put new strains on European banks. The near-default of Dubai World late last year serves as a reminder that large company defaults still have the potential to raise investor risk assessments and cause problems in the rollover of corporate debt.

Among the major industrial countries Japan was hardest hit by the crisis due to the importance of its export sector. China is likely to surpass Japan as the world's second largest economy this year—a year earlier than the IMF had forecasted before the crisis hit. As Japan recovers, its exporters will benefit from dynamic growth in emerging Asia and the relative importance of the US market will decline.

Globalization Challenges

The financial crisis was transmitted broadly and rapidly through international capital and trade channels and has challenged the view that globalization is the road to prosperity. The financial crisis did not unleash a wave of 1930s-style beggar-thy-neighbor protectionist policies. Nonetheless, there has been some slippage since the crisis began as several countries have introduced new trade restricting measures, "buy local" government procurement rules, and support to domestic firms to safeguard employment and their companies. Although such policies currently impact a small proportion of global trade, high persistent joblessness and excess capacity in politically sensitive sectors, such as automobiles and steel, will require continued vigilance to ensure that trade disputes do not escalate into a more serious tit-for-tat protectionism. Additionally, Chinese inroads into market share in a range of product markets have made them a leading target of other countries' trade remedy measures.

The IMF's role in helping to stabilize at-risk emerging markets during the crisis has shifted the debate about the IMF's future from whether it has one to what can be done to reform the institution to meet the needs and demands of the next decade. The IMF emerges from the crisis with more resources to deal with financial crises and a new role to support the G-20. The outcome of the G-20 agreement to realign IMF governance to raise emerging market countries clout, however, will largely determine the Fund's relevance to the larger emerging markets.

The financial and economic crisis provided the catalyst for governments to agree to elevate the G-20 to the premier economic policy forum, giving the largest emerging market country leaders a status on par with G-7 leaders. So far, the three G-20 summits have given an impression of relative unity and produced some significant agreements, such as the decision to

boost IMF financial resources. As the crisis atmosphere fades, however, the G-20's diversity and size may undercut efforts to maintain consensus as policy decisions require more detail and specificity.

Global Energy Security Challenges

One year ago oil prices were falling sharply because of reduced global demand resulting from the crisis. Action by OPEC to cut production and the start of economic recovery are supporting the current higher prices and several forecasters predict that prices will remain strong this year. Sufficient OPEC spare production capacity exists—about 6 million barrels per day (b/d)—to meet oil demand growth in 2010, which the International Energy Agency predicts will be about 1.4 million b/d.

The Intelligence Community is not in the business of predicting oil prices but most market observers expect the combination of high inventory levels and excess production capacity will limit upward movements in oil prices for the next year. The current prices of around $75 per barrel of crude are well off the record levels of almost $150 per barrel reached in mid 2008 but are high enough that most large exporting nations are generating enough revenues to finance their budgets and accumulate foreign assets. Nonetheless, Russia is turning to international financial markets this year to fill its budget gap and Venezuela is struggling to offset the lower prices and declines in oil production.

To meet demand growth in next three to 10 years and reduce the risk of future price spikes, however, international and national oil companies will need to re-engage on major projects that were shelved when prices fell in late 2008. For example, several Canadian oil sands projects—high-cost and high carbon-emitting ventures—were delayed or cancelled and, despite current higher prices, most of these projects remain on hold pending a clearer picture of the strength of the economic recovery and policies on CO2 emissions. Brazil and Kazakhstan are the two other non-OPEC producers that we expect to add substantial capacity, although most of their additional supply will come from deep, technically challenging offshore projects and will not be available until after 2015. Russia is benefiting from the recent completion of several major projects—some operated by foreign companies—but depletion rates in fields now producing makes further gains unlikely absent policy changes to spur development of new fields.

Within OPEC, Iraq is a bright spot for oil capacity expansion. Foreign companies that successfully bid in the two bid rounds held in 2009 are proposing to increase production to about 4-6 million bpd in seven-to-twelve years from the present 2.4 million bpd. Nonetheless, a fragile security and political environment, dilapidated infrastructure, and limited institutional capacity will make it difficult to fully realize this increase. Minor production increases are likely to come from other OPEC producers, primarily in the form of natural gas liquids that are a byproduct of increases in the production of natural gas, especially in such countries as Qatar, Iran, and Algeria.

Recent developments in the US gas sector, primarily shale gas, have made the United States essentially gas independent for at least a decade or two, if not longer. The increase in US natural gas resources has added downward pressure on gas prices worldwide; sharp declines in US

imports of liquefied natural gas cargos, coupled with an increase in liquefaction export capacity, have produced a glut of liquefied natural gas available on the market.

Terrorists Under Pressure; Terrorist Threat to Homeland Remains

I told you last year that we were turning a corner on violent extremism, as Muslim opinion increasingly turned against terrorist groups like al-Qa'ida because of their brutal tactics that resulted in the deaths of Muslim civilians. In statements during the past year I, and other Intelligence Community officials, have highlighted the major counterterrorism successes that we and our partners have scored—successes that have removed key terrorist leaders and operatives who threatened the US Homeland directly, as well as the interests of the United States and its partners overseas. The spate of recent terrorism-related events, if judged in isolation, would seem to call into question our counterterrorism successes, and it is natural that we ask ourselves whether these events are evidence of an increase in the threat, a change in the nature of the threat, or both. While our agencies are continuing to evaluate how these events fit into the strategic threat picture and we have many unanswered questions, I would like to put these events into context.

First, we have been warning since 9/11 that al-Qa'ida, al-Qa'ida-associated groups, and al-Qa'ida inspired terrorists remain committed to striking the United States and US interests. What is different is that we have names and faces to go with that warning. We are therefore seeing the reality. In fact, as I will expand on, the individuals who allegedly have been involved in recent events have come from the same components that I have talked about many times before: Najubullah Zazi and his two recently arrested co-conspirators allegedly are associated with core al-Qa'ida; Umar Farouq Abdulmutallab, the Nigerian who allegedly attempted to down the US airliner on Christmas Day, represents an al-Qa'ida affiliated group; and Major Nidal Hasan, who allegedly perpetrated the tragic attack at Fort Hood, is a homegrown extremist.

Second, we can take it as a sign of the progress that while complex, multiple cell-based attacks could still occur, we are making them very difficult to pull off. At the same time, the recent successful and attempted attacks represent an evolving threat in which it is even more difficult to identify and track small numbers of terrorists recently recruited and trained and short-term plots than to find and follow terrorist cells engaged in plots that have been ongoing for years.

Third, while such attacks can do a significant amount of damage, terrorists aiming against the Homeland have not, as yet, been able to attack us with chemical, biological, radiological, or nuclear weapons. I discuss this issue more in my classified statement.

Finally, I note that Muslim support for violent extremism did not change significantly in 2009 and remains a minority view, according to polls of large Muslim populations conducted on behalf of Gallup and Pew. On average, two-thirds of Muslims in such populations say that

attacks in which civilians are targeted "cannot be justified at all." Support for violent groups is likely diminishing among the Pakistani and Saudi populations, with the percent of Pakistanis who view the Taliban negatively roughly doubling over the past year. In Saudi Arabia, violence- and terrorism-related indicators monitored by Gallup decreased since May 2008. I refer you to my classified statement for more information regarding polling and our analysis.

Again, important progress has been made against the threat to the US Homeland over the past few years, but I cannot reassure you that the danger is gone. We face a persistent terrorist threat from al-Qa'ida and potentially others who share its anti-Western ideology. A major terrorist attack may emanate from either outside or inside the United States. Enhanced offensive and defensive counterterrorism efforts have certainly interrupted or deterred some plotting against the Homeland, but actionable intelligence on the key details of terrorist plots—dates, specific targets, and the identity of operatives—are often fragmentary and inconclusive thanks to the terrorists' stringent operational security practices.

The Threat from the Al-Qa'ida Core

We judge that al-Qa'ida maintains its intent to attack the Homeland—preferably with a large-scale operation that would cause mass casualties, harm the US economy, or both.

- In April 2009, Abu Yahya al-Libi, the official spokesperson and head of al-Qa'ida's religious committee, publicly advocated blowing up US military, political, economic, and financial institutions. While he did not specifically address attacking the Homeland, in a videotaped message in June 2009 Usama Bin Ladin warned the American people to be prepared to continue reaping what the White House sowed. In the same month al-Qa'ida's third-in-command, Shaykh Sa'id al-Masri, said that the organization's strategy for the future is similar to its strategy in the past—namely "hitting Americans."

In our judgment, al-Qa'ida also retains the capability to recruit, train, and deploy operatives to mount some kind of an attack against the Homeland. Counterterrorism efforts against al-Qa'ida have put the organization in one of its most difficult positions since the early days of Operation Enduring Freedom in late 2001. However, while these efforts have slowed the pace of anti-US planning and hindered progress on new external operations, they have not been sufficient to stop them.

The Government alleges that al-Qa'ida successfully trained in Pakistan at least one operative, Najibullah Zazi, for operations inside the Homeland. Prior to his discovery, he was allegedly able to acquire materials for homemade explosives, possibly with the assistance of other US persons, and assemble and test devices.

What Would Another al-Qa'ida Homeland Attack Look Like?

We know that al-Qa'ida often recycles targeting concepts with some tactical variations. Some of the plots disrupted since 9/11 have involved attacks on a smaller scale than those in 2001, but the most recent plot for which we knew the target was the London-based aviation plot in 2006, which involved mid-air attacks on multiple aircraft.

- The ongoing investigation into the case of Najibullah Zazi has not yet revealed the intended target(s) of this alleged plot. Zazi was allegedly developing hydrogen peroxide-based homemade explosives, which have been featured in several al-Qa'ida external plots against the West since 9/11.

- Targets that have been the focus of more than one al-Qa'ida plot include aviation, financial institutions in New York City, and government targets in Washington, D.C. Other targets al-Qa'ida has considered include the Metro system in Washington D.C., bridges, gas infrastructure, reservoirs, residential complexes, and public venues for large gatherings.

- We cannot rule out that al-Qa'ida's interest in damaging the US economy might lead the group to opt for more modest, even "low-tech," but still high-impact, attacks affecting key economic sectors.

We judge that, if al-Qa'ida develops chemical, biological, radiological, or nuclear (CBRN) capabilities and has operatives trained to use them, it will do so. Counterterrorism actions have dealt a significant blow to al-Qa'ida's near-term efforts to develop a sophisticated CBRN attack capability, although we judge the group is still intent on its acquisition.

Al-Qa'ida Targeting US Partners Overseas

Al-Qa'ida's strategy for driving Western influence from Islamic lands, halting Pakistani counterterrorism efforts in the FATA, and facilitating the establishment of sharia law in South Asia includes conducting terrorist attacks on many of our partners overseas.

- We judge that al-Qa'ida is still plotting attacks against the European targets and that it has encouraged its affiliates to target European citizens in countries in which the affiliates operate.

- Al-Qa'ida has encouraged and supported Pakistani militants who have stepped up attacks in major cities in Pakistan, resulting in numerous casualties.

What It Will Take to Stop Al-Qa'ida

Al-Qa'ida's ability to deploy additional operatives into the Homeland to conduct attacks will depend heavily on whether the United States and its partners maintain enhanced counterterrorism efforts against the group's activities in the FATA and on US, European, and Pakistani efforts to identify and disrupt operatives.

- We assess that at least until Usama Bin Ladin and Ayman al-Zawahiri are dead or captured, al-Qa'ida will retain its resolute intent to strike the Homeland. We assess that until counterterrorism pressure on al-Qa'ida's place of refuge, key lieutenants, and operative cadre outpaces the group's ability to recover, al-Qa'ida will retain its capability to mount an attack.

- Sustaining defensive US security measures will remain a critical component of mitigating threats to the Homeland. Enhanced law enforcement and security measures in the United States and overseas, including immigration controls, visa requirements, and aviation and

border security, continue to deter terrorists from undertaking plots, complicate terrorists' ability to enter the United States, and stop terrorist activity before plans reach the execution phase.

Al-Qa'ida's Global Following

The plans and capabilities of al-Qa'ida in the Arabian Peninsula (AQAP) are of foremost concern at this time, and we will continue to monitor the group's capabilities, intentions, and recruitment of Westerners or other individuals with access to the US Homeland. The investigation into the attempted Christmas Day attack on a US airliner is continuing, but it appears that the al-Qa'ida regional affiliate AQAP, which has advocated attacks on the US Homeland in the past, directed the suspect, Umar Farouk Abdulmutallab, and provided him training and explosives. We are still exploring the genesis of this plot and what other Homeland plots AQAP and associated Yemeni extremists may have planned. We are concerned that they will continue to try to do so, but we do not know to what extent they are willing to direct core cadre to that effort given the group's prior focus on regional operations.

AQAP is focused on expanding its ranks and plotting in Yemen and Saudi Arabia, and AQAP's predecessor attacked the US Embassy in San'aa twice in 2008.

Beyond AQAP, Al-Qa'ida will continue its efforts to encourage key regional affiliates and jihadist networks to pursue a global agenda. A few al-Qa'ida regional affiliates and jihadist networks have exhibited an intent or capability to attack inside the Homeland. Some regional nodes and allies have grown in strength and independence over the last two years and have begun to project operationally outside their regions.

Other regional affiliates and jihadist networks that will bear watching include: Pakistan-based militants associated with al-Qa'ida; jihadists who have left Iraq but remain inspired by al-Qa'ida's anti-Western agenda; and East Africa-based al-Qa'ida affiliates. I discuss these threats in more detail in my classified statement.

- In addition, networks of Islamic extremists in Europe represent a continued threat because of their access to fighters and operatives with training in Afghanistan, Iraq, Pakistan, and Somalia; the presence of active facilitation networks in Europe; and European nationals' relative ease of travel to the United States.

- Al-Qa'ida historically has worked with trusted individuals within Pakistani militant groups to leverage operational resources, including trainees, and almost certainly will continue to do so.

- As al-Qa'ida in Iraq's (AQI) fortunes in Iraq have declined, al-Qa'ida leadership losses in Afghanistan and Pakistan and burgeoning violent campaigns in Yemen and East Africa provide opportunities for AQI veterans to employ their skills elsewhere.

- We judge most Al-Shabaab and East Africa-based al-Qa'ida members will remain focused on regional objectives in the near-term. Nevertheless, East Africa-based al-Qa'ida leaders or al-

Shabaab may elect to redirect to the Homeland some of the Westerners, including North Americans, now training and fighting in Somalia.

Lashkar-i Tayyiba (LT) is a special case. Although the group is not focused on the US, we are concerned that, in general, it is becoming more of a direct threat, and is placing Western targets in Europe in its sights. LT's plotting against India and willingness to attack Jewish interests and locations visited by Westerners as demonstrated in the 2008 Mumbai attacks raise concerns that either the group itself or individual members will more actively embrace an anti-Western agenda.

Homegrown Jihadists

Over the past year we have seen ongoing efforts by a small number of American Muslims to engage in extremist activities at home and abroad. The motivations for such individuals are complex and driven by a combination of personal circumstances and external factors, such as grievance over foreign policy, negatively inspirational ideologues, feelings of alienation, ties to a global pan-Islamic identity, and the availability of poisonous extremist propaganda through the Internet and other mass media channels.

We are concerned that the influence of inspirational figures such as Anwar al-Aulaqi will increasingly motivate individuals toward violent extremism. Of particular concern are individuals who travel abroad for training and return to attack the Homeland. Thus far, however, US Intelligence Community and law enforcement agencies with a domestic mandate assess that violence from homegrown jihadists probably will persist, but will be sporadic. A handful of individuals and small, discrete cells will seek to mount attacks each year, with only a small portion of that activity materializing into violence against the Homeland.

The tragic violence at Fort Hood last year underscores our concerns about the damage that even an individual or small number of homegrown extremists can do if they have the will and access. It is clear, however, that a sophisticated, organized threat from radicalized individuals and groups in the United States comparable to traditional homegrown threats in other countries has not emerged. Indeed, the elements most conducive to the development of an entrenched terrorist presence—leadership, a secure operating environment, trained operatives, and a well-developed support base—have been lacking to date in the United States or, where they have been nascent, have been interrupted by law enforcement authorities.

Thus far, radicalization of groups and individuals in the United States has done more to spread jihadist ideology and generate support for violent causes overseas than it has produced terrorists targeting the Homeland. A linkage to overseas terrorist groups is probably necessary to transform this threat into a level associated with traditional terrorist groups. We are watching to see how terrorist overseas may try to stimulate such activity.

Lebanese Hizballah

We judge that, unlike al-Qa'ida, Hizballah, which has not directly attacked US interests overseas over the past 13 years, is not now actively plotting to strike the Homeland. However,

we cannot rule out that the group would attack if it perceives that the US is threatening its core interests.

The Growing Proliferation Threat

As we discussed last year at this time, ongoing efforts of nation-states to develop and/or acquire dangerous weapons constitutes a major threat to the safety of our nation, our deployed troops, and our allies. The threat and destabilizing effect of nuclear proliferation and the threat from the proliferation of materials and technologies that could contribute to existing and prospective chemical and biological weapons programs top our concerns.

Traditionally WMD use by most nation states has been constrained by deterrence and diplomacy, but these constraints may be of less utility in preventing the use of mass-effect weapons by terrorist groups. Moreover, the time when only a few states had access to the most dangerous technologies is over. Technologies, often dual-use, circulate easily in our globalized economy, as do the personnel with scientific expertise who design and use them. It is difficult for the United States and its partners to track efforts to acquire WMD components and production technologies that are widely available.

- The IC continues to focus on discovering and disrupting the efforts of those who seek to acquire these weapons and those who provide support to weapons programs elsewhere. We also work with other elements of our government on the safeguarding and security of nuclear weapons and fissile materials, pathogens, and chemical weapons in select countries.

We continue to assess that many of the countries that are still 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; and/or by terrorist or insurgent organizations, and by criminal organizations, acting alone or through middlemen.

We do not know of any states deliberately providing CBRN assistance to terrorist groups. Although terrorist groups and individuals have sought out scientists with applicable expertise, we have no corroborated reporting that indicates such experts have advanced terrorist CBRN capability with the permission of any government. We and many in the international community are especially concerned about the potential for terrorists to gain access to WMD-related materials or technology.

I will begin by detailing what we see as the WMD and missile threat from Iran and North Korea.

Iranian WMD and Missile Program

The Iranian regime continues to flout UN Security Council restrictions on its nuclear program. 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 bring it closer to being able to produce such weapons, should it choose to do so. We do not know, however, if Iran will eventually decide to build nuclear weapons.

I would like to draw your attention to two examples over the past year that illustrate some of the capabilities Iran is developing.

First, published information from the International Atomic Energy Agency indicates that the number of centrifuges installed at Iran's enrichment plant at Natanz has grown significantly from about 3,000 centrifuges in late 2007 to over 8,000 currently installed. Iran has also stockpiled in that same time period approximately 1,800 kilograms of low-enriched uranium. However, according to the IAEA information, Iran also appears to be experiencing some problems at Natanz and is only operating about half of the installed centrifuges, constraining its overall ability to produce larger quantities of low-enriched uranium.

Second, Iran has been constructing—in secret until last September—a second uranium enrichment plant deep under a mountain near the city of Qom. It is unclear to us whether Iran's motivations for building this facility go beyond its publicly claimed intent to preserve enrichment know-how if attacked, but the existence of the facility and some of its design features raise our concerns. The facility is too small to produce regular fuel reloads for civilian nuclear power plants, but is large enough for weapons purposes if Iran opts configure it for highly enriched uranium production. It is worth noting that the small size of the facility and the security afforded the site by its construction under a mountain fit nicely with a strategy of keeping the option open to build a nuclear weapon at some future date, if Tehran ever decides to do so.

Iran's technical advancement, particularly in uranium enrichment, strengthens our 2007 NIE 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 lead us to reaffirm our judgment from the 2007 NIE that Iran is technically capable of producing enough HEU 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 and 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.

That is as far as I can go in discussing Iran's nuclear program at the unclassified level. In my classified statement for the record, I have outlined in further detail the Intelligence Community's judgments regarding Iranian nuclear-related activities, as well as its chemical and biological-weapons activities and refer you to that assessment.

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 US forces. Its ballistic missiles are inherently capable of delivering WMD, and if so armed, would fit into this same strategy.

North Korean WMD and Missile Programs

Pyongyang's nuclear weapons and missile programs pose a serious threat to the security environment in East Asia. North Korea's export of ballistic missiles and associated materials to several countries including Iran and Pakistan, and its assistance to Syria in the construction of a nuclear reactor, exposed in 2007, illustrate the reach of the North's proliferation activities. Despite the Six-Party October 3, 2007 Second Phase Actions 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.

The North's October 2006 nuclear test was consistent with our longstanding assessment that it had produced a nuclear device, although we judge the test itself to have been a partial failure based on its less-than-one-kiloton TNT equivalent yield. The North's probable nuclear test in May 2009 supports its claim that it has been seeking to develop weapons, and with a yield of roughly a few kilotons TNT equivalent, was apparently more successful than the 2006 test. We judge North Korea has tested two nuclear devices, and while we do not know whether the North has produced nuclear weapons, we assess it has the capability to do so. It remains our policy that we will not accept North Korea as a nuclear weapons state, and we assess that other countries in the region remain committed to the denuclearization of North Korea as has been reflected in the Six Party Talks.

After denying a highly enriched uranium program since 2003, North Korea announced in April 2009 that it was developing uranium enrichment capability to produce fuel for a planned light water reactor (such reactors use low enriched uranium); in September it claimed its enrichment research had "entered into the completion phase". The exact intent of these announcements is unclear, and they do not speak definitively to the technical status of the uranium enrichment program. The Intelligence Community continues to assess with high confidence North Korea has pursued a uranium enrichment capability in the past, which we assess was for weapons.

Pyongyang's Conventional Capabilities. Before I turn the North Korean nuclear issue, I want to say a few words regarding the conventional capabilities of the Korea People's Army

(KPA). The KPA's capabilities are limited by an aging weapons inventory, low production of military combat systems, deteriorating physical condition of soldiers, reduced training, and increasing diversion of the military to infrastructure support. Inflexible leadership, corruption, low morale, obsolescent weapons, a weak logistical system, and problems with command and control also constrain the KPA capabilities and readiness.

Because the conventional military capabilities gap between North and South Korea has become so overwhelmingly great and prospects for reversal of this gap so remote, Pyongyang 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.

Six Party Talks and Denuclearization. In addition to the TD-2 missile launch of April 2009 and the probable nuclear test of May 2009, Pyongyang's reprocessing of fuel rods removed from its reactor as part of the disablement process appears designed to enhance its nuclear deterrent and reset the terms of any return to the negotiating table. Moreover, Pyongyang knows that its pursuit of a uranium enrichment capability has returned that issue to the agenda for any nuclear negotiations. The North has long been aware of US suspicions of a highly enriched uranium program.

We judge Kim Jong-Il seeks recognition of North Korea as a nuclear weapons power by the US and the international community. Pyongyang's intent in pursuing dialogue at this time is to take advantage of what it perceives as an enhanced negotiating position, having demonstrated its nuclear and missile capabilities.

Afghanistan

Status of the Insurgency

The Afghan Taliban-dominated insurgency has become increasingly dangerous and destabilizing. Despite the loss of some key leaders, insurgents have adjusted their tactics to maintain momentum following the arrival of additional US forces last year. We assess the Taliban was successful in its goal of suppressing voter turnout in the August elections in key parts of the country.

Since January 2007, the Taliban has increased its influence and expanded the insurgency outside the Pashtun belt, while maintaining most of its strongholds. The Taliban's expansion of influence into northern Afghanistan since late 2007 has made the insurgency a countrywide threat. As it has done elsewhere, the Taliban conducts military operations, shadow governance activities, and propaganda campaigns to solidify support among the populace and eliminate resistance to its presence. I refer you to my classified statement for a more detailed discussion of IC analysis of Taliban influence.

The insurgency also has increased the geographic scope and frequency of attacks. Taliban reactions to expanded Afghan and International Security Assistance Force (ISAF) operations

account for some of the increase, but insurgents also have shown greater aggressiveness and undertaken more lethal tactics.

This lack of security in many areas coupled with a generally low government capacity and competency has hampered efforts to improve governance and extend development. Afghan leaders also continue to face the eroding effects of official corruption and the drug trade, which erode diminish public confidence in its already fragile institutions.

Afghan Taliban-al-Qa'ida Links

Al-Qa'ida activity in Afghanistan increased steadily from the beginning of 2006 until early 2009. Nevertheless, the group's manpower contribution to the insurgency in Afghanistan is likely to remain modest because the group's core leadership in Pakistan continues to dedicate resources to planning, preparing, and conducting terrorist operations in Pakistan, the US, Europe, and on other fronts.

We assess al-Qa'ida's ability to operate in Afghanistan largely depends on the relationship between al-Qa'ida operatives and individual Taliban field commanders. Al-Qa'ida fighters rely heavily on Taliban guides to facilitate their movement, lodging, and safety while operating in unfamiliar terrain among a non-Arab population. Al-Qa'ida last year fielded at any one time less than 100 fighters in Afghanistan, while the Taliban has thousands of fighters in Afghanistan. However, this number does not include groups of associated foreign fighters operating inside Afghanistan concurrently and at-times cooperatively with al-Qa'ida.

- We assess that Taliban Supreme Leader Mullah Omar remains committed to supporting al-Qa'ida and elements within the Taliban continue to cooperate with the group in Afghanistan. Nonetheless, al-Qa'ida's efforts to work with Pakistan-based militants to sustain their terror campaign in Pakistan's settled areas is adding strains to al-Qa'ida's relations with the Afghan Taliban leadership.

The safehaven that Afghan insurgents have in Pakistan is the group's most important outside support. Disrupting that safehaven will not be sufficient by itself to defeat the insurgency, but disruption of the insurgent presence in Pakistan is a necessary condition of making substantial counterinsurgency progress. In my classified statement for the record I have outlined in more detail our assessment of the situation regarding Afghanistan-oriented insurgents in Pakistan.

Security Force and Governance Challenges

Against the backdrop of Afghanistan's increasingly dangerous and destabilizing insurgency, continued progress has been made in expanding and fielding the Afghan National Army (ANA) but the shortage of international trainers in the field, high operational tempo, attrition, and absenteeism hamper efforts to make units capable of significant independent action. The Afghan National Police (ANP) has received less training and resources than the Army and is beset by high rates of corruption and casualties and absenteeism. Limitations to the ANP's training, mentoring, and equipping, as well as to the abilities of a force trained to "hold" territory in those large parts of the country that have not been effectively "cleared" hinder its progress and effectiveness. The Ministry of Interior has also remained largely ineffective. We judge the

ANA has a limited but growing capability to plan, coordinate, and execute counterinsurgency operations at the battalion level. It still requires substantial Coalition support in logistics, training, combat enablers, and indirect fire.

In 2010, as we, our NATO Allies, other coalition partners, and our Afghan partners increase efforts on the security front, Kabul must work closely with the national legislature and provincial and tribal leaders to establish and extend the capacity of the central and provincial governments. The country faces a chronic shortage of resources and of qualified and motivated government officials at the national and local level. In addition, continued insecurity undercuts the population's perceptions of the national government's long term prospects to either win the war, or to persuade tribal and other influential non-state actors to remain neutral or back insurgents.

Kabul's inability to build effective, honest, and loyal provincial and district level institutions capable of providing basic government services and enabling sustainable, legal livelihoods erodes its popular legitimacy and has contributed to the influence of local warlords and the Taliban. The Afghan Government established the Independent Directorate of Local Governance (IDLG) in 2007 to address governance shortcomings at the provincial and district level; but the IDLG's efforts to improve governance have been hamstrung by a shortage of capable government administrators.

Many Afghans perceive the police to be corrupt and more dangerous than the Taliban. The inflow of international funding connected to the international military presence and international reconstruction assistance has brought benefits but also has increased the opportunities for corrupt officials to profit from the counterinsurgency and stabilization efforts in the country. The drug trade has a debilitating effect on the government's legitimacy, as criminal networks cooperate with insurgents and corrupt officials in ways that decrease security and the average Afghan's confidence that he will be treated fairly by the authorities.

Status of the Afghan Drug Trade

The insidious effects of drug-related criminality continue to undercut the government's ability to assert its authority outside of Kabul, to develop a strong, rule-of-law based system, and to rebuild the economy. High wheat prices, low opium prices, and provincial-government-led efforts reduced poppy cultivation in Afghanistan to 131,000 hectares in 2009, down 17 percent from the 157,300 hectares cultivated in 2008. Potential opium production fell only 4 percent, however, to 5,300 metric tons, because good weather following a drought in 2008 increased yields. Potential heroin production is estimated at 630 metric tons, if the entire opium crop were processed.

- High wheat prices and low opium prices during the planting season in fall 2008 encouraged farmers to grow more wheat at the expense of poppy. Wheat prices were nearly three times higher than normal, driven by countrywide food production shortfalls, globally high prices for wheat, and a partial ban on wheat imports by Pakistan, Afghanistan's main wheat trading partner. Opium prices have been on a downward trend since 2004, most likely because of continued overproduction.

Recent price trends may lead to a larger poppy crop this year. Wheat prices have dropped by half since the fall 2008 planting season in response to an abundant Afghan wheat harvest last year and global price declines, reducing the profitability of wheat and probably making the crop less desirable than poppy to farmers. However, aggressive governor-led anti-poppy campaigns in some provinces and continued low opium prices caused by persistent overproduction may nevertheless convince some farmers—who are now planting next year's crop—to grow wheat and other licit crops instead of poppy.

- The Afghan Taliban in 2008 received up to $100 million in opium, cash, and goods and services from the opiate trade in Afghanistan, making the opiate trade the most important source of funding from inside Afghanistan for the Taliban-dominated insurgency.

International Support to Afghanistan

NATO remains committed to supporting ISAF's mission in Afghanistan and Allies agree building the Afghan National Security Forces (ANSF) is key to Afghanistan's long-term stability. Allies concentrated in the south and east—the United Kingdom, France, Canada, Poland, Australia, Denmark, Romania, Estonia, Lithuania ,and the Netherlands—conduct the bulk of the kinetic counterinsurgency operations. ISAF partners have been under increasing pressure in the north, where Berlin has remained committed to supporting training efforts. Operational limitations inhibit the ability of other Allies to make lasting improvements to the security situation, yet key allies have the capacity to make new contributions to the ISAF mission. After the release of the US Afghanistan-Pakistan strategy and the NATO Summit in spring 2009, Allies and partners deployed more than 3,000 additional troops to Afghanistan—primarily for election security, force protection, and training of Afghan forces. After the President's 1 December West Point speech, NATO Allies and other ISAF partners pledged approximately 7,000 troops, including the long-term extension of many of the temporary deployments to support the August 2009 Afghan presidential election.

Pakistan: Turning Against Domestic Extremists

Pakistan-based militant groups and al-Qa'ida are coordinating their attacks inside Pakistan despite their historical differences regarding ethnicity, sectarian differences, and strategic priorities. This tactical coordination across militant networks probably is increasing and is an important factor in the increase in terrorist attacks in Pakistan. We judge that this increase along with the growing "Talibanization" outside of the FATA have made the Pakistani public more concerned about the threat from Pakistan-focused Islamic extremists and more critical of al-Qa'ida, and Pakistanis may be more likely to continue to support efforts to use military force against the extremists.

- According to the Pew Global Attitudes Project, the percentage of Pakistani respondents expressing favorable views of al-Qa'ida declined over the past year from 25 to 9 percent, while those with an unfavorable view increased from 34 to 61 percent. Similarly, respondents expressing favorable views of the Taliban declined from 27 to 10 percent while unfavorable opinions increased from 33 to 70 percent.

On the other hand, despite robust Pakistani military operations against extremists that directly challenge Pakistani government authority, Afghan Taliban, al-Qa'ida, and Pakistani militant groups continue to use Pakistan as a safehaven for organizing, training, and planning attacks against the United States and our allies in Afghanistan, India, and Europe.

Mixed Efforts Regarding 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 (TTP) and al-Qa'ida and other associated operatives in the settled areas. However, it still judges it does not need to confront groups that do not threaten it directly and maintains historical support to the Taliban. Pakistan has not consistently pursued militant actors focused on Afghanistan, although Pakistani operations against TTP and similar groups have sometimes temporarily disrupted al-Qa'ida. Simultaneously, Islamabad has maintained relationships with other Taliban-associated groups that support and conduct operations against US and ISAF forces in Afghanistan. It has continued to provide support to its militant proxies, such as Haqqani Taliban, Gul Bahadur group, and Commander Nazir group.

- Indeed, as is well known, the al-Qa'ida, Afghan Taliban, and Pakistani militant safehaven in Quetta, the FATA, and the NWFP is a critical safehaven for the insurgency and will continue to enable the Afghan insurgents and al-Qa'ida to plan operations, direct propaganda, recruiting and training activities, and fundraising activities with relative impunity. Substantially reducing the ability of insurgents to operate in Pakistan would not, by itself, end the insurgency in Afghanistan. Pakistan safehaven is an important Taliban strength, and unless it is greatly diminished, the Taliban insurgency can survive defeats in Afghanistan.

That said, Islamabad's poor capabilities to counter the safehavens are improving. Since April Pakistan has allocated significantly more resources and conducted an aggressive campaign to deal with security threats to the settled areas. Nonetheless, Islamabad struggles to assemble effective capabilities for holding and policing cleared areas, delivering public services, and devising an effective system to prevent militant reoccupation of population centers.

Islamabad's conviction that militant groups are an important part of its strategic arsenal to counter India's military and economic advantages will continue to limit Pakistan's incentive to pursue an across-the-board effort against extremism. Islamabad's strategic approach risks helping al-Qa'ida sustain its safehaven because some groups supported by Pakistan provide assistance to al-Qa'ida.

Pakistan's Counterinsurgency (COIN) Improvement. We judge that the actions of senior Pakistani military leaders and the support provided by civilian leaders will continue to drive Islamabad's COIN performance. While much work needs to be done, improved COIN effectiveness over the past year—Islamabad has conducted more sustained operations that have driven militants from major roads and towns in the northern tribal areas and the Malakand region of the NWFP and the Mehsud tribal areas in South Waziristan—has been due to the following factors:

- *A more effective senior leadership* that has rebuilt the Frontier Corp's morale, ensured its units perform better in combat, and identified long-term training, pay, leadership development, facilities, personnel policies, and equipment needs.

- *More military resources deployed* against militancy in western Pakistan—Pakistan has significantly increased the number of military forces operating against militants in the NWFP.

- *Stronger public and political support for military efforts* to reverse the successes militants achieved in the Malakand region in early 2009.

Political Difficulties

Pakistan will continue to be troubled by terrorist violence, extreme partisanship, regional and ethnic groups bent on asserting their interests against Islamabad, and popular discontent with economic conditions.

- Pakistani Taliban insurgents who attempted unsuccessfully to expand their territorial influence outside of the tribal areas in early 2009 are not defeated and most likely will continue to mount other efforts to challenge the Pakistani state outside these areas. These efforts will continue to include costly terrorist attacks on government and civilian targets in Pakistani cities. In the last three months of 2009, as Pakistan mounted new operations against the TTP stronghold in South Waziristan, Pakistan-based extremists and al-Qa'ida conducted at least 40 suicide terrorist attacks in major cities, killing about 600 Pakistani civilians and security force personnel. Al-Qa'ida, with the assistance of its militant allies, is trying to spark a more aggressive indigenous uprising against the government as it seeks to capitalize on militant gains and reorient Pakistan toward its extremist interpretation of Islam.

Pakistan's Economic Situation

The global financial crisis and the insurgency, coupled with domestic economic constraints and long-term underfunding of social sectors, reduced Pakistan's economic growth to 2 percent in 2008–2009. Political turmoil and growing insurgent and terrorist violence in Pakistan since early 2007 contributed to foreign capital flight. Net foreign investment in Pakistan fell by 38 percent last fiscal year compared to the previous year, according to Pakistani central bank statistics, mainly because of a large decline in portfolio investment. Rising food prices and electricity shortages have made economic problems a major focus for popular discontent. The Pakistani Government is focusing intently on obtaining short-term benefits relief—largely through external assistance—while neglecting the concurrent need for longer-term investment. Islamabad will need to implement politically difficult reforms to address debt sustainability—including cutting government spending, eliminating electricity tariffs, and boosting revenues—if it is to put its economic house in order and avoid a new economic crisis. The government has begun to implement some of those reforms by increasing electricity prices.

The international community and international financial institutions remain generally willing to assist Pakistan, though many individual donors have not fulfilled their aid pledges from the April 2008 Tokyo conference. The IMF disbursed $1.2 billion to Pakistan at the end of

December. This was the fourth tranche of Pakistan's IMF-backed loan and brought the total funds received by Pakistan under the Standby Arrangement to $6.5 billion.

The longer term challenge to Pakistan is a policy framework that sets the economy on a more sound footing derived from a broader tax base, better transparency in government expenditures, more job opportunities and effective poverty alleviation measures, support for investment in the power sector, and education initiatives that improve Pakistan's ability to attract foreign investment and participate in the global economy.

India

As one of the engines of the global economy, India continues to demonstrate the potential for strong growth in 2010. Indian Government data show that net portfolio inflows for the first half of the Indian fiscal year (which began on 1 April 2009) were almost $18 billion—market signals that India, under Prime Minister Singh's leadership, remains an attractive location for investment and economic opportunities. World Bank reporting from December 2009 also confirms that India is likely to return to 8 to 9 percent GDP growth rates within the next two years.

In keeping with its status as an emerging world power, the Government of India exerts strong leadership in global and regional fora and in important bilateral relationships. In multilateral groupings such as the G-20 and the Copenhagen Conference on Climate Change, India has reaffirmed its support for various strategic outcomes participating nations hope to achieve in specific negotiations, even though India's near- to mid-term negotiating positions are reflective of unilateral targets and goals. India's recent decision to participate in the April 2010 Global Security Summit signals a continuation of this trend, as New Delhi is likely to pursue longer-terms goals to diminish the numbers and role of nuclear weapons in global security even as the country remains steadfast in its refusal to sign the nuclear Nonproliferation Treaty.

Since its return to power in the May 2009 national elections, the UPA-led government also has begun efforts to improve regional relationships through advocacy of greater economic links among South Asian Association for Regional Cooperation (SAARC) nations and successful bilateral meetings such as the January 2010 State Visit to India by Bangladesh Prime Minister Sheikh Hassina. Indian political leaders, moreover, have publicly declared that the continuing rise of China and India on the global political and economic stages is not a harbinger of automatic conflict, but rather a constructive challenge to India's economic rise and an opportunity for innovation and collaboration by two strong powers. During his November 2009 State Visit to the US, Prime Minister Singh noted that the world should "prepare for the rise of China as a major power," referencing ongoing territorial disputes between the two countries, for example, but also stating that engagement with China was the "right strategy" for India.

India's relationship with Pakistan, however, remains stalled in the aftermath of the November 2008 terrorist attacks on Mumbai conducted by groups operating from Pakistani soil. Indian leaders have stated repeatedly that Pakistani efforts to prosecute those individuals who are charged with involvement in the attack are the sine qua non for resuming broad dialogue with Pakistan on other significant bilateral issues, including Kashmir. Prime Minister Singh has also

publicly reaffirmed two additional, critical points vis-à-vis Pakistan: that India does not want to see the country fail, and that Pakistan is engaged in efforts to combat the Taliban operating on Pakistani territory.

New Delhi sees a stable, friendly Afghanistan as crucial to India's security, but takes a measured approach to its assistance to Kabul. Indian leaders have underscored their desire to help reestablish a viable civil society in Afghanistan under a strong democratic government that is representative of all ethnic groups in Afghanistan. New Delhi is implementing bilateral civilian assistance programs and reconstruction aid that total approximately $1.2 billion and probably interprets recent public polling in Afghanistan which indicates that Afghan citizens are favorably disposed towards India's role in country as a positive endorsement of Indian activities to date. India's open assistance programs to date provide only non-combat aid, although there is some discussion in the media about the fact that India is interested in providing more training to Afghan security forces on a cost-effective basis as part of its human capacity building programs. The Government of Pakistan, however, remains concerned that India is using its presence in Afghanistan as a cover for actions that may be destabilizing to Pakistan itself.

Mixed Outlook Middle East

Iraq: Security, Political, and Economic Trends

The positive security trends in Iraq over the past year have endured and overall violence remains at its lowest level since 2003. Although there have been periodic spikes in attacks, terrorist and insurgent groups have not been able to achieve their objectives of reigniting ethno-sectarian tensions or paralyzing the Iraqi Government and we assess they will unlikely be able to do so in the future for three primary reasons:

- First, al-Qa'ida in Iraq's financial struggles, difficulty recruiting new members, and continued Sunni rejection of the group will limit AQI's capacity to undermine the Government of Iraq or gain widespread Sunni Arab support to establish an Islamic Caliphate. Despite its setbacks, we judge that AQI in Iraq will remain committed to conducting attacks into the foreseeable future. Meanwhile, Sunni Arab insurgents lack the cohesion to threaten the Iraqi central government, and we judge the Sunni Arab insurgency will weaken without the US presence as a common motivating factor.

- Second, the Iraqi Government and society have shown great resilience in the face of AQI attacks. Despite high-profile bombings of government buildings in 2009, we did not see any indications of impending communal conflict—such as retaliatory violence, the reappearance of neighborhood militias, or hardened sectarian rhetoric—that followed mass-casualty bombings in 2006.

- Finally, the Iraqi Security Forces (ISF) continue to improve tactical proficiency and operational effectiveness and have maintained security in most urban areas following the 30 June repositioning of US forces out of Iraq's cities.

Although we judge Iraq will be able to maintain a generally secure path, this forecast is dependent on the next government's effective management of Arab-Kurd tensions, continued progress in integrating the Sunni Arabs into the political process, and the ability of the ISF to combat threats to the state. Two key events in 2010—the March 2010 parliamentary elections and the August 2010 withdrawal of US combat forces—will be important indicators of the new government's ability to adapt, as well as manage and contain, conflict.

Arab-Kurd tensions have potential to derail Iraq's generally positive security trajectory, including triggering conflict among Iraq's ethno-sectarian groups. Many of the drivers of Arab-Kurd tensions—disputed territories, revenue sharing and control of oil resources, and integration of peshmerga forces—still need to be worked out, and miscalculations or misperceptions on either side risk an inadvertent escalation of violence. US involvement—both diplomatic and military—will remain critical in defusing crises in this sphere.

The pace of the insurgency's decline will depend largely on Sunni Arab reconciliation with the government, economic opportunities, and whether Sunni expectations for national elections are met. An emboldened, Shia-dominated government that is perceived to back oppressive policies against Sunni Arabs would lead Sunni Arabs to reconsider violence as an effective means to achieve their goals.

Iran continues to train, equip, and fund select Iraqi Shia militant groups to maintain pressure on US forces. The most dangerous of these groups will likely continue attacks on Coalition forces until withdrawal from Iraq is complete.

While the ISF remain in the lead for security operations in urban areas following the 30 June US forces' repositioning out of Iraq's cities and are conducting the majority of counterinsurgency operations independently, they are still developing enabler capabilities including logistics, intelligence, surveillance and reconnaissance.

On the **political front**, Iraqi politicians are actively engaged in campaigning and coalition building ahead of the national legislative election slated for March. In a positive development, politicians from all Iraqi parties responded to the perceived message of the January 2009 provincial returns by working to form cross-sectarian coalitions, but several outstanding issues in the electoral process remain. Recent attempts to disqualify candidates and parties intending to compete in the March elections along with ongoing ethno-sectarian tensions may end up complicating the prospects for a transparent and broadly accepted electoral process. Difficulties in ratifying the election law last fall signal the potential for post-election challenges to its legitimacy by disgruntled or disenfranchised parties.

Iraqi parties and coalitions after the elections are likely to face protracted negotiations to form a government, complicated by constitutionally mandated institutional changes. After the election, Iraqi leaders also will have to address the Constitution's mandate to replace the current presidency structure of one president and two vice presidents, each bearing veto power, with a single president.

Iraq's overall economic performance is likely to remain mixed. Iraq has finalized one oil contract and is set to conclude nine others with international consortiums to expand the development of some of its largest oilfields. These contracts hold the potential to create many thousands of new jobs in Iraqi oil and non-oil sectors and to stimulate economic growth. The oil companies' proposed production increase to 12 million bpd in roughly a decade from the present 2.4 million bpd will be difficult to achieve, however, because of infrastructure and institutional constraints.

- Iraq's 2010 budget proposes to raise capital spending by 60 percent, with increases for the ministries of oil, electricity, water, minerals, health and education. However, Iraq is likely to continue struggling in the near term to attract the foreign investment it needs for re-building infrastructure and economic growth in the non-oil sector. Job creation will remain a significant challenge for the foreseeable future given the country's heavy reliance on the oil sector, which is a source of a limited number of jobs.

The IMF's most recent estimates project real GDP growth for 2010 to be in the 5 to 6 percent range. Inflation continues to subside, declining to roughly 5 percent as of November 2009 from roughly 13 percent in November 2008.

Iran: Growing Authoritarianism and Efforts to Expand its Regional Influence

The Iranian Government faced a major political challenge last summer when a widespread perception of fraud during the June presidential election provoked large-scale popular demonstrations and infighting among regime elites. Conservative hardliners reacted by cracking down on protestors and regime opponents, and hardliners now are using the crisis and its aftermath to further consolidate their power. Despite Iran's internal turmoil, we judge that Tehran's foreign policy will remain relatively constant—driven by a consistent set of goals—and that its efforts to expand its regional influence and ongoing support for terrorist and militant groups will continue to present a threat to many countries in the Middle East and to US interests.

Iran's political crisis has widened splits in the country's political elite and undercut the regime's legitimacy. Although Iranian politics remain in flux, Supreme Leader Khamenei, President Ahmadi-Nejad, and their hardline conservative allies are likely to focus over the next year on consolidating their power.

- Strengthened conservative control will limit opportunities for reformers to participate in politics or organize opposition. The regime will work to marginalize opposition elites, disrupt or intimidate efforts to organize dissent, and use force to put down unrest.

Iran's economic performance has been hurt by softening oil prices and longstanding Iranian policies that discourage the private sector and foreign investment, but the economy is not in crisis. Iran's economy is heavily dependent on oil—hydrocarbons provide 80 percent of its foreign exchange revenue, making Tehran vulnerable to downturns in oil prices. Nonetheless, Iran maintains foreign currency reserves to hedge against a moderate fall in oil prices. International sanctions and pressure have aggravated Iran's economic woes by disrupting and

increasing the cost of international business, slowing some projects and programs, and contributing to Iran's economic slowdown.

- Iran has made contingency plans for dealing with future additional international sanctions by identifying potential alternative suppliers of gasoline—including China and Venezuela. Tehran also has resorted to doing business with small, non-Western banks and dealing in non-US currency for many financial transactions. Iranian opposition press has reported the involvement of the Revolutionary Guard and Iranian intelligence in the smuggling of crude oil as a way of both skirting and profiting from sanctions. Despite these activities and Iran's gasoline subsidy cuts, which could in part serve to mitigate some effects of the embargo, we nonetheless judge that sanctions will have a negative impact on Iran's recovery from its current economic slowdown.

Iran's overall approach to international affairs probably will remain relatively constant and will continue to be driven by longstanding priorities of preserving the Islamic regime, safeguarding Iran's sovereignty, defending its nuclear ambitions, and expanding its influence in the region and the Islamic world. We judge Iran's influence and ability to intervene in the region will remain significant and that it will continue to support terrorist and militant groups to further its influence and undermine the interests of Western and moderate regional states.

In Iraq, we expect Iran will focus on building long-term influence by trying to ensure the continued political dominance of its Shia allies, expand Iran's political and economic ties to Iraq, and limit Washington's influence. We assess Tehran continues to train, equip, and fund select Iraqi Shia militant groups.

In Afghanistan, Iran is providing political and economic support to the Karzai government, developing relationships with leaders across the political spectrum, and providing lethal aid to elements of the Taliban to block Western—especially US—entrenchment in the country. Tehran likely will continue to provide reconstruction, humanitarian, and economic initiatives intended to bolster Afghan stability. Iran also will seek to expand its influence at the expense of the United States and other competitors, and to work with Kabul on border security and counternarcotics initiatives.

In the Levant, Tehran is focused on building influence in Syria and Lebanon and expanding the capability of key allies. Tehran continues to support groups such as Hizballah, HAMAS, and the Palestinian Islamic Jihad (PIJ), which it views as integral to its efforts to challenge Israeli and Western influence in the Middle East.

- Hizballah is the largest recipient of Iranian financial aid, training, and weaponry, and Iran's senior leadership has cited Hizballah as a model for other militant groups. Iran also provides training, weapons, and money to HAMAS to bolster the group's ability and resolve to maintain its armed resistance to Israel and opposition to Israeli-Palestinian peace negotiations.

Syria

Bashar al-Asad has strengthened his hold on power in Syria since becoming President in June 2000, and his standing has been augmented by his perceived success in weathering regional crises and international pressure, and by the regime's ability to highlight Syria's relative insulation from violence in Iraq. Within Syria, Asad has preserved the pillars of regime control established by his father while gradually using personnel turnover to appoint loyalists and expand his power base.

- Syrian leaders continue to exploit "resistance" to Israel and rejection of US pressure to unify Syrians in support of the regime, despite broad dissatisfaction with economic conditions, some disappointment at the lack of political reforms, and quiet resentment by the Sunni majority at domination by the Alawi minority.

- Damascus remains generally uncooperative with the IAEA investigation of its covert nuclear efforts following the destruction of its secret nuclear reactor in September 2007. Syria also maintains a chemical weapons programs and an active missile program, with some missiles that can reach 700 kilometers.

The Syrian regime continues to wield significant influence in Lebanon, arming and funding its allies, while simultaneously taking steps toward normal state to state relations.

Syrian relations with the Maliki government in Iraq remain strained following Baghdad's accusation that Syrian-based Ba'thists are behind the 2009 bombings of several government ministries there. Overall we assess that Damascus will continue to seek improved political and economic ties to Baghdad, while also permitting foreign fighters, Ba'thists, and other Sunni oppositionists to transit or operate within Syria. Damascus probably will, however, act against terrorist and foreign fighter elements it perceives as a threat to the Asad regime.

Yemen

Yemen faces a number of security, political, economic, and humanitarian challenges including the activity of Yemen-based al-Qa'ida in the Arabian Peninsula, the Huthi insurgency in the North, rising southern secessionist activity, and a weak economy. Yemen's declining oil reserves also threaten to reduce the government's main source of revenue. Several regional states worry that a faltering Yemen could become a source of regional instability. I discuss Yemen more fully in my classified statement.

Israeli-Palestinian Peace Dynamics

Israel and the Palestinians endorse a negotiated two-state solution to the conflict, but have very different concepts of this formula and how it should be implemented. Palestinians want Israel to freeze settlement construction, including in East Jerusalem, as a precondition to final-status negotiations.

Israel is pressing the Palestinians to resume peace talks immediately and is observing a 10-month moratorium on new settlement construction that excludes East Jerusalem. Israel has refused to deal with HAMAS until it meets the Quartet conditions, which are to recognize

Israel's right to exist, forswear violence, and agree to abide by previous Israeli-Palestinian agreements. Israeli Prime Minister Netanyahu has advocated steps to improve the quality of life for West Bank Palestinians by enhancing economic development and easing security restrictions, but Gaza remains isolated.

- The ability of HAMAS and other Palestinian groups to act as spoilers is complicating the process. Palestinian reconciliation talks brokered by Egypt remain deadlocked.

Continuing stagnation in the negotiations process could undercut Palestinian support for a two-state approach, although these proposals for now remain at the rhetorical stage. Frustration over the stalemate has prompted some Palestinians to argue in favor of equal rights within a single state that would encompass Israel, the West Bank and the Gaza Strip.

Palestinian Authority President Abbas, whose threat to resign has created a stir among Fatah, the PA, the PLO, and the international community, has been asked to stay on as President. Abbas has postponed presidential and legislative elections slated for 2010 because of HAMAS' refusal to participate.

Prospects for Israeli-Syrian Peace Talks

Since Prime Minister Netanyahu assumed office in March 2009, Syria has stated its preference for resuming talks where they left off with the Olmert government, incorporating the informal understandings reached during those talks. Israel says it would enter direct talks "with no preconditions." Damascus continues to seek a full Israeli withdrawal from the Golan Heights, a position to which the Netanyahu government is unwilling to commit ahead of negotiations.

China's Continuing Transformation

China's international profile rose over the past year, partly because of Beijing's response to the global economic crisis. Notwithstanding some stresses and potentially troublesome long-term effects inside China, Beijing became a more prominent regional and emerging global player as the international community sought to recover from the crisis. After devoting considerable resources toward sustaining its own economy—including a $600 billion stimulus package and more than $1.4 trillion in new lending by banks in 2009—China assumed a central role in the G-20 and has served as one of the key engines for global recovery, reinforcing perceptions of its increasing economic and diplomatic influence.

China's growing international confidence and activism has been fueled in part by the success of its own economic recovery to date, and has been partly reflected in greater Chinese cooperation with the United States and other countries in several areas. For example, last year Beijing contributed to the G-20's pledge to increase IMF resources, deployed naval forces to the international antipiracy operation in the Gulf of Aden, and supported new UN Security Council sanctions against North Korea. Beijing has tempered its cooperation, however, in areas where China views its interests or priorities as different from ours, such as on Iran.

In addition its pursuit of international status and influence, Beijing's foreign policy—especially its engagement with the developing world—is still heavily driven by the imperative of sustaining growth at home by securing energy supplies and other key commodities and cultivating access to markets and capital abroad. This focus, however, has generated accusations of poor labor and environmental practices abroad and predatory trade practices—and has revealed the limits to the success of its charm offensive around the world. Beijing's commercial interests also limit its readiness to cooperate with Washington in dealing with such countries as Iran and Sudan.

Behind its external ambitions and increasing international activism, China's core priority remains ensuring domestic stability. More fundamentally, Chinese leaders are intensely focused on shoring up public support for the Communist Party and its policies. President Hu's ability to reinvigorate his efforts to balance fast economic growth with more equitable development, and to enhance the Party's legitimacy, will depend on several variables, especially the sustainability of China's economic recovery. Succession politics also will begin affect leadership decisionmaking in 2010.

In contrast to recent years, cross-Strait relations are relatively stable and positive, with Beijing and Taipei having made major progress on economic deals and Taiwan's involvement in some international organizations. Nevertheless, the military imbalance continues to grow further underscoring the potential limits to cross-Strait progress.

People's Liberation Army Modernization

Preparation for a Taiwan conflict continues to dominate PLA modernization and contingency plans and programs, and is likely to remain the driving factor at least through 2020. However, China's international interests have expanded, Beijing has contemplated whether and how to expand the People's Liberation Army's (PLA) international role to protect and promote those interests. The leadership increasingly sees nontraditional military missions, such as humanitarian relief and peacekeeping operations, as appropriate to China's great power status as a way to demonstrate its commitment to the international system. This reflects both a perceived need and an opportunity: the need to protect China's interests and access to resources and sea lines of communications (SLOCs), and the opportunity to enhance China's global stature through involvement in activities such as humanitarian relief and peacekeeping operations. The PLA, however, will resist participation in missions that it sees as US-dominated or focused on achieving US objectives.

The PLA's capabilities and activities in four key areas pose challenges to its neighbors and beyond Taiwan , including China's military relationships across the developing world; China's aggressive cyber activities; its development of space and counterspace capabilities; and its expansive definition of its maritime and air space with consequent implications for restricted freedom of navigation for other states. The PLA is already demonstrating greater confidence and activism in such areas as asserting China's sovereignty claims and in military diplomacy.

Important PLA modernization programs include: ballistic and cruise missile forces capable of hitting foreign military bases and warships in the western Pacific; anti-satellite (ASAT) and

electronic warfare weapons to defeat sensors and information systems; development of terrestrial and space-based, long-range intelligence, surveillance, and reconnaissance systems to detect, track, and target naval, air, and fixed installations; and continuing improvements to its increasingly capable submarines to place naval surface forces at risk. Many of these programs have begun to mature and improve China's ability to execute an anti-access and area-denial strategy in the Western Pacific.

Outlook for Russia

The role Moscow plays regarding issues of interest to the United States is likely to turn on many factors, including developments on Russia's periphery and the degree to which Russia perceives US policies as threatening to what its leadership sees as vital Russian interests.

There have been encouraging signs in the past year that Russia is prepared to be more cooperative with the United States, as illustrated by President Medvedev's agreement last summer to support air transit through Russia of lethal military cargo in support of coalition operations in Afghanistan and Moscow's willingness to engage with the United States on constructive ways to reduce the nuclear threat from Iran. I remain concerned, however, that Russia looks at relations with its neighbors in the former Soviet space—an area characterized by President Medvedev as Russia's "zone of privileged interests"—largely in zero-sum terms, vis a vis the United States, potentially undermining the US-Russian bilateral relationship. Moscow, moreover, has made it clear it expects to be consulted closely on missile defense plans and other European security issues.

On the domestic front, Moscow faces tough policy choices in the face of an uptick in violence in the past year in the chronically volatile North Caucasus, which is fueled in part by a continuing insurgency, corruption, organized crime, clan competition, endemic poverty, radical Islamist penetration, and a lagging economy that is just beginning to recover from the global economic crisis. Some of the violence elsewhere in Russia, such as a deadly train bombing in late November 2009, may be related to instability in the North Caucasus.

In addressing nationwide problems, Medvedev talks about Russia's need to modernize the economy, fight corruption, and move toward a more rule-of-law-based and pluralistic political system, but he faces formidable opposition within the entrenched elite who benefit from the status quo. Turbulence in global energy markets was a painful reminder to Moscow of the Russian economy's overdependence on energy, dramatizing the need for constructive steps toward economic modernization and diversification. However, moving forward on issues such as reforming Russia's state corporations or creating conditions more conducive to foreign investors could produce a backlash by those forces who might lose from competition.

The Military Picture

Russia continues to rely on an array of strategic and non-strategic nuclear forces, advanced aerospace defenses, and asymmetric capabilities as the military component of its security strategy. Russia is now implementing its most serious military reform plans in half a century and ultimately aims to shed the legacy of the Soviet mass mobilization army and create a leaner,

more professional, more high-tech force over the next several years. Reform faces challenges from negative demographic trends, institutionalized corruption, and budget uncertainties in the wake of the global financial crisis.

- Moscow for the first time looked to the West to import modern weapons systems. Russia is pursuing post-START negotiations with the US while modernizing its nuclear triad to maintain a credible deterrent.

In the conventional forces realm, Moscow remains capable of militarily dominating the former Soviet space; although Russia's experience in the August 2008 Georgia conflict revealed major shortcomings in the Russian military, it also validated previous reform efforts that sought to develop rapidly-deployable forces for use on its periphery. Russia continues to use its military in an effort to assert its great power status and to project power abroad, including through the use of heavy bomber aviation patrols, out-of-area naval deployments, and joint exercises; some of these activities can have greater demonstrative impact than operational military significance.

Latin America Stable, but Challenged by Crime and Populism

Democratic governance remains strong in Latin America and the Caribbean where a vast majority of countries are committed to representative democracy, economic liberalization, and positive relations with the United States. In some countries, however, democracy and market policies remain at risk because of the continued threats from crime, corruption, and poor governance. In most states, serious economic problems have added further stress to democratic institutions. In parts of Mexico and Central America, for example, powerful drug cartels and violent crime undermine basic security. In other countries such as Venezuela, Bolivia, and Nicaragua, elected populist leaders are moving toward a more authoritarian and statist political and economic model, and they have banded together to oppose US influence and policies in the region. Venezuelan President Hugo Chavez has established himself as one of the US's foremost international detractors, denouncing liberal democracy and market capitalism and opposing US policies and interests in the region.

The region is showing signs of a slow economic recovery because countercyclical monetary and fiscal policies, coupled with rising commodity prices, helped most countries in the region stabilize by mid 2009. We judge that economic activity dropped by about 2.5 percent in 2009, led by Mexico with about a 7 percent decline. Latin American economies are expected to grow, on average, about 3 percent in 2010, but until a more robust recovery in the United States and Europe takes hold, regional economic growth will be modest. Exports from the region in 2009 have been down 25 to 30 percent from 2008, and we expect foreign direct investment will drop by about 30 percent. Besides Mexico, smaller countries in Central America and the Caribbean have been hit hard because of their close trade ties to the United States, falling tourism earnings, and declining remittances.

Mexico: Democracy Strong, But Faces Severe Test

President Calderon of Mexico has political backing and popular support for strengthening the rule of law in the face of violence, corruption, and criminal influence of his countries' powerful drug cartels. About 90 percent of all the cocaine that reaches the US from South America transits via Mexico, providing an enormous source of revenue and influence for illicit drug traffickers and giving gangs the means to threaten institutions, businesses, and individual citizens of Mexico. According to National Drug Intelligence Center, Mexican and Colombian drug trafficking organizations annually earn between $18-39 billion from drug sales in the United States.

Calderon is determined to break the cartels power and influence and reduce drug flows despite slow progress and continued high levels of violence. He has made the war on crime a key feature of his presidency, and his approval ratings remain solid, despite the fact that drug related violence claimed more than 7,000 lives last year. Opposition political parties support a strong counter drug effort, and the Mexican military remains committed to the task. We assess that the drug cartels probably will not destabilize the political situation even with escalated violence.

Brazil: A Growing Success

Brazil, with a stable, competitive democracy and robust economy, is one of the success stories of the region. Brazil's political system is well established and less vulnerable to populist authoritarian ambitions and its middle class has grown impressively to more than 50 percent of the population. Brazil will elect a new president this year as the popular President Luiz Inacio Lula da Silva steps down after two terms, and whoever wins probably will pursue responsible pro-growth economic policies. As an impressive sign of its economic health, Brazil suffered relatively little from the world financial crisis, and its GDP will probably grow at a rate of 5 percent this year.

Brazil, however, has crime and drug problems that will persist. Its major cities are among the region's most violent, and according to a UN study, Brazil is one of the world's largest consumers of cocaine. In Rio de Janiero, the site of the 2016 Olympics, authorities have initiated a program to recapture poor neighborhoods that are under the sway of powerful criminal gangs. The United States is working closely with Brazilian counterparts on counterdrug operations, particularly with the Federal Police.

Overall, US-Brazilian relations are positive, although lately Brasilia has made public its strong differences with us on climate change, our Defense Cooperation Agreement with Colombia, and our handling of the Honduras crisis. Nevertheless, we see Brasilia as a valuable partner in promoting hemispheric stability and democratic values.

Central America At Risk

Mounting crime and corruption in the northern tier of Central America—El Salvador, Guatemala, and Honduras—are challenging the ability of those democratic governments to provide for basic security and the rule of law. High homicide rates make the region among the most violent in the world. According to the United Nations Development Program, El Salvador,

Guatemala, and Honduras have homicide rates five to seven times higher that the world average of nine per 100,000 people. El Salvador last year had a homicide rate of 71 per 100,000, the highest rate in Latin America. At the same time, the governments' capacity to respond effectively is limited by weak institutions and endemic corruption. The challenges to regional governments are compounded by the severe economic downturn in most of the region, increased poverty owing to the loss of jobs, and reduced remittances from legal and illegal migrants to the US.

Despite holding peaceful elections last November, Honduras still faces political uncertainty and partial diplomatic isolation resulting from the forcible removal of President Manuel Zelaya from power last June. Newly elected President Porfirio Lobo will have to struggle to achieve international recognition and will face continued opposition from Zelaya's more radical supporters at home.

Venezuela: Leading Anti-US Regional Force

President Chavez continues to impose an authoritarian populist political model in Venezuela that undermines democratic institutions. Since winning a constitutional referendum in early 2009 that removed term limits and will permit his reelection, Chavez has taken further steps to consolidate his political power and weaken the opposition in the run up to the 2010 legislative elections. The National Assembly passed a law that shifted control of state infrastructure, goods, and services to Caracas in order to deprive opposition states and municipalities of funds. Chavez has curtailed free expression and opposition activities by shutting down independent news outlets, harassing and detaining protestors, and threatening opposition leaders with criminal charges for corruption. Chavez's popularity has dropped significantly in recent polls as a result of his repressive measures, continued high crime, rising inflation, water and power shortages, and a major currency devaluation, raising questions about his longer term political future.

On foreign policy, Chavez's regional influence may have peaked, but he is likely to continue to support likeminded political allies and movements in neighboring countries and seek to undermine moderate, pro-US governments. He has formed an alliance of radical leaders in Cuba, Bolivia, Ecuador, Nicaragua, and until recently, Honduras. He and his allies are likely to oppose nearly every US policy initiative in the region, including the expansion of free trade, counter drug and counterterrorism cooperation, military training, and security initiatives, and even US assistance programs.

- In Bolivia, President Evo Morales easily was reelected in December 2009 for another five year term after changing the Constitution. He is likely to continue to pursue an authoritarian, statist domestic agenda and an anti-US foreign policy. Relations with the US remain poor, and Morales has sharply curtailed cooperation with US counterdrug programs since expelling the US Ambassador in 2008 and three dozen DEA personnel in early 2009.

- Ecuadorean President Rafael Correa, after modifying the Constitution to permit himself another term, was reelected in 2009. Relations with the US have not been close especially since Correa ended US use of the Manta airbase in 2008 and reduced cooperation on counternarcotics programs.

Chavez's relationship with Colombia's President Uribe is particularly troubled. His outspoken opposition to Colombia's Defense Cooperation Agreement with the US has led to an increase in border tensions. Chavez has called the agreement a declaration of war against Venezuela. He has restricted Colombian imports, warned of a potential military conflict, and continued his covert support to the terrorist Revolutionary Armed Forces of Colombia (FARC).

Chavez Embraces Extra-Regional Actors

Chavez will continue to cultivate closer political, economic, and security ties with Iran, Russia, and China. He has developed a close personal relationship with Iranian President Ahmadi-Nejad, and they have signed numerous agreements, primarily on joint energy ventures. The two counties also have conducted regular flights between their two capitals since 2007. Following Chavez's lead, Bolivia, Ecuador and Nicaragua have increased their ties to Iran.

Most of the agreements Moscow has signed with Chavez relate to arms sales and investments in the Venezuelan energy sector. Over the past five years, Venezuela has purchased more than $6 billion in weapons from Moscow, including 24 SU30MK multi-role fighters, along with helicopters, tanks, armored personnel carriers, air defenses missiles, and small arms. On paper, Venezuela's acquisitions are impressive, but their armed forces lack the training and logistics capacity to use these to their full capability. Yet, the scale of the purchases has caused concern in neighboring countries, particularly Colombia, and risks fueling a regional arms race. In addition to the arms deals, Russian naval warships and long range strategic bombers visited Venezuela in late 2008 to demonstrate Moscow's ability to deploy its military forces into the region.

Cuban Economy Under Stress

Cuba has demonstrated few signs of wanting a closer relationship with the United States. Without subsidized Venezuela oil shipments of about 100,000 barrels per day, the severe economic situation would be even worse. President Raul Castro fears that rapid or significant economic change would undermine regime control and weaken the revolution, and his government shows no signs of easing his repression of political dissidents. Meanwhile illegal Cuban migration to the US, which averaged about 18,000 per year from 2005 to 2008, decreased by almost 50 percent in 2009 mainly because of the US economic slowdown and tightened security measures in Cuba. While we judge the chance of a sudden Cuban mass migration attempt is low, if the regime decides it cannot cope with rising public discontent over economic conditions, it could decide to permit more Cubans to leave the island.

Haiti: Earthquake Threatens Viability of State

The 7.3-magnitude earthquake that devastated Port-au-Prince, Haiti on 12 January 2010 killed and injured hundreds of thousands—in a city of nearly three million people—largely wiping out the international effort to promote nation-building over the last two decades. With the destruction of entire neighborhoods, logistics infrastructure, and key public buildings, including the UN headquarters, Haiti faces a daunting rebuilding challenge far beyond its internal capacity to address. The long-term commitment and support of the international community will be required to help it recover. Even with a robust, long-term international

commitment, the threat of political and economic instability will always be present, as will the potential threat of maritime mass migration by Haitians desperate to reach the United States.

Continued Instability in Africa

Sub-Saharan African nations continue to show progress in developing more democratic political institutions and pursuing policies that encourage economic growth and development and improve living conditions. More African countries than ever before can be classed as democratic or partially democratic, and continent-wide economic growth has proven surprisingly resilient in the face of the worldwide economic downturn. Nevertheless, economic and political progress in Africa remains uneven, varies greatly from nation to nation, and is still subject to sudden reversal or gradual erosion. Africa has experienced recent backsliding as democratic advances have been reversed in several countries. The global financial crisis has slowed economic growth following a decade of relatively good performance in many countries.

The daunting array of challenges facing African nations make it highly likely in the coming year that a number will face new outbreaks of political instability, economic distress, and humanitarian crises, adding to the concerns already arising from ongoing, seemingly intractable conflicts that demand US attention and response.

Sudan: Facing Two Crises

The 2005 Comprehensive Peace Agreement (CPA) brought a tenuous peace between northern and southern Sudan, but many observers warn that the risk of renewed conflict is rising as we approach 2011, when the south is set to vote in a referendum on southern independence. Khartoum and Juba are running out of time to resolve disputes over the north-south border—along which most of Sudan's oil reserves lie—or to formulate a post-2011 wealth-sharing deal, which we judge are key to preserving the peace. While a renewed conflict could be limited to proxy fighting or skirmishes focused around individual oilfields, both sides' arms purchases indicate their anticipation of more widespread conflict. Southern leaders rhetoric suggests that they are increasingly determined to secure independence in 2011—whether by referendum or unilateral declaration if they believe Khartoum will thwart a vote—but the south is poorly prepared for the post-2011 period. The southern government is spending a large amount of its revenues on military force modernization while failing to provide basic services, curb rampant corruption, or curtail escalating tribal clashes. Some international observers have suggested the south will become a failed state unless the international community assumes a significant role in development, security, and governance.

The conflict in western Sudan's Darfur region has become less deadly but more complicated since the government began its counterinsurgency campaign against the rebels in 2003. Overall levels of violence have declined sharply since 2005, but a wide body of reporting points to a proliferation of banditry, ethnic clashes, and inter-rebel fighting. Darfur almost certainly will continue to experience sporadic bouts of fighting, especially as the government and rebels try to secure stronger negotiating positions in peace talks. Some of Darfur's fractured rebel groups are amenable to reunification efforts led by US and UN mediators, but the two most important rebel leaders have remained intransigent as they maneuver for advantage. The number of displaced

persons has climbed steadily to nearly 3 million, and any government efforts to resettle them could spark an even greater humanitarian emergency.

Somalia's TFG: Barely Hanging On

In the next year, the Transitional Federal Government (TFG) will continue to fight al-Shabaab and other factions for control of Somalia. On-going support from the African Union Mission in Somalia (AMISOM) and other international governments remains critical to TFG efforts to combat al-Shabaab and other factions and extend its reach into central and southern Somalia. While focusing on security is vital, the TFG also must begin to provide much needed public services and broaden representation among various Somali clans and sub-clans in order to win popular support and weaken the appeal of al-Shabaab. Al-Shabaab—which maintains ties to the small number of al-Qa'ida members who continue to operate in East Africa—is certain to continue planning attacks on TFG, Western, and AMISOM targets. Al-Shabaab has assumed control over many local revenue-generating structures—including ports, airports, roads, and water resources—since taking over large portions of central and southern Somalia last year.

Nigeria: Serious Challenges Remain

Nigeria, Africa's most populous country and a major oil and gas producer and home to as many as 70 million moderate Muslims will continue to face serious social, economic, and security challenges over the next year. Many important electoral and governmental reforms have stalled as Nigeria's political elites politick, buy support, pursue personal gain, and jockey for position ahead of the next national elections scheduled for 2011. Many observers fear communal conflict and political violence will increase in the run-up to these elections, which could lead to a deeply flawed poll. As the Niger Delta amnesty agreement between the government and militants continues to be stalled, we worry that criminality and conflict in the restive region will resume in the medium term, complicating US efforts to engage on security and energy issues. Communal violence probably will continue to outbreak suddenly, with little or no warning, especially in parts of the northern and central regions of the country where ethno-religious tensions remain high

Guinea: Not Yet Stable

Although we cannot discount the possibility that the resource-rich West African country will descend into inter-ethnic fighting that further drags it down and threatens the fragile stability in Liberia, Sierra Leone, and Cote d'Ivoire, the departure from the scene in December of erratic junta leader Moussa Dadis Camara, after a junta colleague attempted to kill him, has opened a narrow window of opportunity for defusing a volatile situation. Guinea's interim leaders have pledged to work toward democratic elections. The new Prime Minister of the transitional government took over on 26 January and is tasked to prepare elections in six months. Pro-Camara loyalists, however, remain a threat to the transitional government. Labor unions may call for renewed street protests if political and economic reforms to not arrive quickly enough.

For now, Guinea's inept military junta, which seized power following the death of President Conte in 2008, is piloting the resource-rich West African country until the return to civilian rule. Should they fail, they will take the country to instability and possibly a humanitarian crisis. The country could, given its current trajectory, descend into interethnic fighting and destabilize neighboring Liberia, Sierra Leone, and Cote d'Ivoire, all post-conflict states.

Stalled Democratization

The number of African states holding elections continues to grow although few have yet to develop strong, enduring democratic institutions and traditions. In many cases the "winner-take-all" ethos predominates and risks exacerbating ethnic, regional, and political divisions. Ethiopia, Sudan, Guinea, Togo, Central African Republic, Burundi, Rwanda, Tanzania, Burkina Faso, Chad, and Somaliland all are scheduled to hold national elections in 2010. In Ethiopia, Prime Minister Meles and his party appear intent on preventing a repeat of the relatively open 2005 election which produced a strong opposition showing. National elections in Sudan in 2010 run the risk of deepening north/south split and complicating the important 2011 referendum on southern Sudanese independence. In Madagascar, prospects are looking increasingly poor that the current transitional government can hold together in order to carry out proposed elections in 2010.

Prospects for greater political liberalization and democratization are also likely to be limited in nations not scheduled to hold elections. In Senegal, once a healthy democracy, octogenarian President Abdoulaye Wade appears to want to maintain authority for a third term or to handover of power to his son. In Niger, two-term President Mamadou Tandja revoked the Constitution and over the opposition of the country's judiciary and legislature in order to remain in office. In Uganda, President Yoweri Museveni, who has dominated this one-party state since 1986, not undertaking democratic reforms in advance of elections scheduled for 2011.

Important to US security interests in Africa is the continued inability of Kenya to deal with the fallout from the deeply flawed 2007 national elections. Kenya's political elite, some of whom may yet be indicted by the International Criminal Court (ICC) for encouraging violence during the last election, have made little progress on reforms that address the underlying causes of the post-election violence, and ethnic tensions remain at the surface, potentially leading to new and violent clashes that the government will have difficulty controlling. Given Kenya's role as a regional economic hub and primary entry point for goods and services flowing into East Africa, an unstable Kenya would have significant impact on neighboring states as well.

In Zimbabwe, President Robert Mugabe in the coming year appears intent on continuing to cling to power, stonewalling domestic and international pressure to reform, and resisting full implementation of the power-sharing agreement he agreed to with Prime Minister Morgan Tsvangirai. Although the economy has shown some signs of revival, little political improvement is likely as long as Mugabe retains the support of the military and the security services. Even if Mugabe were to leave office or die we expect that the ruling ZANU-PF party insiders, military, and security services would join to ensure that a successor did not threaten their interests or grip on power.

Persistent Vulnerability to Humanitarian Crises, Natural Disasters

Many African nations will remain food insecure and at risk of experiencing a humanitarian crisis. Most African governments continue to lack the capacity to respond to these crises whether as a result of man-made or natural causes, and will quickly look to the international community and already overburdened NGOs for help. The humanitarian crisis in the Horn of Africa, already the world's worst and largest, may become even worse from continued fighting

in Somalia, misguided economic policies in Ethiopia, and political uncertainty in Sudan. An ongoing drought coupled with political instability in Kenya in 2008 left 10 million people in need of aid compared to 3 million in 2007. Although the creation of a new coalition government in Zimbabwe has stabilized the economy and the food situation somewhat, President Mugabe and his party whose policies directly led to the food crisis continue to be the dominant political power.

The humanitarian situation in the Democratic Republic of the Congo (DRC) in the year ahead will remain particularly difficult and resistant to resolution. Despite recent setbacks for some rebel forces in Eastern Congo and improved relations between the DRC and Rwanda, the eastern Congo remains a regional political, security, and humanitarian problem which has claimed the lives of millions, led to the displacement of millions more, and resulted in widespread sexual violence committed by both rebel and government forces. Competition to exploit the area's significant mineral wealth has raised the stakes for competing forces even higher and will continue to make resolution of the conflict more difficult.

Mass Killings

The mass killing of civilians—defined as the deliberate killing of at least 1000 unarmed civilians of a particular political identity by state or state-sponsored actors in a single event or over a sustained period—is a persistent feature of the global landscape. Within the past three years, the Democratic Republic of the Congo (DRC), and Sudan all suffered mass killing episodes through violence, starvation, or deaths in prison camps. Sri Lanka may also have experienced a mass killing last spring: roughly 7,000 civilians were killed during Colombo's military victory over the Liberation Tigers of Tamil Eelam (LTTE), according to UN estimates.

The risk for mass killing is driven by the presence of ongoing internal conflict or regime crises, combined with relatively poor socioeconomic conditions, international isolation, recent protest activity, discriminatory policies, or frequent leadership turnover. In such contexts, mass killings are typically deliberate strategies by new or threatened elites to assert state or rebel authority, to clear territory of insurgents, or to deter populations from supporting rebels or anti-government movements.

Looking ahead over the next five years, a number of countries in Africa and Asia are at significant risk for a new outbreak of mass killing. All of the countries at significant risk have or are at high risk for experiencing internal conflicts or regime crises and exhibit one or more of the additional risk factors for mass killing. Among these countries, a new mass killing or genocide is most likely to occur in Southern Sudan.

Potential Flashpoints in Eurasia and Balkans

The unresolved conflicts of the Caucasus provide the most likely flashpoints in the Eurasia region. Moscow's expanded military presence in and political-economic ties to Georgia's

separatist regions of South Ossetia and sporadic low-level violence increase the risk of miscalculation or overreaction leading to renewed fighting.

Although there has been progress in the past year toward Turkey-Armenia rapprochement, this has affected the delicate relationship between Armenia and Azerbaijan, and increases the risk of a renewed conflict over Nagorno-Karabakh.

Economic crisis and political competition among top Ukrainian leaders pose the greatest risk of instability in Ukraine, particularly in connection with this year's presidential election. Competition between President Yushchenko and his primary rivals, Prime Minister Tymoshenko and Party of Regions leader Yanukovych resulted in economic reform being put on the back burner and complicated relations with Russia over gas payments. Moreover, noncompliance with the conditions set by international financial institutions has put the country's economy in further jeopardy.

The regimes of Central Asia—Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, and Turkmenistan—have been generally stable so far, but predicting how long this will remain the case is difficult. The region's autocratic leadership, highly personalized politics, weak institutions, and social inequality make predicting succession politics difficult and increase the possibility that the process could lead to violence or an increase in anti-US sentiment. There is also concern about the ability of these states, especially Kyrgyzstan, Tajikistan, and Turkmenistan, to manage the challenges if Islamic extremism spreads to the region from Pakistan and Afghanistan. The risks are compounded by the economic crisis, which has resulted in reduced remittances to the region, and by perennial food and energy shortages in some parts of Central Asia. Competition over water, cultivable land, and ethnic tensions could serve as sparks for conflict.

Events in the **Balkans** will again pose the principal challenges to stability in Europe in 2010. Bosnia-Herzegovina's (BiH) continuing uneasy inter-ethnic condominium and the issue of the Serb minority in Kosovo, particularly in northern Kosovo, remain sources of tension requiring Western diplomatic and security engagement. We assess that the US and Europe retain significant influence in the Western Balkans. The nature of their engagement—including the ability of Washington, Brussels, and key EU members states to work together and present a common front—will importantly influence the region's future course.

I remain concerned about Bosnia's future stability. While neither widespread violence nor a formal break-up of the state appears imminent, ethnic agendas still dominate the political process and reforms have stalled because of wrangling among the three main ethnic groups. The sides failed to agree on legal changes proposed jointly by the EU and the US at the end of 2009, undercutting efforts to strengthen the central government so that it is capable of taking the country into NATO and the EU. Bosnian Serb leaders seek to reverse some reforms, warn of legal challenges to the authority of the international community, and assert their right to eventually hold a referendum on secession, all of which is contributing to growing interethnic tensions. This dynamic appears likely to continue, as Bosnia's leaders will harden their positions to appeal to their nationalist constituents ahead of elections this fall.

More than 60 nations, including 22 of 27 EU members, have recognized the state of Kosovo, but in the coming years Pristina will remain dependent on the international community for economic and development assistance as well as for diplomatic and potentially security support to further consolidate its statehood. Much of the Serb population still looks to Belgrade and is resisting integration into Kosovo's institutions, though this appears to be slowly changing in Kosovo's south. Kosovo government influence in the Serb-majority area in the north of Kosovo is extremely weak. NATO's presence, although reduced, is still needed to deter violence, and its mentoring of the nascent 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 Serbian EU membership, but Belgrade shows no sign of accepting Kosovo's independence or accepting constructively. Belgrade appears to be awaiting an advisory opinion by the International Court of Justice on the legality of Pristina's declaration of independence—expected mid-year—before determining how to advance its claim on Kosovo. Serbia frequently turns to Moscow for political backing and economic support.

Regional Impacts of Climate Change

Before I discuss the Intelligence Community's assessment of the regional impacts of climate change, I would like to note that because we do not conduct climate research to produce these assessments, we reach out to other US Government entities that have expertise in this area. We also do not evaluate the science of climate change per se, nor do we independently analyze what the underlying drivers of climate change are or to what degree climate change will occur.

We continue to assess that global climate change will have wide-ranging implications for US national security interests over the next 20 years because it will aggravate existing world problems—such as poverty, social tensions, environmental degradation, ineffectual leadership, and weak political institutions—that threaten state stability. (In my classified statement, I discuss the recent UN-sponsored climate change conference in Copenhagen.) Climate change alone is highly unlikely to trigger failure in any state out to 2030, but it will potentially contribute to intra- or, less likely, interstate conflict. Water issues, which have existed before the recent changes in the climate, will continue to be major concern. As climate changes spur more humanitarian emergencies, the demand may significantly tax US military transportation and support force structures, resulting in a strained readiness posture and decreased strategic depth for combat operations. Some recent climate science would indicate that the effects of climate change are accelerating, particularly in the Arctic region and on mountain glaciers that impact critical watersheds.

For India, our research indicates the practical effects of climate change will be manageable by New Delhi through 2030. Beyond 2030, India's ability to cope will be reduced by declining agricultural productivity, decreasing water supplies, and increasing pressures from cross-border migration into the country.

China is developing a toolkit to manage disruptions caused by climate change and its economic growth has the potential to increase its mitigation capacity through 2030. But it remains to be seen if this capacity will be fully used. The ability of China to cope beyond 2030 will be reduced owing to increased climate-driven internal migration, local water scarcities, and changes in agricultural productivity and demand.

For Russia, our research indicates that climate change will have significant direct and indirect impacts on their energy sector, which is a key determinant of Russia's economic future and state capacity. The thawing of the permafrost across vast stretches of Russia, including areas in which there are oil and gas deposits and over which there are pipelines, will both put existing infrastructure at risk and make its modernization and replacement more difficult. Yet, Russia has a greater capacity to respond to the negative effects of climate change than some industrialized countries and most underdeveloped ones, including robust capacities in analysis and forecasting and in emergency response, which could help mitigate the risk of climate change leading to economic instability.

For Mexico, the Caribbean, and Central America, water scarcity may spark political, economic, and social conflicts. Migratory trends, with Mexico and the United States accepting a large percentage of immigrants, are likely to continue and may accelerate crime conducted by gangs and criminal elements from the migrating populations.

State capacity in many Southeast Asian countries is weakened by poor governance, corruption, and the influence of vested economic interests. With the exception of Indonesia and Vietnam, many of the region's political leaders are not yet focused on the threat posed by climate change. Dam building on the Mekong River Basin could pose a significant threat to agriculture, fisheries, and human habitation in Cambodia and Vietnam's Mekong Delta. Large-scale migration from rural and coastal areas into cities and across borders could increase friction between diverse social groups already under stress from climate change.

- Together with the Maldives, which is at risk of complete obliteration, these two countries are likely to remain powerful advocates for developed nations to remember the human costs of climate change.

In North Africa climate change pressures will be pervasive but state failures attributable solely to climate change to 2030 are not likely. The effects of climate change in North Africa are likely to exacerbate existing threats to the region's water and food resources, economies, urban infrastructure, and sociopolitical systems. Cities probably will face deteriorating living conditions, high unemployment, and frequent civil unrest. Climatic stress coupled with socioeconomic crises and ineffective state responses could generate localized social or governmental collapses and humanitarian crises. Climate change will likely increase the already substantial emigration of North Africans to Europe. The region also will serve as a route for transmigration if Sub-Saharan Africans flee severe climatic stress. North Africa will absorb an increasing proportion of Europe's attention and resources.

Arctic states have such common goals as environmental protection, shipping safety, effective search and rescue (SAR), and commerce development, they do not fully agree on how to achieve

them. Our research indicates the widespread use of the Arctic for commercial purpose is hindered by the absence of reasonable insurance, which will come only with Arctic coastal infrastructure development, agreed safety standards for commercial vessels, and adequate SAR capability.

Strategic Health Challenges and Threats

The current influenza pandemic is the most visible reminder that health issues can suddenly emerge from anywhere in the globe and threaten American lives and US strategic objectives. It also highlights many of the United States' critical dependencies and vulnerabilities in the health arena. But like an iceberg, the visible portion is just a small fraction of the myriad of health issues that will likely challenge the United States in the coming years. Significant gaps remain in disease surveillance and reporting that undermine our ability to confront disease outbreaks overseas or identify contaminated products before they threaten Americans. The policies and actions of foreign government and non-state actors to address health issues, or not address them, also have ripple effects that impair our ability to protect American lives and livelihoods and impair Washington's foreign policy objectives.

In my threat assessment last year, I noted that "the most pressing transnational health challenge for the United States is the potential emergence of a severe influenza pandemic." Unknown to everyone at the time, the 2009-H1N1 influenza virus had already started spreading by late March. By the time anyone was aware of the new virus, thousands of American travelers had been exposed. Fortunately, the disease has been, thus far, relatively mild; but even a mild flu pandemic can strain health care resources, cause millions of people to become ill, thousands to die prematurely, curtail economic activity, and upset diplomatic relations as countries attempt to limit the spread of the virus.

- The pandemic highlights the need to avoid narrowly targeting surveillance and control measures on only one particular health threat. No one can predict which of the myriad of potential health threats will suddenly emerge, where the threat will come from, or when. For the last several years, the world focused on the emergence of H5N1 avian influenza from Asia. While the possibility of an H5N1 avian flu pandemic helped the US government respond to the actual H1N1 pandemic, the international focus for avian influenza in Eurasia deflected international attention and resources away from the possibility of the emergence of a different virus, from another region, and from a different animal host.

As seen with H1N1-2009 pandemic, travel between countries links our population's health to the health and sanitary conditions of every country, and our knowledge of the potential threats is limited by the inadequacies of international disease surveillance in animals and man. We have warned in the past that surveillance capacity to detect pathogens in humans varies widely between countries. Of equal concern, the lack of consistent surveillance and diagnostic capability for diseases in animals is a formidable gap even in developed countries that undermines the United States' ability to identify, contain, and warn about local outbreaks before they spread. Some 70 percent of human pathogens originated from animals, yet global surveillance of animal diseases remains chronically under funded.

The ability to detect and contain foreign disease outbreaks before they reach this country is partially dependent on US overseas laboratories, US relationships with host governments, and state willingness to share health data with non-governmental and international organizations. Partnerships with countries on improving laboratory capabilities provide opportunities for US engagement, such as the recent agreement to open a Global Disease Detection Center in India. However, a lack of transparency and a reticence to share health data and viral specimens remains a concern.

Governments' reactions to the current pandemic highlight how health policy choices can have immediate impacts, particularly disease-associated disruptions in travel and trade. If the pandemic had been more severe, the potential for massive economic losses, threats to government stability, and criminal activity and violence would have been greater.

Moreover, the health policies of governments and non-state organizations can have long-term detrimental implications for the United States. Indonesia in early 2007 stopped sharing specimens of the H5N1 avian influenza virus with the WHO, demanding that the WHO adopt a new system that would more equitably distribute influenza vaccines and other medical countermeasures. Several developing countries and NGOs have supported Indonesia in the WHO negotiations. Although the discussion has focused on influenza viruses with pandemic potential, those developing countries will probably push for the agreement to be extended to all biological specimens. Such a change in the international system, that more equitably distributes vaccines and pharmaceuticals globally, would slow the availability of sufficient amounts of medications in the United States to respond to a pandemic.

- Thailand started a trend two years ago when it issued compulsory licenses for a few patented pharmaceuticals to treat AIDS and heart disease. Should more middle-income countries follow suit or use the threat of compulsory licenses to secure deep discounts, pharmaceutical companies probably will increase prices in the United States to compensate for declining revenue in other parts of the world, undermining efforts in the US to control healthcare costs.

- China' health policy has indirect but extremely important economic implications for addressing its external imbalances. China's population saves a large percentage of its earnings to prepare for retirement and guard against catastrophic out-o f-pocket expenses if they become ill. (Some economists believe these high savings rates contribute to the financial imbalances between the United States and China.) Beijing is taking important steps to increase public spending on healthcare and reduce the need for household precautionary saving.

The spotty delivery of basic services in many countries, particularly for health and education, provides an opportunity for non-state organizations to proselytize and develop political legitimacy. Hamas's and Hizballah's provision of health and social services in the Palestinian Territories and Lebanon over the past 20 years has helped to legitimize those organizations as a political force. Islamic extremists in Afghanistan and Pakistan followed a similar model to gain acceptance for their ideas by providing education services that the governments were not providing. Similar efforts are probably underway elsewhere in the world.

Americans' health is also vulnerable because of the vast amount of foods and medicals supplies that are imported and the lack of enforcement of sanitary standards at their point of origin. Most countries have laws and regulations to ensure food and drug safety but often lack sufficient funding to enforce those laws. Consequently, contaminated products, whether accidentally or economically motivated, can be shipped to American consumers. The economically motivated contamination in China of pet food, infant formula, and other milk products with melamine and the tainting of the active ingredient in the drug heparin highlight the necessity of continued vigilance to ensure food and drug safety and a stable supply.

- We assess that the United States has a critical foreign dependence on several pharmaceuticals, such that an overseas disruption in supply would adversely affect Americans' health that would not be easily mitigated through an alternative supplier or product. These include pharmaceuticals to treat radiation exposure, anthrax, botulism, diabetes, and the flu, and the precursor to heparin.

- Additionally, most of the world's flu vaccine production capacity is concentrated in Europe. If the flu pandemic had been more severe, many governments probably would have been be pressed to stop exports of the vaccine until their domestic population was sufficiently vaccinated, further delaying the delivery of vaccines to the United States beyond what has already been experienced.

Significant State and Non-State Intelligence Threats

During the past year, China's intelligence services continue to expand and operate in and outside the United States. Its human collection services enhanced their collection and processing capabilities directed against the United States. Russia continues to strengthen its intelligence capabilities and directs them against US interests worldwide. Moscow's intelligence effort includes espionage, technology acquisition, and covert action efforts to alter events abroad without showing its hand.

Iran is enhancing its focus on US intelligence activities and relies on foreign intelligence partnerships to extend its capabilities. Iran continues to pursue intelligence outreach efforts to reduce the country's isolation and counter US interests.

Cuban intelligence collects against US activities for insight into our operations and intentions globally. Cuba maintains intelligence liaison relationships with a number of US adversaries and competitors.

North Korea and Venezuela possess more limited intelligence capabilities focused primarily on regional threats and supporting the ruling regime. North Korea continues to collect information on US technologies and capabilities. Venezuela's services are working to counter US influence in Latin America by supporting leftist governments and insurgent groups.

Several transnational terrorist groups have demonstrated the capability to conduct intelligence activities to support their operational and political activities. Al-Qa'ida possesses effective but uneven intelligence capabilities. Lebanese Hizballah exhibits effective intelligence and counterintelligence capabilities and activities.

- International organized crime networks—including drug traffickers—continue to improve their intelligence capabilities and pose a growing threat to the United States.

Growing Threat from International Organized Crime

International organized crime (IOC) is threatening US interests by forging alliances with corrupt government officials, undermining competition in key global markets, perpetrating extensive cyber crimes, and expanding their narcotrafficking networks. The nexus between international criminal organizations and terrorist and insurgent groups also presents continuing dangers. The drivers behind these changes—including globalization, the Internet, and the growing technological savvy of some criminal organizations—will increasingly favor IOC.

IOC penetration of states will deepen, leading to co-option in a few cases and further weakening of governance in many others. The growing span of IOC business activities and financial incentives is pushing IOC to seek strategic alliances with state leaders and foreign intelligence services, threatening stability and undermining free markets.

At one end of the spectrum is the apparent growing nexus in Russian and Eurasian states among government, organized crime, intelligence services, and big business figures. An increasing risk from Russian organized crime is that criminals and criminally linked oligarchs will enhance the ability of state or state-allied actors to undermine competition in gas, oil, aluminum, and precious metals markets.

IOC penetration of governments is exacerbating corruption and undermining rule of law, democratic institution-building, and transparent business practices. In China, IOC corruption of party and government officials is aggravating an already difficult operating environment for US businesses. Countries with weak governance where corrupt officials turn a blind eye to illicit IOC activity include Afghanistan, many African states, Balkan states, and some Latin American states where narcotrafficking is rampant.

IOC almost certainly will increase its penetration of legitimate financial and commercial markets, threatening US economic interests and raising the risk of significant damage to the global financial system. International criminal organizations are amassing substantial financial clout.

- International criminal organizations will increasingly damage the ability of legitimate businesses to compete and may drive some legitimate players out of the market. IOC engages in bribery, fraud, violence, and corrupt alliances with state actors to gain the upper hand against legitimate businesses.

- Through piracy and state relationships that help criminal networks avoid regulation, IOC is flooding the world market with inferior products. IOC is likely to increasingly threaten industries that depend on intellectual property such as fashion, pharmaceuticals, computing, finance, entertainment, and publishing—all US economic strengths.

- Emerging market countries are particularly vulnerable. Corruption, weak enforcement, and a lack of transparency provide fertile ground for IOC activity in these countries, making them less appealing for legitimate investors.

- Organized crime's coercive tactics and shady business practices most likely will further undermine transparency and confidence in key energy, metal, and other sectors where recent acquisitions and investments have occurred.

International criminal organizations are likely to become more involved in cyber crimes, raising the risk of significant damage to the global financial and trust systems—banking, stock markets, and credit card services—on which the global economy depends. IOC is increasingly proficient at using technology for old ventures, including fraud, contraband sales, and money-laundering as well as for new types of crime such as hacking to steal money and credit card data. Technological advances in information technology applications and the slow adoption of defensive technologies are making it easier for criminals to conduct successful attacks.

Terrorists and insurgents increasingly will turn to crime to generate funding and will acquire logistical support from criminals, in part because of US 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. Drug trafficking also provides support to other terrorists, such as Hizballah. Some criminals could have the capability to provide WMD material to terrorists.

Many of the well-established organized criminal groups that have not been involved in producing narcotics—including those in Russia, China, Italy, and the Balkans—are now expanding their ties to drug producers to develop their own distribution markets and trafficking networks.

Conclusion

A year ago the deteriorating global economy threatened to trigger widespread political instability. I am happy to report that, while the recovery remains tenuous, the past economic clouds darkening the whole strategic outlook have partially lifted. Despite the myriad uncertainties and continuing challenges, the economic and political picture we are facing today could have been far worse if the economic free fall had not been stopped. As I indicated last year, the international security environment is complex. No dominant adversary faces the United States that threatens our existence with military force. Rather, the complexity of the issues and

multiplicity of actors—both state and non state—increasingly constitutes one of our biggest challenges. We in the Intelligence Community are seeking to understand and master the complexity and interlocking ties between issues and actors and in doing so believe we can help protect vital US interests in close cooperation with other civilian and military members of the US Government.

The CHAIRMAN. Thank you, Mr. Blair.

Just for the record, we have a hard stop for the director at 1 o'clock. So we are going to—I would ask all members to look at the clock in front of your station. When the amber light comes on, know that you have got a minute to wrap up, so please. In order for us to get every member the opportunity to ask questions, everybody has got to respect that 5-minute limit.

Director Blair, well, first of all, do you wish to comment on the issue of leaks? I mean, do we have any plan to be able to identify those that are leaking information to the media? Is there anything that can be done to debunk the erroneous information that inadvertently gets reported in those stories?

Admiral BLAIR. Mr. Chairman, we have talked about this before. Starting last year, we have undertaken a new set of initiatives to try to clamp down on it within the Intelligence Community. This involves putting more emphasis on administrative measures within the Intelligence Community than in turning over a crimes report to the Department of Justice. So far, the crimes report method has resulted in delayed justice, if it has achieved justice at all, and the track record is very, very disappointing in terms of actual convictions.

So, we are emphasizing administrative measures which we can take within each agency to investigate quickly, to check the various ways we have of keeping track with what our people are doing and to investigate administratively very, very quickly.

There are, we have seen some early results in the Intelligence Community. There are several cases which I think we can—which we can take care of pretty quickly, and I think the example of being able to identify someone and take appropriate action have a very salutary effect on others who think they are smarter than the people who lead these agencies and think that they want to pass them to the press.

As far as the Washington sport of using leaks for policy posturing, I am less sanguine, frankly. My primary concern is sources and methods and making sure that we don't leak things that take us hundreds of millions of dollars to compensate for since our adversaries then quickly change their ways of operating.

The CHAIRMAN. In your statement, your written statement, you make an observation that radicalization of groups and individuals in the United States has done more to spread jihadist ideology and to generate support for violent causes overseas than it has produced terrorists targeting the homeland.

However, given the incident of Fort Hood, as I see it, the threat from home-grown terrorists, if anything, has increased, the potential has increased, one of the big reasons being the Internet and the availability of information that can lead to radicalization, individual radicalization.

So I have a couple of questions. One is, what is the community doing to better understand that threat of radicalization? And, second, why does the Intelligence Community think that radicalization has done more for efforts overseas than for plots attacking the homeland, as you observed in your statement?

Admiral BLAIR. Yes, sir, Mr. Chairman, this use of the Internet is, it is growing quickly, as you state. The use of the Internet for

foreign-based organizations trying to organize attacks, give instructions, arrange logistics, arrange financing, that, heretofore, has been the most dangerous use of the Internet.

The home-grown radicalization of people in the United States reading these Web sites, then corresponding with the spokesmen of the organizations overseas, as happened with Major Hasan, and so it is a relatively—as a significant force, is relatively new. We might, as you suspect, be shooting behind the rabbit here, and it is moving faster than we thought, and we are spending a lot of additional effort on that now to try to understand it. There are some technical things which are making it more difficult with the use of social networking, as opposed to simply looking at a Web site and responding by e-mail.

So I think you are pointing at a threat which may be increasing, we are taking it more and more seriously, and this is something that is potentially very dangerous to us for all of the reasons of the rights that American citizens have.

The CHAIRMAN. I know that the military is taking these kinds of internal threats very seriously. Is there a strategy between perhaps DOD and the Intelligence Community to address these kinds of issues?

Admiral BLAIR. Yes, sir. Within the Intelligence Community, we have taken measures so that intelligence information that is gathered lawfully on Americans that indicates that a member of the Department of Defense or someone who also works for other national security agencies will be—that information will be forwarded to the investigative branch of that service, whether it be in DOD or elsewhere, so that it can be put together with information within that agency, and we can bring together the agency information plus intelligence information to identify threats.

The investigation by Admiral Clark and Secretary West had some internal DOD recommendations for our part. We are going to make sure that we don't set a high threshold on sharing of that information so that we can catch these people.

The CHAIRMAN. Finally, what is the status of the HIG, the High Value Interrogation Group, and the policy? Where are we in implementing that group for interrogation purposes? Also, is the FBI also part of that group?

Admiral BLAIR. Certainly, Mr. Chairman. Last week, the charter for the High Value Interrogation Group was signed. It sets out the procedures. The FBI has the lead for it. There are deputy directors; one from CIA, and one from the Department of Defense.

The principles of it are to bring together the best interrogators with the best intelligence backup professionals to interrogate important detainees. We haven't completed all of the training and the setup, but even as we do, we have sent teams to, actually, to interview some high-value detainees who exist now. And we are using those principles in all interrogations, including that of Mr. Abdulmutallab, although the formal HIG is not being used in his case.

So I am encouraged now by the speed with which that is coming online, and I think it represents the best practice that we want to achieve.

And I should mention, the other part of the HIG's charter, right now it operates under Army Field Manual, both guidance and restrictions, but we have given it the responsibility of doing a scientific research to determine if there are better ways to get information from people that are consistent with our values. So it has a research budget. It is going to do scientific research on that long-neglected area.

The CHAIRMAN. And who will take the lead in training the interrogators?

Admiral BLAIR. The head of the HIG, who is an FBI official, will have the responsibility for certification. Those of us who oversee it will have to make sure that we approve of the procedures that he sets up.

The CHAIRMAN. So the FBI has the lead on training?

Admiral BLAIR. The FBI has the lead on training, but it will be using best practices from DOD interrogators as well as from the FBI.

The CHAIRMAN. Thank you.

Mr. Hoekstra.

Mr. HOEKSTRA. Just answer a couple of questions following up on that. Has that FBI person been appointed who is heading it up?

Admiral BLAIR. Yes, sir, he has been; Andrew McCabe his name is.

Mr. HOEKSTRA. And the procedures have been approved and outlined? There was some confusion, I think, a couple of weeks ago as to whether the HIG actually existed or not with the Detroit case. I think some people said, and I think it might have been you that said the HIG should have been used with Farouk, and others said it is not up and running yet. And listening to you answer, I am not sure if we captured someone else today, whether you could call the HIG and somebody would be there in a few hours. Is that the case?

Admiral BLAIR. Yes, sir. You now can. You couldn't have done back in late December. It was forming, but not formed. It has formed now.

Mr. HOEKSTRA. All right. Thank you.

I appreciate the discussion on the leaks. I think it is kind of interesting. You know, the briefing last night was not a leak, all right? I mean, this was an administration, you know, it was at the White House, speaking to reporters at the White House on the condition of anonymity, and the White House hastily called a briefing on Tuesday night to talk about what was going on with the Christmas Day bomber.

I do find it an interesting strategy that we hastily call a briefing to let America and our friends and our enemies in the Middle East know that he is now singing like a canary. Someone will someday have to explain that to me from an intelligence standpoint, why we would communicate that. And if we believe it is so important to communicate that, I am assuming we invited Al Jazeera to be there last night to get that information out there quickly.

Also, the Washington Post, you know, sources, senior administration officials, these are not low-level people that are necessarily sensationalizing those types of things.

I want to go back to the issue of targeting Americans. You said, hey, there is a—your comments were along the lines of, we have

a framework, and we have a legal framework that we follow. I can tell you that when we have asked people from the Intel Community about these types of questions and types of issues, the one thing that is consistent, there is no clarity as to how they operate, what their box is that they operate within, or they have a great inability to articulate that with any type of clarity. If it is there, it may be there, but they are not able to communicate it with any clarity.

And so what clarity can you add in terms of, you know, exactly what is the legal framework? What are the laws that govern this?

Admiral BLAIR. We take direct action against terrorists in the Intelligence Community. If that direct action—we think that direct action will involve killing an American, we get specific permission to do that.

Mr. HOEKSTRA. And what goes into factoring that decision, the parameters?

Admiral BLAIR. Primarily it has to do with the ones that you outlined in your statement, whether that American is involved in a group that is trying to attack us, whether that American is a threat to other Americans. Those are the factors involved.

Mr. HOEKSTRA. So there is a framework and a policy for a, hypothetically, a radical-born cleric who is living outside of the United States; there is a clear path as to when this person may be engaging in free speech overseas and when he may have moved into recruitment or when he may have moved into actual coordinating and carrying out or coordinating attacks against the United States?

There is a relative clear path as to where that person hypothetically will have crossed the line and then will be targeted?

Admiral BLAIR. I would rather go into details in closed session, Mr. Chairman, but we don't target people for free speech.

Mr. HOEKSTRA. Okay.

Admiral BLAIR. We target them for taking action that threatens Americans or has resulted in it.

Mr. HOEKSTRA. Yes. I am actually a little bit surprised you went this far in open session. But I do hope that in the next hour, or when we get into closed session, you can provide that clarity. Because other people in the community have not been able to provide us with that transparency or that clarity that I think that at least I would like to have.

Admiral BLAIR. The reason I went this far in open session is, I just don't want other Americans who are watching to think that we are careless about endangering—in fact, we are not careless about endangering lives at all, but we especially are not careless about endangering American lives as we carry out the policies to protect most of the country, and I think we ought to go into details in closed session.

Mr. HOEKSTRA. I believe that to be true 99 percent of the time. The reason that I believe that it needs this kind of stringent oversight in discussion and dialogue is that, it is one thing to say that, you know, we are not careless.

That is why I started talking about Peru, because, in Peru, we were careless, and we were reckless. I want to make sure that this committee does everything that it can and within its power that it does not allow the community to be reckless and careless again.

Admiral BLAIR. Okay. I absolutely share the committee's determination that while I am in charge, we will not be careless and reckless, and I look forward to supervision from the committee on that score. We have got to get this right.

Mr. HOEKSTRA. All right, thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Ms. Eshoo.

Ms. ESHOO. Thank you, Mr. Chairman.

Welcome, Mr. Director, it is good to see you. There are so many issues to talk about, and there is an overarching hearing on threat assessments. I just want to raise two, and then I have some other questions when we go into closed session.

I think that we are all very concerned, obviously, yourself and the entire community, about archaic computer systems and the disconnect between our computer systems and the attempted attack on Northwest Airlines 253.

We know that Google uses what is called a fuzzy logic to match names that aren't spelled exactly the same way. I can't help but think that if we had some kind of system in place, that Abdulmutallab's name might have been flagged despite the spelling.

So can you tell us, in the upcoming, in the new budget that has been submitted, the President's budget, what you have included in that budget that will address the disparities that we have in what I think is a disconnected system? I think it is a key issue that we have to look at. If you might take a moment to describe exactly what progress you expect to make through the fiscal year 2011 budget under the information integration plan, that is number one.

Number two, there have been reports in the last few days about moonlighting in the Intelligence Community. I think that this is a bad policy for many reasons. Why there would be CIA agents that are working with reportedly hedge funds to teach them the art of deception, I think we have had enough deception on the part of the financial community that has brought so much down around our ears in the country.

But this is a troubling policy. We have had a reliance on contractors. If we are not paying people adequately, then I think that it is the responsibility of the community to come forward. But I think that this is a policy that needs to be revisited. I would like to hear what you think of it.

As I said, I think that the reports that have come out in the last couple of days, I find them disturbing. I really find them disturbing, and it is my understanding that employees in your office, you know, the DNI's office, may moonlight with permission. I don't know "with permission," I don't know what that policy is, but I think that we need to discuss it. I think we need to review it, and I would also like you to comment on it.

So those are the two things that I would like to raise.

Admiral BLAIR. Congresswoman Eshoo, let me in closed session talk about some of the specifics of the technical upgrades to both the search engines and the database, databases and the algorithms, like the fuzzy logic, to catch different spellings of tran-

scribed Arab names that we have, because there are some good things happening, and we are speeding them up.

But, in general, we are allocating additional—additional money, and we are going—we had a plan of gradual increases of technology, and we are speeding up that plan and putting more resources into it and putting more people onto the problem. I will talk about those in closed session.

On the issue of moonlighting, sometimes I, too, am surprised by what I read in the press about my own organization, I will tell you. And this was a case of that. When I went into it, I found that we do have rules within all of the Intelligence Community branches, which comply with the overall government rules.

The main activity of which I am personally aware, I know some of our officials on the ODNI staff do, is teaching, and, frankly, I favor that. Some of them teach evening classes on national security matters.

Ms. ESHOO. Well, I think the teaching is different than moonlighting with other jobs relative to security, because people have security backgrounds. I think you know what I am driving at.

If people go out and teach, that is one thing. But what I have read—maybe it is not accurate, but that is why I think we need to have a full review of it. We have people going out and working for hedge funds and other places so that they can make more money, but they are government employees.

I think that there is a real potential for conflict. So I think we need to know what the policy is across the Intelligence Community; not only in your office but the CIA and any other part of the Intelligence Community. We have 16 agencies. I don't know how many people are moonlighting or what they are doing.

But I was stunned to read about it, I have to tell you. It sounded more like fiction to me than fact, and that is why I raise it, and that is why I think we need to take a good strong look at it.

Admiral BLAIR. I certainly shall. But I do know that the rules are that you have to have approval from your supervisor; it can involve no conflict of interest; can't use classified information; and they are very strict on it. But I will make sure that we will get a report to you.

The CHAIRMAN. We will do some follow up.

Mr. Thornberry.

Mr. THORNBERRY. Thank you, Mr. Chairman.

Director, I want to get back to this White House briefing for a second because I think it is really extraordinary that we have a situation where there was a leak that the Christmas Day bomber was giving us information. He was read his rights, and then he quit talking. Political controversy developed about reading the rights to non-Americans in those situations, enemy combatants and the rest.

And to help squash the political controversy, the White House hastily calls a briefing with a senior administration official to say, oh, no, he is singing his guts out. I can't figure out a reason that would happen other than political cover.

Can you tell me a national security reason that it would be helpful to the people in the Intelligence Community to have it broadcast from the White House, basically, that, yes, he is telling us everything he knows? Is there any way that could be a helpful thing?

Admiral BLAIR. Let me just say, Congressman Thornberry, that I have been surprised by the combination of reality and politics having to do with this issue. I just try to do the job, to do the right thing for the country, and I just can't control all of the politics. I just want to protect the country.

Mr. THORNBERRY. Well, I appreciate the position you are in.

I just think it is extraordinary to use something like this for political cover.

And then I have got exhibit 2. Two days ago, Mr. John Brennan sent a letter to the Speaker talking about recidivism at Guantanamo. Now, much of the last year, some of us on this committee have been arguing that we should give more information to the public about recidivism rates at Guantanamo, and so the people could more accurately assess the dangers of closing that facility.

But this letter, which he—is unclassified, and he says at the end that he invites the Speaker to make the contents available to any Member who has an interest. This letter talks about a 20 percent recidivism rate. It gets rather specific on some of these things. It tries to argue, oh, it was all stuff the Bush people did; we are doing it better. Of course, the Obama administration hadn't been in long enough to know whether we have recidivism or not from people they may have let loose.

But my real point on this is, isn't this another example of declassifying things for political advantage? It is kind of like the memos that were declassified last year, despite the objections of five CIA Directors, of bringing things out into the open just for the political argument, not considering the national security implications?

Admiral BLAIR. I think that the recidivism rates should be available so that people can judge what the stakes are that are involved in dealing with these Guantanamo detainees. So I am basically in favor of doing it, and I think we need to. I think this ought to be a joint decision between the—that should be something that those of you in the Intelligence Community, the Intelligence Committees know a lot about, and we are partners in these tough decisions.

Mr. THORNBERRY. Well, I agree, sir, that is the way it should be, but the timing of some of these disclosures leads me to question some of that.

Let me turn to one last question I have got for you. It is clear, from recent events, that terrorists are spreading out in various places around the world, some of which get a lot of attention like Yemen, some of which do not get as much attention.

We had to concentrate a tremendous amount of resources in Afghanistan and Iraq in the past few years, but as terrorists spread out over the world, it seems to me that there is a danger of United States, particularly human intelligence collectors, being relatively thin in many places where terrorists may spread out to.

Can you comment about whether we have adequate coverage all over the world to make sure that, wherever they go, we can stay on top of those developments and not be caught some day wishing that we had had more coverage in a particular area after an event occurs?

Admiral BLAIR. I can assure you, Congressman Thornberry, that what we do is specifically focused on what other places we don't have covered and then do something about it.

For example, Yemen, which on Christmas Day popped into our consciousness, was something I would say 6 months earlier we had identified as a place that needed attention, and we, in fact, flowed both intelligence resources and other government attention onto that. We keep that running list to try to be ahead of the rabbit.

So although I can't assure you that we will catch every single new country in which it came up, I think that we devote the right attention to that problem, and we push resources. And I will be back if we don't have enough resources to do it.

The CHAIRMAN. Thank you.

And just for the record, that letter to the Speaker was in response to a question that Congressman Wolf asked Mr. Brennan—remember when we had the joint classified session here. And as I understand it from the staff, there is a classified annex to that letter. But that is the response that Mr. Brennan agreed to make because of the questions that he was asking.

Mr. THORNBERRY. Unclassified.

The CHAIRMAN. But there is a classified annex part to it.

Mr. Holt.

Mr. HOLT. Thank you, Mr. Chairman.

And thank you, Mr. Director, for coming, and for trying to keep us informed all along the way.

I would like to turn to Afghanistan. With all of the many things on your plate, this could consume everything, and there are clearly problems; Kabul's, as you say, inability to build an effective, honest and loyal institution or set of institutions. Afghans perceive the police to be corrupt and more dangerous than the Taliban. In short, you say that the Taliban has increased its influence. In other words, it sounds like we are not succeeding.

Where you come in is, help us understand to what extent we are or are not succeeding. And I am trying to understand just how good the intelligence coordination is with Afghan coalition and Pakistan forces. I want to understand how, whether you think our intelligence is structured to support the surge that is under way for our forces. Well, let me ask you those two questions first.

Admiral BLAIR. Congressman Holt, I would say that we have it almost all right. But there are a couple of areas that I still think we need to increase, and I will be glad to talk in closed session specifically, but in the area of supporting not military but civil units who have important responsibilities, provincial reconstruction teams, the agricultural development, governance development, increasing the, increasing the military intelligence skills of the Afghan national army, I think we have a good plan, but we are not quite where we want to be.

I am quite satisfied with the understanding of what intelligence is needed. The resources are adequate, I would say, to do that job right. We just haven't quite finished putting all the pieces into place.

Mr. HOLT. To understand just where we stand with respect to the Taliban, we have to have a good presence and a good understanding out in the hinterlands. We have frequently been disappointed in the level of our language capabilities. It is not just, you know, it is not just Pashtu. It is not just Dari. Where are we

in this? Can we reasonably claim to know what is going on outside of Kabul?

Admiral BLAIR. Yes.

Mr. HOLT. Okay. Now, going on, in Afghanistan, how do you determine the balance between the resources devoted to what I will call traditional intelligence activities, collection and analysis, and the other activities that seem more military than paramilitary? I am not sure they are mutually supportive. In fact, I think they at times tend to be contradictory, and I also think that perhaps one can grow so large as to take resources and attention from the other. How do you—how are you determining that balance?

Admiral BLAIR. I think, again, we need to talk in closed session more about that. But it is something that I and the other leadership of the Intelligence Community are very conscious of, and we need to do both. And we make adjustments as we go along. Although you can always tweak it, I think we have the balance about right, and I don't think we are giving short shrift to the support for the various components that we need to be successful in Afghanistan.

I think that all of us realize that the ultimate solution in Afghanistan is not either a military or an intelligence solution, but it is fundamentally an Afghan solution of that country having the governance, the economic development and the security forces. For most Afghans, I think it is a good deal for them to be in charge rather than for the Taliban to be in charge. So nobody is thinking that either support for military intelligence or support for paramilitary activities is the end state.

The end state we know has a lot more to do with Afghan governance and economic development, and that very much influences our intelligence support to reach that final goal.

Mr. HOLT. Thank you.

I do appreciate your conscientious attention to your job and your commitment to do a better job to keep us informed.

Thank you.

The CHAIRMAN. Thank you.

Mr. Conaway.

Mr. CONAWAY. Thank you, Mr. Chairman.

Thank you, Mr. Director, for coming.

Given the risks of the Pakistan Government being unduly impacted or failing as a result of pushing from Taliban otherwise, do you still assess that the Pakistan military adequately controls their nuclear weapons and the use of those weapons in any event that the civil government has struggles?

Admiral BLAIR. Yes, sir. The Pakistan army takes very seriously the security of its weapons, and they know the catastrophic consequences—primarily for Pakistan—if they were to get loose. So it is correctly incentivized, and from what we see of the measures that they take, they are keeping them safe.

Mr. CONAWAY. Okay. Can you help me understand what Pakistan's interests in Afghanistan are that would be different from ours that would incent either their intelligence service and/or their military to continue to support Taliban and Haqqani network activities and mischief in Afghanistan? Why is there a difference of interest there that we aren't, in effect, on the same side?

Admiral BLAIR. I think one of the main things affecting Pakistani thinking is the events of the early 1990s when, after the Soviet Union left Afghanistan, the United States left Afghanistan, and then the Taliban came back and took it over in 1993. The Pakistanis, I think, understandably feel that they do not want an unfriendly country on their western border that is hostile to them. And so they, having felt that the United States left once before, they are concerned that we might not be as serious again.

Mr. CONAWAY. So they are playing both ends against the middle?

Admiral BLAIR. They have got a backup plan, and I think our job is to work together so that their plan and our plan is the same one. But it has its roots in historical memories and in the geographic strategic position of Pakistan.

Mr. CONAWAY. Right. Language is important, starting with, I think, the State of the Union assessment of threats to that day here in Washington. The first time I had seen it was the reference to a lone offender. Offender seems to be an awfully gentle term to apply to someone like a Hasan or like the Christmas Day bomber.

Was that a phrase you are familiar with? I prefer to use Islamic jihadists or terrorists or other things that more accurately describes the intent than someone that might offend me. Any comment about the phraseology?

Admiral BLAIR. I am not sure about that word, sir. We have used words like lone wolf to describe their motives, the way they operate, but violent extremist is the word that using terrorist tactics is what——

Mr. CONAWAY. Okay. I think we have run the risk of gently—using words like lone offender, I think, lessens the intensity with which we ought to go after these guys.

One final thing, in terms of the radicalization processes, do we have programs in place—the point I want to get to is madrassas and hate that is taught there, can be taught there. None of us would put up with hate being taught in any of our public schools. We wouldn't look to the Federal Government to stop that. We, as parents, would take that on.

How do we incentivize moderate Muslims to address things that are being taught in madrassas either in the United States or other places that incents radicalization? Do we have any kind of way, any insight into how—because it is not our problem. We can't go into a madrassa and have any impact whatsoever, but a parent who sends their child there, I think, would have great incentive to stop that. Is there any way to incentivize that?

Admiral BLAIR. I think you grabbed exactly the right end of the stick there, sir. It is the working with Muslim parents who want their children to be——

Mr. CONAWAY. Educated.

Admiral BLAIR. Educated is the right way to do it.

I am not familiar with either U.S. Government or private or international programs that do that. But in the conversations that I have had with some Muslim officials, parents, influential officials in other areas, they would see it exactly the way you do, and I think we ought to support them.

Mr. CONAWAY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Conaway.

Mr. Schiff.

Mr. SCHIFF. Thank you, Mr. Chairman.

Mr. Director, I wanted to ask you about Yemen and Somalia. And starting with Yemen, are there plans to establish a mission manager for Yemen with a focus on Yemen? Are there equivalent plans to put that kind of focus on Somalia? I am concerned, have been some time, with the problem in Somalia, and I worry that we don't wait to have an attack originate from Somalia to give Somalia the kind of attention we are paying to Yemen right now.

So can you comment on how the focus on Yemen has intensified and whether we are paralleling that in Somalia; how you view the comparative threat emanating from both countries?

In your open, written statement, you mention that Al Shabab, which maintains ties to the small number of al Qaeda members who continue to operate in East Africa, is certain to continue planning attacks. How do you estimate the comparative number of al Qaeda in Somalia to Yemen? So if you could start with those questions?

Admiral BLAIR. Yes, sir, and I would like to talk a little bit longer when we get to closed session.

But in general, the Intelligence Community focus on Yemen has intensified, as I mentioned to Congressman Thornberry, not just now, but had been previously. It is a mission, and we are organizing to give it the focus that it deserves; similarly for Somalia.

Right now, I would rate the al Qaeda in the Arabian Peninsula operating out of Yemen as a better developed and more direct threat against the United States and against the American interests in that part of the world than Al Shabab. Al Shabab has a—it has both a Somali ambition. It wants to be the Government of Somalia. It also has a jihadist ambition which involves attacking the United States.

And for the reasons I can go into more in closed session, I would rank Yemen as somewhat a more concern. But that is not to say we are spending any less attention to both of them. It is just that is how I would rank them right now.

Mr. SCHIFF. Aren't there problems of a different scale in Somalia in the sense that, as you point out, you have Al Shabab poised, potentially, to take control of that country, I think, unlike the situation in Yemen, where the Yemeni Government is at least not presently at risk of falling to al Qaeda in the Arabian Peninsula? We also have a much more limited opportunity for cooperation in Somalia or for a physical presence in Somalia. So, in that respect, aren't the risks greater and our ability to address them less than in Somalia?

Admiral BLAIR. You are absolutely right. President Salih is seized with the threat to his country, as is the United States. So we have a good partner there who wants to work with us, whereas in Somalia, the TFG is just barely hanging on and trying to work its own process. So both the intelligence and the support job is much more difficult in Somalia; you are right.

Mr. SCHIFF. I just worry we sometimes focus on fighting the last battle. And we do it—we did it after 9/11, focusing on aircraft and the same kind of aircraft plans and then confront—we were confronted with other kinds of challenges. I worry that we are going

to focus right now on Yemen, and then there is going to be an attack emanating out of Somalia. And then we are going to put our focus on Somalia, but I look forward to exploring it further with you in closed session.

I think that is all the time that I have.

The CHAIRMAN. Thank you, Mr. Schiff.

Mr. King.

Mr. KING. Thank you, Mr. Chairman.

Thank you, Director Blair, for your service.

I would like to go back to the Christmas Day bombing, because, to me, of the questions it raises about the coordination of the Intelligence Community, looking at it at the time and looking at it now, it was not clear to me who was in charge during those days. For instance, we have learned that apparently it was the Attorney General or the Attorney General's Office which made the decision on Miranda, without asking advice from DNI, CIA, NCTC, the Homeland Security.

Then, I don't know who was briefing the President, but when the President did appear on the fourth day, December 28, I believe it was, to discuss it, he referred to Abdulmutallab as an isolated extremist. As Congressman Hoekstra and Congressman Thornberry have referenced, last night, there was a briefing at the White House on the status of the investigation.

So for the purpose of clarifying who does what or who is in charge, could I ask, were you involved in briefing the President between Christmas Day and when he made his statement from Hawaii on Monday the 28th?

Admiral BLAIR. Yesterday, Director Mueller and I and Director Panetta briefed the Intelligence Committee in the other Chamber on the events of this day. And Director Mueller gave a pretty good account of what went on in those fast-moving days of—I know, those fast-moving hours of Christmas Day and then in subsequent days.

And during that day, the FBI agent said the Joint Terrorism Task Force were the people on the scene who were dealing with this developing situation. They were in touch with a team back here in Washington——

Mr. KING. Mr. Director, if I could jump ahead, really what I am talking about was the statement the President made on Monday the 28th. Who was in charge of briefing him for that day, and who signed off on the term isolated extremist? Would that have been you?

Admiral BLAIR. The staff——

Mr. KING [continuing]. Places.

Admiral BLAIR [continuing]. Was an interagency team, representatives of the Intelligence Community who worked for me were on that team that fed the information to the President. So we had an input on that.

Mr. KING. The actual statement the President made to the world, did you sign off on that statement?

Admiral BLAIR. I am not going to talk about those internal processes, Representative King.

Mr. KING. At the meeting last night at the White House, the briefing that was given, as I see, some of the information that has

been made public is, we are told that two family members convinced the terrorists to cooperate. Was that cleared with you as to whether or not it is appropriate to discuss publicly that two family members are cooperating or urged them to cooperate?

And, also, I would ask, the fact that they did speak to a number of family members in Nigeria, that was made public. Is that much the type of information that should be made public? And if so, was it cleared with you or Director Panetta?

Admiral BLAIR. Again, Congressman King, I am not going to comment on the internal processes for this investigation right now.

Mr. KING. Director, I can understand your position. I am really asking these questions to get them on the record, because I have a concern, from talking to various people in the Intelligence Community, that, number one, the Attorney General may have a disproportionate influence. But beyond that, the White House is very much involved in the weeds of policy. I don't know whether it is John Brennan or someone else, but the fact is that a lot of policy has been directed from the White House, which is cutting into what should be done by the DNI, by the CIA, the NCTC, and Homeland Security.

I think we should look at that especially since, obviously, we do not have jurisdiction over Mr. Brennan, being a White House employee.

And this does seem to be a marked difference from the previous administration. It might be the right thing to do, but if so, I think we should be consulted on that. Because it just seems to me that there were a number of decisions made, leaving aside the Mirandizing, just statements by the President, who was doing the actual briefing of the President, and the decision made last night at the White House to the releasing of what I would consider to be—could be considered as classified information or damaging information. And I just wonder if the entire Intelligence Community was consulted on that before these political decisions were made to release that information?

Admiral BLAIR. I understand your question, sir.

As I said before, the political dimension of what to me ought to be a national security issue has been quite, quite high. I don't think it has been very particularly good, I will tell you, from the inside, and in terms of us trying to get the right job done to protect the United States.

And we are just trying to bring intelligence and law enforcement to bear to get the right information to make sure that those who threaten our country get behind bars. And I just don't want to go into the political side of it.

Mr. KING. Again, thank you for your service.

The CHAIRMAN. Thank you.

Mr. Director, just to be clear and to make it part of our record, the briefing that occurred last night that has been referred to this morning, was that in response to a leak that occurred that the information was going to come out about Farouk talking to the FBI, the FBI getting the information, and so the decision was made to brief members of the media? Is that correct? Is that how it happened?

Admiral BLAIR. I don't know exactly what the origins of that event were, Mr. Chairman.

The CHAIRMAN. Can you check on that and have somebody get back to us?

Admiral BLAIR. Yes, sir.

The CHAIRMAN. Because I am curious myself.

Apparently, there was a leak, and they decided to do this briefing. Just based on the words that we used, hastily called, leads me to believe that they are reacting to some kind of information that was leaked out there and wanted to mitigate the damage, perhaps.

Admiral BLAIR. Let me not make it up here but try to get back to you.

The CHAIRMAN. Thank you.

Ms. Schakowsky.

Ms. SCHAKOWSKY. Good morning, Director Blair. Thank you for being here.

I have been concerned that the United States has been too prone to outsourcing our security in various ways to contractors. And I wanted to ask you about this, what do we call it, the HIG, the High-Value Interrogation Group and wonder, to what extent this group is using contractors, if at all?

Admiral BLAIR. The use of contractors by the HIG will be absolutely minimal. The only circumstances that we have discussed in internal deliberations where it might be used is if there is some language capability, which is, some interpretation, interpreting capability that is required that we don't have a government employee who has the level of skill required. We then would look to contracting. That is the one area in which we have talked about using contractors, but the High-Value Interrogation Group will be government employees.

Ms. SCHAKOWSKY. But we have also talked about, for years it seems, increasing internally our language capacity. Is that still happening?

Admiral BLAIR. Yes. That is a very aggressive program. I just don't like to say that there will never be some obscure dialect that we don't have the best, that we don't have a 3–3 person available to do, that we might want to go outside to get someone so we get the nuance.

Ms. SCHAKOWSKY. Thank you.

We have been told in the past that the CIA is out of the interrogation business. Will the CIA help or be part in any way of the HIG program in doing interrogations?

Admiral BLAIR. The CIA is a part of the team that has an interrogation and an intelligence support. As Director Panetta had said, the CIA as a body independently is out of the interrogation business, but they are part of this team under the direction of the structure we set up.

Ms. SCHAKOWSKY. Will the CIA be conducting interrogations?

Admiral BLAIR. They may be participating in interrogations, yes. As I said, all interrogations are guided by the Army Field Manual. There will be a uniform level of training, so we have not ruled out CIA officials with the right experience being part of the team.

Ms. SCHAKOWSKY. But this is new. We were told that the CIA is out of the interrogation business, that the CIA is not doing interrogations, so this is a change in policy?

Admiral BLAIR. I think it is the distinction between the CIA being the—running these sites that we had in the past, and being a member of the team. And they are members of the team. They are not running any kind of an independent interrogation capability.

Ms. SCHAKOWSKY. Has the Intelligence Community determined or considered whether interrogations would be videotaped?

Admiral BLAIR. I don't know the answer to that question. I will get back to you.

Ms. SCHAKOWSKY. Would you?

General Alexander and the NSA, I had questioned issues of preventing in advance situations where they had to come to us and say, mea culpa, certain databases shouldn't have been touched, et cetera.

In the issue of reporting to Congress, have you considered someone being in charge, a compliance officer who watches to make sure that there are situations so that you as Director of National Intelligence, that it is not you that is responsible but that someone is preventing a situation where you have to come back and talk to us about why it didn't happen?

Admiral BLAIR. Right. I don't enjoy those sessions any more than you do——

Ms. SCHAKOWSKY. Sure.

Admiral BLAIR. Congresswoman Schakowsky, and we have established a compliance official within the NSA directly in the chain of command of that program whose job it is to ensure that we are doing it right ahead of time when at all possible, and then certainly fixing it.

Ms. SCHAKOWSKY. Well, that is just one. That is the NSA. But I am just wondering if there are any others, so that we don't continually—and it does seem to be continually—ask, how come we read it in the paper? How come Congress wasn't informed? And there are a number of things we can't even talk about here where we say, why weren't we told in a timely way?

Admiral BLAIR. Right, let's talk some more about specifics in closed session, but the emphasis on compliance and on not saying oops is much greater than it was, and we will continue to pursue that. I just cited that one example within NSA, since that has been the source, as you know, of several of the things we have had to fix later.

Ms. SCHAKOWSKY. I think that is an important improvement.

Thank you.

The CHAIRMAN. Mr. Blunt is not here.

Mr. Rogers. No.

Mrs. Myrick.

Mrs. MYRICK. Thank you, Mr. Chairman.

But we have got votes coming up. And since the Director has to leave at 1 o'clock, I would like to be able to go into closed session, so I am not going to ask anything here.

The CHAIRMAN. Great. Well, I was just conferring with the ranking member.

It looks like we are going to be voting at 12:15. We will have five votes, one 15-minute and four 5-minute votes, which will effectively close out the time that we have the Director here.

So what I propose to do is close this session, close the open session, reconvene in our hearing room. It is now 16 till 12 p.m., and reconvene there 10 minutes to 12 p.m. and then go into closed session so that members can follow up with some of the issues.

With that, we are recessed and will reconvene in our own hearing room. Thank you.

[Whereupon, at 11:45 a.m., the committee was adjourned.]

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