



**Remarks as delivered by
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**Worldwide Threat Assessment to the
Senate Select Committee on Intelligence**

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DIRECTOR CLAPPER: Chairman Feinstein, Vice Chairman Chambliss and distinguished members of the committee, as you indicated, we're here to present the 2013 worldwide threat assessment.

You already introduced my colleagues, but I do want to speak very briefly about sort of the alpha and omega of tenure in the Intelligence Community. And Bob Mueller approaching now 12 years in office and the very distinguished director of the FBI and a tremendous colleague for me in this job and the previous ones I've held.

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

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

As you know, Madame Chairman, I have serious reservations about conducting open hearings on the worldwide threat, especially the question-and-answer sessions. While I believe it's important to keep the American public informed about the threats our nation faces, I believe that can be done through unclassified opening statements and statements

for the record. As you also know, we're ready to answer any and all of your questions in closed session. But an open hearing on intelligence matters is something of a contradiction in terms.

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

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

The topic that you have both alluded to, the topic that's foremost on our minds this year is, of course, sequestration. You haven't seen much public discourse on the impact of these indiscriminate cuts on intelligence. We haven't been on the talk shows and you don't read much about it in the printed media.

So let me now be blunt for you and for the American people – Sequestration forces the intelligence community to reduce all intelligence activities and functions without regard to impact on our mission. In my considered judgment as the nation's senior intelligence officer, sequestration jeopardizes our nation's safety and security, and this jeopardy will increase over time.

The National Intelligence Program, or NIP as it's called, which I manage, is spread across six cabinet departments and two independent agencies. Much of it is included in the DOD budget. For that portion of the NIP, the Congress directed that the National Intelligence Program use an even more onerous set of rules to carry out these cuts the NDAA imposed on the Defense Department.

This restrictive program, project and activity, or PPA structure as it's known, compounds the damage because it restricts our ability to manage where to take reductions in a balanced and rational way. Accordingly, the sheer size of the budget cut, well over \$4 billion or about 7 percent of the NIP, will directly compel us to do less with less.

Some examples -- and I'll have to be circumspect here in an open, unclassified setting -- and we're prepared to speak more specifically in a classified setting -- of the impacts of sequestration.

We'll reduce human, technical and counterintelligence operations, resulting in fewer collection opportunities while increasing a risk of strategic surprise. This includes, for example, possibly furloughing thousands of FBI employees funded in the national intelligence program.

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

Critical analysis and tools will be cut back, so we'll reduce global coverage and may risk missing the early signs of a threat. Our response to customers will suffer as well. We'll let go over 5,000 contractors, and that number may grow, who are an integral part of the intelligence community. And this is on top of the thousands of contractors we've let go in previous years.

We'll delay major systems acquisitions and decommission older, but still productive overhead reconnaissance capabilities, thus reducing coverage. Virtually all of the 39 major systems acquisition across the intelligence community will be wounded. We'll have to renegotiate contracts and slip schedules to the right, which in the long run will cost us more.

And we'll scale back cutting-edge research that helps us maintain a strategic advantage.

Since we're already halfway through the fiscal year, the mandate of across-the-board cuts is equivalent to 13 percent because we'll be forced to take them in just seven months.

These condensed timelines magnify the impact these cuts will have on the IC.

So in response, our approach starts with the premise that mission comes first; therefore, our two highest priorities are: one, to protect our most valuable resource, our civilian workforce, so we can focus on the threats we face, and two, to support overseas operations. Our civilian workforce works 24/7 around the world and is crucial to performing that mission. It is our civilian professionals who will provide the resilience and ingenuity to help compensate for the other cuts we'll incur.

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

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

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

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

We reduced the intelligence community by 23 percent. And in the mid and late '90s, we closed many CIA stations, reduced human collectors, cut analysts, allowed our older architecture to atrophy, and we neglected basic infrastructure needs such as power, space and cooling. And we let our facilities decay. And most damaging, most devastatingly, we badly distorted the workforce.

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

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

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

I will say that my almost 50 years in intelligence, I do not recall a period in which we confront a more diverse array of threats, crises and challenges around the world, which you've both described. To me, this made sequestration even more incongruous.

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

So when it comes to the distinct threat areas, our statement this year leads with cyber. And it's hard to overemphasize its significance. Increasingly, state and non-state actors are gaining and using cyber expertise. They apply cyber techniques and capabilities to achieve strategic objectives by gathering sensitive information from public- and private-sector entities, controlling the content and flow of information, and challenging perceived adversaries in cyberspace.

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

This year we include natural resources as a factor affecting national security, because shifts in human geography, climate, disease, and competition for natural resources have national security implications.

Many countries that are extremely important to U.S. interests, which sit in already volatile areas of the world, are living with extreme water and food stress that can destabilize governments. This includes Afghanistan and Pakistan in South Asia, Egypt, Iraq, Syria, Yemen and Libya in the Arab world, and many other nation-states across Africa and in our own hemisphere. Water challenges include not only problems with quality and quantity but with flooding. Some countries will almost certainly exert leverage over their neighbors to preserve their own water interests. And water infrastructure can be considered a viable target for terrorists.

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

Terrorists, militants and international crime groups are certain to use declining local food security to gain legitimacy and undermine government authority. Intentional introduction of a livestock or plant disease could be a greater threat to the United States and the global food system than a direct attack on food supplies intended to kill humans. So there will almost assuredly be security concerns with respect to health and pandemics, energy and climate change. Environmental stresses are not just humanitarian issues. They legitimately threaten regional stability.

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

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

Weapons of mass destruction development and proliferation are another major threat to U.S. interests. North Korea has already demonstrated capabilities that threaten the United States and the security environment in East Asia. It announced last month that it concluded its third nuclear test, and last April it displayed what appears to be a rogue mobile intercontinental ballistic missile.

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

Iran continues to develop technical expertise in a number of areas, including uranium enrichment, nuclear reactors and ballistic missiles, from which it could draw if it decided to build missile-deliverable nuclear weapons.

These technical advancements strengthen our assessment that Tehran has the scientific, technical and industrial capacity to produce nuclear weapons. This makes the central issue its political will to do so. Such a decision will reside with the supreme leader, and at this point we don't know if he'll eventually decide to build nuclear weapons.

The United States and our allies are tracking Syria's munitions stockpiles, particularly its chemical and biological warfare agents, which are all part of a large, complex and geographically dispersed program. Its advanced chemical weapons program has the potential to inflict mass casualties.

It adds to our concern that the increasingly beleaguered regime, having found its escalation of violence through conventional means inadequate, might be preparing to use chemical weapons against the Syrian people. Besides regimes' use, nongovernmental groups or individuals in Syria could also gain access to such materials.

Let me now briefly address regional threats around the world. Some nations in the Middle East and North Africa are making progress toward democratic rule, but most are experiencing levels of violence and political backsliding. Islamic actors have been the chief beneficiaries of the political openings, and extremist parties in Egypt, Tunisia and Morocco will probably solidify their influence this year.

After almost two years of conflict in Syria, the erosion of the regime's capabilities is accelerating. We see this in its territorial losses, military manpower and logistics shortages. The regime's aggressive violence and the deteriorating security conditions have led to increased civilian casualties. This sort of violence too often accompanies major political upheaval being perpetuated by elites trying to assert or retain control. This violence and economic dislocation have led to more than two million Syrians being displaced, both internally and externally.

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

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

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

Moving to South Asia, the Taliban-led insurgency has diminished in some areas of Afghanistan but remains resilient and capable of challenging U.S. and international goals. The coalition drawdown will have an impact on Afghanistan's economy, which is likely to decline after 2014.

In Pakistan, the government has made no concerted effort to institute much-needed policy and tax reforms, and the country faces extremely challenging prospects for sustainable economic growth. On a more positive note, this past year the Pakistani armed forces continued their operations in the federally administered tribal areas, or FATA, which have been safe havens for al-Qa'ida and the Taliban. Pakistan also saw fewer domestic attacks from the militant group of TTP.

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

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

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

Closer to home, despite positive trends toward democracy and economic development, Latin America and the Caribbean contend with weak institutions, slow recovery from devastating natural disasters, and drug-related violence and trafficking, which, of course, is a major threat to the United States.

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

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

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