

**HEARING OF THE HOUSE ARMED SERVICES COMMITTEE**

***GLOBAL SECURITY ASSESSMENT***

**WITNESSES:**

DR. THOMAS FINGAR, DEPUTY DIRECTOR OF NATIONAL INTELLIGENCE FOR ANALYSIS & CHAIRMAN, NATIONAL INTELLIGENCE COUNCIL;

MR. ROBERT T. CARDILLO, DEPUTY DIRECTOR FOR ANALYSIS, DEFENSE INTELLIGENCE AGENCY;

MR. JOHN A. KRINGEN, DIRECTOR OF INTELLIGENCE, CENTRAL INTELLIGENCE AGENCY

*CHAIRER BY: REPRESENTATIVE IKE SKELTON (D-MO)*

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REP. SKELTON: Welcome, ladies and gentlemen, to a rainy day. Nevertheless, we will get started, and welcome to the Armed Services Committee hearing on global security environment.

We're pleased to have with us today Dr. Thomas Fingar, deputy director of National Intelligence for Analysis in the Office of the Director of National Intelligence; Mr. Robert Cardillo, deputy director for Analysis from the Defense Intelligence Agency; and Mr. John Krigen, director of Intelligence from the Central Intelligence Agency. Gentlemen, we welcome you.

We're in a period where we hear from each of the leadership of the Defense Department, leaders of our armed services, combat commanders as well, as they come before us to testify about their portion of the 2009 defense budget. It's our job to consider their recommendations.

This hearing is designed to provide a broad, strategic context of the overall security environment facing our country, as our committee considers those Defense budget requests. We spent a great deal of time focusing on the wars in Iraq and Afghanistan, as you well know, but that doesn't mean that we can afford to be any less vigilant regarding the rest of the world. It's important to remember that international security is a fluid situation; we must hedge against strategic surprise, at the same time work to identify trends that could have implications for our national security down the road. Early identification of those challenges is very, very important.

We know that over the last 31 years, we have had 12 military contingencies, four of which have been major in size, none of which was anticipated very far ahead. So now, while we're fighting today's wars in Iraq and Afghanistan, we need to be careful and don't become too near-sighted and fail to see what might else be out there and that's your job to discuss that with us today. So with that gentlemen, we appreciate you being with us and I ask that the remainder of my statement be placed in the record and we will proceed after we hear from Mr. Hunter, please.

REPRESENTATIVE DUNCAN HUNTER (R-CA): Thank you, Mr. Chairman, and thanks for having this very important hearing. And gentlemen, I want to join the chairman in welcoming you this morning. What you produce and what your agencies produce is the basis upon which this committee and several other committees basically develop both systems and policies that together constitute the defense apparatus of this country. So your work is extremely important and let me go over just a couple of areas that I think we need to look at. And I would hope you could talk directly to some of these questions that arise as a result of recent developments in several areas.

One is the Pentagon's 2007 report on Chinese military developments highlights China's growing power projection and strategic forces capabilities, in particular their blue-water navy. They've got a lot of submarines under construction right now, a fairly large force, some good stuff, some nuclear attack boats now being developed, as well as very capable diesel submarines. Their ballistic development and their counter-space and cyber capabilities, which particularly should concern us, it's clear that these capabilities would extend Chinese power well beyond a Taiwan Straits scenario. And my own knowledge of these developments tell me that the president's fiscal year 2009 budget request is insufficient to counter them. So I'd like your assessment of the Chinese rationale for developing these particular capabilities and where they are in fielding robust capabilities such as those mentioned. How are those programs moving and where do you expect them to go?

As I mentioned last summer, Iran has taken enumerable steps to counter U.S. influences in the Middle East by supporting international terrorism, expanding its ballistic and anti-ship cruise missile arsenal, and testing U.S. military rules of engagement in the Strait of Hormuz. I also remain concerned about Iran's engagement in Afghanistan and Iraq. And I would appreciate your assessment of the extent of Iranian influence in those countries and what you see as their thinking behind their activities with respect to those countries.

Over the last couple of months, many witnesses before the committee have remarked on the tenuous security situation in Pakistan, which is a critical partner in U.S. counterterrorism efforts. So what's your assessment of the impact that Pakistani, elections to be held next week, will have on stability there? How would you characterize the presence of Taliban elements in the federally administrated tribal areas? And what effect are those elements having on our, on the U.S. and coalition operations in Afghanistan?

In terms of functional terms of concern, I note that it appears that state and non-state actors may be posing additional non-traditional or asymmetric threats in some cases, increasing their cooperation with each other to the detriment of U.S. security interests. For example, more than 20 countries now have a ballistic missile capability, and that proliferation is occurring among both state and non-state actors. For example, last week Iran tested a space launch vehicle and wants to launch a satellite by next year. Wouldn't this technology transfer directly into a long-range missile program? Could you comment on that? And what's your assessment of the relationship between state and non-state actors in this area?

We also face the ongoing challenge of technology transfer. You've got some foreign entities coming in now with massive amounts of money to acquire American defense companies with critical capabilities that can give the U.S. military a qualitative advantage over potential adversaries. Other entities are engaged in industrial espionage. I would like our witnesses to comment on this threat, and I'd like you to comment on which countries or non-state

organizations work to illicitly acquire U.S. technology with military application through foreign ownership, control, or influence and what kind of capabilities do these entities possess?

And, you know, I think this is going to be the challenge in the next five to 10 years as we see other nations, some of which could be described as having interests that are distinctly different from America's interests, with large amounts of cash obtained through trade imbalances, and now purchasing American technology companies, some of which deliver technology to the Department of Defense, some in critical areas. Do you agree that that's going to be a challenge for the future and do you think that the current system that we have, this so-called sepias review system is adequate, or do you think that commercial industry or commercial interests are dominating the process and preventing security interest from really engaging and working this problem and being the deciding factor as to whether or not such deals are allowed?

A final example is the cyber security arena; last year, a cyber attack on Estonia raised the specter of states enlisting non-state actors to act as a proxy. The attacks against Estonia impacted communications, economic systems, and other infrastructure, which raises new concerns about the scope of potential hostile actions we might face. And the Estonia event is not an anomaly; last year, the U.K. and Germany publicly raised concerns with Chinese activity in their national systems. And the United States itself has experienced impacts from cyber activity.

As we continue our discussion of threats to U.S. national security interests, I think we've got to keep in mind that these challenges are increasing in complexity, diversity, and range. They require this committee's understanding of the global security equation and a continued effort to ensure that our forces have the necessary tools to protect and defend our security interests. So thanks a lot, gentlemen, for being with us this morning. I think that this is a very timely hearing. Mr. Chairman, I look forward to the testimony.

REP. SKELTON: The chairman thanks the gentleman for his statement. Dr. Fingar, we recognize you and the gentlemen with you as you wish to proceed. Dr. Fingar?

MR. FINGAR: Thank you, Mr. Chairman. Chairman Skelton, Ranking Member Hunter, members of the committee, we thank you for this invitation to provide an assessment of our threats to the nation's security. I'm pleased to be accompanied today by a DIA deputy director for analysis, Robert Cardillo, and CIA director of intelligence, John Kringen.

As you requested, I will provide a brief overview of the threats and challenges examined at greater detail in a statement for the record which we have submitted to the committee. I was pleased to note that many of the questions raised by Mr. Hunter are addressed in the opening statement, but we'd be happy to explore them further in question and answer.

Mr. Chairman, globalization has broadened the number of threats and challenges facing the United States. For example, as government, private sector, and personal activities continue to move to network operations and our digital systems add ever more capabilities, our vulnerability to penetration and other hostile cyber action grows. The nation requires more of our intelligence community than ever before, and consequently we need to draw upon the expertise and experience of analysts inside and outside the intelligence community. My

remarks today and the statement for the record reflect the coordinating judgments of the intelligence community and the efforts of literally thousands of patriotic professionals from more than 16 agencies, many of whom serve in harm's way.

Mr. Chairman, in order to reserve as much time as possible for your questions, I will focus on the following areas: the continuing global terrorist threat, WMD proliferation, specifically the threat of Iran's nuclear activities, the cyber threat to the U.S. information infrastructure, the situation in Iraq and Afghanistan, and military modernization in Russia and China.

Turning first to terrorism, al Qaeda and its terrorist affiliates continue to pose significant threats to Americans at home and abroad. And al Qaeda's central leadership is its most dangerous component. Using its sanctuary along Pakistan's northern border, al Qaeda has been able to maintain a cadre of skilled lieutenants capable of directing the organization's operations around the world. It has lost many of its senior operational planners over the years, but the group's adaptable decision-making process and its bands of skilled operatives have been able to identify effective replacements. It's now attempting to identify, recruit, train, and position operatives for attack on the homeland.

We assessed that al Qaeda's homeland plotting is likely to continue to focus on prominent political, economic, and infrastructure targets, designed to produce mass casualties, visually dramatic destruction, significant economic aftershocks, and/or fear among our population. Al Qaeda's affiliates from Africa to Southeast Asia also pose a significant terrorist threat. Al Qaeda in Iraq, AQI as we refer to it, has been weakened during the past year, but it remains al Qaeda's most visible and capable affiliate.

Another affiliate, al Qaeda in the lands of the Islamic Maghreb, or AQIM, is the most active terrorist group in northwestern Africa. We assess it represents a significant threat to U.S. and European interests in the region. Other al Qaeda regional affiliates kept a lower profile in 2007, but we judge that they remain capable of conducting attacks against U.S. interests. Home grown extremists inspired by militant Islamic ideology, but without operational direction from al Qaeda, are an evolving danger, both inside the U.S. and to our interests abroad. Disrupted plotting last year in the United States illustrates the nature of this threat. In addition, our European allies continue to uncover new extremist networks plotting against the U.S. as well as targets in Europe.

We turn to WMD proliferation. The ongoing efforts of nation-states and terrorists to develop and/or acquire dangerous weapons and delivery systems constitute the second major threat to our safety. Over the past year, we have gained important new insights into Tehran's activities related to nuclear weapons, and the community recently published a national intelligence estimate on Iranian intent and capabilities in this area. The classified estimate is 140 pages long, has nearly 1500 source notes, and presents both our evidence and analytic tradecraft in meticulous detail. Because the two and a half page unclassified summary has been widely misinterpreted and misconstrued, I welcome this opportunity to clarify some of its key findings.

They include: Iran had a secret nuclear weapons program for many years that Tehran has never acknowledged and continues to deny. The program has three components: the production of fissile material, development of missiles to deliver nuclear weapons, and the design and development of the nuclear weapons

themselves. The production of fissile material and missiles continues. Tehran halted weaponization and certain other covert activities in 2003 in response to international scrutiny and pressure, but at a minimum, is keeping open the option to develop nuclear weapons.

Iran continues to develop technical capabilities that could be applied to the production of nuclear weapons, and we judge that it has the technical and industrial capability to produce nuclear weapons should it desire to do so. The estimate also addresses several other Iranian nuclear activities and would be pleased to answer any questions that you may have about this NIE.

Part of the WMD proliferation, I must note North Korea. North Korea's nuclear weapons and missile programs threaten to destabilize a region that has known many great power conflicts and compromises some of the world's largest economies. Pyongyang has already sold ballistic missiles to several Middle Eastern countries and to Iran. We are concerned that North Korea might decide to sell nuclear weapons as well.

Turning to the cyber threat, the U.S. information infrastructure, including telecommunications and computer networks and systems and the data that reside on them is critical to virtually every aspect of modern life, as government, private sector, and personal activities continue to move to networked operations as our digital systems add ever more capabilities, as wireless systems become even more ubiquitous, and as the design, manufacture, and service of information technology moves overseas, our vulnerabilities continue to grow. Over the past year, cyber exploitation activity has grown more sophisticated, more targeted, and more serious. The intelligence community expects these trends to continue. Turning to Iraq, the security situation in Iraq continues to show signs of improvement. Security incidents countrywide have declined significantly to their lowest level since the February 2006 Samarra Golden Mosque bombing. Monthly civilian fatalities nationwide have fallen by over half in the past year. Despite these gains, however, a number of internal factors continue to undermine Iraq's security. Sectarian distrust is still strong throughout Iraqi society. HUI remains capable of conducting destabilizing operations and spectacular attacks despite significant disruption of its networks. Inter-communal violence in southern Iraq has spread beyond clashes between rival militia factions. And while improving significantly over the past year, the ability of the Iraqi Security Forces to conduct effective operations independent of coalition forces remains limited. Bridging differences among competing communities and providing effective governance are critical to achieving a successful state and a long-term solution. Though slow, progress is being made. We have seen economic gains and quality of life improvements for Iraqis. The improvements in security, governance, and the economy are not ends in themselves, rather they are the means to restore Iraqi confidence in the central government and at easing sectarian distrust.

In 2007, the number of attacks in Afghanistan's Taliban-dominated insurgency exceeded that of the previous year, in part because coalition and Afghan security forces undertook many more offensive operations. Efforts to improve governance and extend development were hampered by a lack of security in some areas and limitations in government capacity. Ultimately, defeating the insurgency will depend heavily on the government's ability to improve security, deliver effective governmental services, and expand economic development and opportunity.

The drug trade is one of Afghanistan's greatest long-term challenges. The insidious effects of drug-related criminality continue to undercut the

government's ability to assert its authority, develop a strong rule-of-law based system, and rebuild the economy. Taliban groups operate in the poppy-growing regions and gain some financial support through their ties to local traffickers.

Turn briefly to Russian and Chinese military modernization: increases in defense spending have enabled the Russian military to begin to reverse the deep deterioration in its capabilities that began before the collapse of the Soviet Union. The military still faces significant challenges, for example, in demographic trends and health problems. In addition, conscription deferments erode available manpower and Russian defense industry suffers from the loss of skilled personnel.

China's military modernization program is shaped in part by the perception that a competent modern military force is an essential element of great power status. Improving Chinese range missile capabilities will put U.S. forces at greater risk from conventional weapons. In addition, Beijing seeks to modern China's strategic nuclear forces to address concerns about the survivability of those systems. If present trends in the global development of counter-space capabilities continue, Russia and China will have an increasing ability to target U.S. military, intelligence, and navigation satellites to degrade our commanding control systems and our ability to use effectively our precision weapons systems.

Mr. Chairman, this summary has provided only a brief overview of the threats examined at greater length in our written statement and has omitted many of the others in order to leave more time for questions. My colleagues and I look forward to your questions and will answer as directly and concretely as possible in an unclassified setting. Thank you for your interest.

REP. SKELTON: I certainly thank you, Doctor, and gentlemen, thank you. Doctor, in your opinion, as we view the world today and as we view the readiness posture of our troops, what do you consider the most threat to our national security interest? I realize that's a crystal ball question, but in your considered professional judgment, Dr.?

MR. FINGAR: Mr. Chairman, let me provide my view and I'll divide it in two parts and invite my colleagues, since it's a crystal ball question and we would like you to have benefit of the perspective of all of us. I think the most likely threat is a terrorist threat, in part is the determination and the skill of our terrorist adversaries, in part is because asymmetric warfare is taken to its extreme on one end of the spectrum when an individual suicide bomber willing to sacrifice himself or herself can do terrible damage in crowded settings, in which the psychological effect may be even greater than the physical destruction.

In terms of conventional military threats, I think the greatest danger is one of misperception, miscalculation, or escalation of regional conflicts. To be more specific, miscalculation by any of the parties involved in watching the Taiwan Strait situation, by Taiwan, by the mainland, their perceptions of what we may or may not do, judgments about what anticipatory or preemptive actions may be necessary in order to deter one of the parties. The danger of that spinning out of control is real.

With instability in so much of the world, the Middle East in particular, and the importance of energy resources in that region, it doesn't take a very sophisticated crystal ball to predict the possibility for localized conflict drawing in regional powers and then drawing in the United States. And

the appeal of asymmetric methods to adversaries who cannot compete with us in terms of conventional military force means there is a threat to Americans everywhere. But I invite my colleagues to respond.

MR. CARDILLO: Sir, I'll just add from the Defense Intelligence perspective, we would agree with --

REP. SKELTON: Would you get closer to the microphone, please? MR. CARDILLO: Yes, sir. From a Defense Intelligence perspective, we would agree with Dr. Fingar's outline. I would specify, though, that if we've taught an adversary who seeks to do harm to U.S. national-security interests, the long way to go about it is a conventional approach. Force on force, we've done a great deal to strengthen our capabilities along those more traditional lines and that's what I think that leads one to with respect to what the greatest risk is, is the asymmetric threat that Dr. Fingar touched on and I'll focus specifically on the cyber threat.

Because of the way our forces are networked, the way we command and control them, the way we provide intelligence to them, the way we are connected, we have a great risk if that capability is at all threatened and, thus, that is the main reason why we're now increasing our focus, resources, effort in time on how to provide the intelligence required in order to combat a cyber threat.

MR. : I would simply add, as an overlay, our concern about the continued proliferation of nuclear weapons. If you go back to 2002 and the potential confrontation between India and Pakistan that might have involved an exchange of nuclear weapons, as those weapons continue to proliferate, the concern is those regional scenarios that Tom has already described could very well turn in not only to a conventional conflict, but a nuclear conflict as well.

REP. SKELTON: Thank you, Joe. Mr. Hunter.

REP. HUNTER: Thank you, Mr. Chairman. Dr. Fingar, if you think the terrorist threat is perhaps the most pressing right now, the 2000-mile exposed border between the United States and Mexico with a smuggling apparatus in northern Mexico that has been designed to accommodate large amounts of -- large operations: smuggling people and narcotics, a multimillion-dollar per night industry, would that not accommodate people who wished to smuggle explosives, for example, at some point across the border? And do you consider that to be an exposure to our national security, the open border?

MR. FINGAR: It certainly is an exposure that the ability of people, of goods, to cross the border illicitly, the very, very large volume of legal commerce and movement of people that occurs provides a situation in which it might be explosives, it might be terrorists, it might be biological agents. Many things could come in. That in the written statement, we note among the positive developments of the last year are the efforts by the new administration in Mexico, effective efforts, more effective than in recent memory, to address the kind of networks, the lawless networks that exist in northern Mexico and the cooperation between our two countries to make the border less vulnerable. They have an interest in doing it for their domestic stability. They point out that arms coming from the north are a problem in their country as we point out that there are far more problems coming north than going south. But this is a very, very positive sign from the new administration. REP. HUNTER: But do you see -- you think that we've now effectively enforced the border against the smuggling of people and narcotics?

MR. FINGAR: My judgment would be no.

MR. : In fact, our estimates still would be that roughly 90 percent of the narcotics that come into the United States, cocaine in particular, come through Central America, Mexico. What I think Tom was trying to point is that we see a level of engagement in that issue that is going to require long work probably over a decade or more to make that kind of progress.

But for a while, some parts of those border areas, the government had less control and they're trying to seize control of that now.

REP. HUNTER: Well, I guess my question to you is, I've been here 26 years and we've talked with a number of administrations about 10- year programs to control the border, but at this point there is not a -- and we continue to work with Mexico as we have for 100 years, but there's not a physical border-control apparatus, that is fences, roads, light, border control that physical keeps smuggling from moving illicit cargo across the border at will in this 2,000-mile area. So my question to you is, is that an exposure in terms of -- you said you thought that the biggest threat to the country was terrorism in that people are planning to, at some point, have an event in the American homeland. Is that 2,000-mile open border -- and I'm talking about physically open -- not whether or not politicians are meeting and working on and designing cooperative ways to stem the flow, but is a physically open border a threat to American security from a -- against the backdrop of terrorists who will, at some point, attempt to stage an operation in the United States? That's my question.

MR. FINGAR: It is certainly a vulnerability that the open access of our nation -- not just the southern border -- the ability to move around easily is a vulnerability. I will invite the national intelligence officer of terrorism to correct me if I'm wrong, but I don't think that we have had a terrorist, a known case of a terrorist entering through Mexico. The exposure is real.

REP. HUNTER: No, we haven't, but we're talking about exposures and the fact that we haven't had a terrorist attack -- we all know we haven't had a terrorist attack since 9/11. On the other hand, you're telling us, don't rest too easy, right?

MR. FINGAR: That's correct.

REP. HUNTER: Mr. Cardillo, did you have a comment on that?

MR. CARDILLO: On the border, sir?

REP. FINGAR: Yes.

MR. CARDILLO: We would agree. REP. HUNTER: Is that what you indicated you were going to comment on?

MR. CARDILLO: Sir, we would simply agree that that access is a vulnerability. And to the extent that there are people, non-state actors and state actors, that wish to do us harm, as long as that's open, it will increase the threat, yes, sir.

REP. HUNTER: Okay. Second question, quickly, is this. Obviously, we've seen the Chinese at least demonstrate at least a threshold capability to

take a satellite down because they've done that. What would be the -- could you give us a description of how difficult you think it would be for them to basically -- if they wanted to -- to disrupt our satellite capability? Could it be done fairly easily within a day or two?

MR. FINGAR: I think demonstrated a capability, as the Russians have demonstrated this capability several years ago, given our dependence on that overhead architecture, that it would not be that difficult to inflict significant, serious damage to our capabilities over the couple-of-day period that you specify.

REP. HUNTER: Okay, okay. Thank you, Mr. Chairman.

REP. SKELTON: General, we have -- you heard the bells. We have a vote. It's a motion to adjourn. I'm told it's only one vote although your intelligence may be better than ours. We'll be in recess until after the vote.

(Recess.)

REP. SKELTON: Why don't we resume? Mr. Larsen for five minutes.

REPRESENTATIVE RICK LARSEN (D-WA): Thank you, Mr. Chairman. Just some questions, I think. One, I was surprised and pleased to see a little bit more in the assessment on Central and South America this year. There's a lot more going on down there obviously and to see that reflected in the assessment, to help us, is helpful. I was struck, though, too, by the answers to the question that Mr. Skelton asked about what is most likely. And I don't know if there's any particular order, but I heard terrorism threat, an asymmetric terrorism threat, an asymmetric cyber-security, and then weapons of mass destruction, proliferation. Can you help me understand -- do you have an assessment about what percentage of our defense budget or homeland-security budget in total if those are the most likely threats, what percentage of the budget that we produce each year actually are directed at that threat? And you can be very broad in your -- don't be conservative with your estimate.

MR. FINGAR: Congressman, I don't think I could give you even a semi-informed guess. We're just the wrong people unless you happen to know. REP. LARSEN: Yeah, my concern is I'm not sure I could find that answer, either. I don't know that we -- my point is, I don't know that we have fully aligned, say, your kind of assessment with what our budget reflects. Hopefully, we can use this assessment this year to better inform our defense-budget process. I know there's been some questions about --

MR. FINGAR: If I may, Congressman? First, we would be delighted that our assessment is helpful in the process. That's why we prepare them, to be helpful and provide insight. But your list had three of the four that we mentioned. I had -- there was a miscalculation in conventional -- I think it's important to note that there is a relationship between our conventional military superiority and a very small magnitude of conventional threats. I take -- and I think your question about are we properly aligned given the diversity of threats is a good one.

REP. LARSEN: With regards to China, you mentioned -- and Russia a little bit, too -- but you talked about their abilities or their capabilities. Have you looked at -- does your assessment consider intent at all? Certainly not this written assessment that we have here -- unclassified doesn't, but do you look at intent? I certainly agree with your assessment about capabilities,

but with regards to China, it seems more directed, perhaps, at a Taiwan scenario and maybe help -- trying to assure that we stand off from this Taiwan scenario although we may have a difference of opinion with the Chinese on what we would do there. Do you have an assessment about the intent to go along with the capability?

MR. FINGAR: First, the general point is, yes, we look at intent as well as capability sort of in the course of doing business as usual. If -- if I understood the specific question with regard to China's intent, the Chinese have said publicly -- and we would not challenge that -- they need a peaceful international environment in order to continue the economic growth that is so critical to the legitimacy of the government and to raising the living standards, to becoming a world power. They know that the United States is the yard stick against which to measure capabilities. So as they modernize their military they're looking to the most demanding situation and that happens to be us. But we certainly assess that the Chinese do not have current intent to take aggressive action against the United States.

MR. : Can I add, if I could? We believe from defense-intelligence perspective that the motivation to the modernization that we talked about in the statement is to deny us access in that region. And so it is against our Naval and Air Force presence and our ability to project power into it. And so that is behind their rationale for the modernization.

REP. LARSEN: Largely in a Taiwan scenario or --

MR. : Largely, yes, sir. REP. LARSEN: Largely, okay. Thank you.

REP. SKELTON: Mr. Cardillo, if you would pull that microphone up so it's kind of pointing right at your mouth, that would be great. Mr. McHugh for five minutes.

REPRESENTATIVE JOHN M. MCHUGH (R-NY): Thank you, Mr. Chairman. Dr. Fingar, welcome, gentlemen. I appreciate your being here. Doctor, I appreciate your efforts to clarify the recent Iran NIE vis- a-vis the nuclear-weapons development. For those of us who had the opportunity to read the full report, it was pretty clear that there's still a significant threat as you suggest to the chair today.

I'd like to try to get a better understanding, if I could, as to the findings of the recent NIE and some other intelligence-service estimates, particularly the Israelis. When our NIE was first developed, some of us were told that from that time until now, there would be efforts to get together with the Israelis, to go over the datas. Thankfully, we routinely do and to try to see if there was some misunderstanding or a better way to come to common conclusions.

According to the open media last week, the Israeli estimate suggests -- in fact, states, if we believe the press reports -- that the Israelis feel that the Iranian nuclear-weapons development program will produce an end product by 2009. What is the status of our working with the Israelis to try to bring a firm conclusion and why do you think there's such a pretty marked difference between their findings and ours?

MR. FINGAR: I want to make sure I don't start in a direction would take us into a classified discussion, which we'd be happy to have. The starting

point, I think, is we're not actually all that far apart. Our possible, but very unlikely timeline is not very different -- months -- from the Israeli, admittedly, worse case, not judged most likely, but worst case, that for reasons having to do with the nature of the threat, it is existential for them, they worst case; we have the spectrum.

It is fair to say that we -- (coughs) -- pardon me, we have a difference of terminology. When the Israelis say worst case, we would use the phrase low or moderate probability, your confidence, I should say. We don't assess to a worst case. We assess by probability or competence levels. The specific thing is, specific is what is the earliest date at which Iran could have enough fissile material for a weapon? The estimate's judgment is possible, but very unlikely by the end of 2009, more likely in the 2010-2015 timeline. The Israelis say since it could be as early as the end of 2009, that's what they have to take as -- (inaudible) -- purposes.

REP. MCHUGH: Do we all agree that that is the assumption based upon the Iranians producing their own fissile material, that they could indeed, could they not, procure that from another source and skip a whole lot of years of development in that process?

MR. FINGAR: Yes, if they procured it somewhere else, then they wouldn't have to produce it. The estimate judges that they have -- they may have acquired a small amount, but have not acquired enough for a weapon. And even if acquiring enough for a weapon, that's not a weapons capability, that to demonstrate that they've got it, they'd would have to use it, test it, and then it's gone. So it's the centrifuge program, the fissile-material production that is the main variable in this.

REP. MCHUGH: And although they have technically stopped their covert enrichment activity, they are still, ultimately, developing, enriching fissile material through a supposed civilian organization, true? The civilian development program.

MR. FINGAR: That's correct.

REP. MCHUGH: And for the purposes of creating a nuclear weapon, there's no difference, is there?

MR. FINGAR: There's a difference in terms of the degree of enrichment, but the capacity for reactor-grade fuel, the technical capability to enrich to weapons-grade is not that much more demanding.

REP. MCHUGH: And the development of a delivery system of missile and multistage rockets continues?

MR. FINGAR: Correct.

REP. MCHUGH: Thank you, Mr. Chairman. I didn't notice the light had changed. Thank you for reminding me.

MR. SKELTON: Mrs. Davis, I'll recognize you for five minutes, but if the buzzers go off and you prefer to come back and pick up one or two minutes after we get back, we'll be glad to do that, too. Mrs. Davis for five minutes.

REPRESENTATIVE SUSAN A. DAVIS (D-CA): That's okay. I'll be happy to finish up. Thank you, gentlemen, for being here. I appreciate it. I'm going

to follow up a little bit on Mr. Larsen's question about the extent to which our budget priorities or the threat assessments really inform our budget priorities. And I understand that you can't answer that, but I wonder whether you could comment on the extent to which that threat assessment informs or is supported by our national security strategies themselves, the structure and the role that even Congress could be playing now as you see it. How aligned are they? And, if not, what should we do about that?

MR. FINGAR: It seems that there's a feedback-loop question that -- we have the responsibility of providing the most objective and accurate description of the threat, the global situation, evaluations that are not specifically threat-focused that inform the national strategy and policy documents. And some of what we do is responsive to questions and taskings that feed into, specifically into these various documents. We do not -- indeed, it would be inappropriate for us to evaluate U.S. policy in terms of, does that policy, does that strategy fit our view of the world. We can look at other guys, but not ourselves. Where there is interchange is through participation in principal committee meetings, National Security Council, Homeland Security Council meetings, deputies, committees, and the whole cascade of lower-level gathering where intelligence-community analysis judgments insights are a part of the discussion and the deliberation, but not a report card on the strategy. Do either of you want to add to that?

REP. DAVIS: As you step back from that, though, I would think that, in many ways, that would be very frustrating, to not be able to weigh in in a way that would be helpful. And I'm thinking that as well Secretary Gates, as you know, recently has thought more about how we deal with some of the non-conventional threats and the extent to which we need to work closer. We call it interagency reform, but State Department, using the military in a different way as one example and how we develop a better capability in that area. Is that something that you can comment on, whether the extent to which what you're seeing would mean that we do need to, in fact, change our -- whether it's budget priorities or the interface between the agencies that would provide greater information, intelligence, down the line that we're not really working with today? And maybe the other way I'm looking at it is where are the gaps, really, in some of this intelligence that could be helpful to you?

MR. FINGAR: You have put your finger on one of the challenges of being an intelligence professional, specifically in terms of analysts, where we are Americans. We're concerned about sort of our nation's policy priorities and so forth. But when functioning as intelligence analyst, we try very hard to inculcate, you don't have an agenda, you don't have preferences. If we're not seen as being neutral, objective, honest, calling it as we see it, we're not useful. We would discredit ourselves from the beginning. So each individual analyst has to sort of wrestle with this. Institutionally, we don't engage. Individually, there is the temptation to make it a little more clear and people would see it. The way it has a positive impact, for me, is interaction with those we support -- policymakers, military commanders, law enforcement -- and be able to see questions that they should have asked, things that they don't seem to understand, that we might get an answer, provide an analytic judgment for them.

REP. SKELTON: We'll be in recess until the conclusion of the vote.

REP. DAVIS: Thank you.

REP. SKELTON: I apologize, gentleman.

(Audio break.)

MR. FINGAR: (In progress) -- or another, so I would prefer to sort of take that question back to the people who could -- REP. : Dr. Fingar, when you were asked earlier, you know, in the hearing about what you thought the biggest threat was, I think you said a global attack, well, not a global attack, but a domestic attack by these extremists, these terrorists. And then, I think, Mr. Kringen, from the CIA perspective, said that we need to worry about a nuclear attack, you know somebody -- whether it's the Southern border, or however -- whatever mode of intrigue -- something in a suitcase or a briefcase or in a laptop, whatever. So I think that the question is very, very apropos, and then maybe Cardillo would address it and then Mr. Kringen.

MR. CARDILLO: Sir, I would simply echo what Tom has laid out, that as we obtain many different sources of information that go into our analyses, this is a key component of those sources. To the extent that it did matter, was inhibited or what not, it would have a direct effect on our ability to understand our adversary's capabilities and intentions, which of course equates to the threat that we're talking about.

REP. : Mr. Krigen -- or Dr. Fingar, go ahead. And I was going to specifically ask you what, as you see it, is the advantage of continuing what the FISA Bill, the Protect America Act -- it is now passed and we hope that we'll be able to continue indefinitely to gather this information.

MR. FINGAR: Let me kind of approach this by the second part of the question you asked, which is on key gaps, that intentions -- it's when we're continually asked -- and I believe it's Mr. Larsen that raised -- do we look at intentions, leadership intentions, non-state actor intentions, particular groups of terrorists or particular groups of individuals communicating with one another, or are they seriously contemplating an action, that -- wishing not to extrapolate from capabilities to intention or to equate propagandistic statement with genuine intent. So getting at the true intentions of groups, including terrorist groups, including all of those who use asymmetrical means is a very high priority and a very important gap.

The collection methodologies, as I understand it, that would be covered by the Protect America Act, FISA revision, get at aspects of these critical gaps. John.

MR. KRINGEN: Yeah, I think in particular the concern we always have is we have some gross understanding of what I would call ops- tempo by terrorist groups. Where we more typically lack is what I would call plans and operational plans in particular, and being able to get into those communications capabilities, how they interact with one another, frankly, we need every tool that we can get, sir.

REP. SKELTON: Ms. Boyda for five minutes.

REP. : Mr. Chairman, thank you very much. REPRESENTATIVE NANCY BOYDA (D-KS): Thank you very much. Ms. Boyda, Kansas. Hello. Joe, get out of the way. (Chuckles.)

I had some questions -- (inaudible) -- just trends, and it's just interested since we have you here. Five years ago, where would you have assessed the threat, compared today's threat versus five years ago, and if you

could look forward, where do you think the threat is going. And I also wanted to ask another question about, you know, we hear sometimes that water issues, that climate change issues are also going to start addressing globally some stability issues. Could you address those please?

MR. FINGAR: This is another one that is probably worth the Rorschach approach, the crystal ball. Five years in the past, having done these threat testimonies, it actually wasn't very different. Terrorism was the top of the list. Because of our military superiority, there were not the kind of challenges after the demise of the Soviet Union that featured -- but five years ago, Saddam Hussein and his Iraq was of greater concern. And Afghanistan, the Taliban, the Taliban harboring al Qaeda would have been there.

Five years in the future, I think cyber threat is going to be more prominent, particularly links to non-state actors, and the increasing technical capabilities of Russia and China will make the need for countermeasures for diplomacy to get at intention to minimize the danger of miscalculation would be at the top of my list. John?

MR. KRINGEN: Looking forward, I would add, as I think probably a major and perhaps even the major strategic challenge is what sometimes is referred to in the Washington community is the war of ideas, which is -- we do reasonable job and some days a very good job of disrupting and dismantling terrorist organizations, but the supply of people wanting to join those organizations continues, and in some areas continues to grow. And so changing the psychological and political environment allows people to want to join those kinds of groups is I believe at least a 40 to 50 --

REP. BOYDA: And what type of effect -- what factors do you see affecting that?

MR. KRINGEN: Well, some of it has to do with a variety of social factors that is difficult for us to control. You know, alienation of Muslims from their population -- their cultures in Europe, for example. But there are other parts about, you know, kind of explaining what al Qaeda's intent really is, and turning kind of their -- (inaudible) -- get a real appreciation of that into something that discourages people from wanting to go down those paths. I think of it in the context of what we had to do within the days of the Cold War, in which we had a U.S. and in fact international bodies that targeted kind of the soft side, shall we say, of that war. And many of the players involved in that were actually NGOs, labor unions and others, and I think over time, we're going to need to build that kind of infrastructure because many times it's not going to be what the U.S. government per say says, but the kind of interactions that they have through other people.

MR. CARDILLO: I would only add to what my colleagues have said as we go forward, ma'am, is to Congressman Hunter's question earlier -- our access -- freedom of access in space and our dependence upon that freedom of access. Should it be put at greater risk will be of much greater interest and of importance for us to provide intelligence support to that.

MR. FINGAR: By oversight, ma'am, I would note that the proliferation concerns five years out -- they will probably be in the same high position that they are today.

REP. BOYDA: Are you talking about proliferation, actually not only of weapons -- Joe, Joe, Joe. Joe -- (inaudible) -- thank you. Are we talking about the proliferation of fissile material that is out there, the --

MR. FINGAR: I would say certainly fissile material and --

REP. BOYDA: What's already out there as well as new?

MR. FINGAR: -- nuclear weapons capability, but I would also include the possibility of growth and biological warfare capabilities as examples of that kind of proliferation concern.

REP. BOYDA: All right. Thank you very much. I yield back.

REP. SKELTON: Mr. Jones for five minutes.

REPRESENTATIVE WALTER B. JONES (R-NC): Mr. Chairman, thank you very much, and gentlemen, thank you very much for your presentation. I don't know if you've heard about the book written by Pat Buchanan, "A Day of Reckoning." I would really suggest it has been the intellectual men that you are that you would read it, and I would tell anybody in America to read it. This is going to lead to my question. Mr. Buchanan says in this book that a great nation that has to borrow money from foreign governments to pay its bill will not long be a great nation. I think it was Doctor Fingar than said to Mrs. Boyda's question -- increased capabilities of China and Russia.

Our debt with China today is 308 -- excuse me \$387 billion. If you factor in Hong Kong, the debt with China and Hong Kong is \$440 billion. As this nation continues to send jobs overseas -- 3 million in seven years have gone overseas -- this nation continues to borrow money from foreign governments to pay its bills. What in your professional opinion will this do to the national security of this country?

Before I -- one more statement, sir -- I know what happened to the Soviet Union when they got in the arms race with President Reagan and this country. I know what happened to the Soviet Union when after 10 years they failed in Afghanistan. They might now be having an economic comeback, but it's taken many, many years, and they've suffered. The people have suffered greatly. From a national security standpoint, is the growing debt of this nation and borrowing money from countries that could at some time challenge America, like China -- is this a national security concern of yours?

MR. FINGAR: I will give you an answer, but let me first disqualify myself. The question is a serious one require sort of a level of understanding of our financial system, the international financial system that is beyond my capability.

With that disqualifier, I worry about it, that the interconnected nature of the world makes it prudent for those who have -- to hold the money -- those to whom we are indebted to not disrupt it. So they don't have a complete freedom of action -- doing things that would cause the value of the dollar to decrease -- decrease the value of their holdings on it.

Yet, because money is obviously important to the choices we can make as a government, the policy choices, the things that we can do, the things that we don't do, our ability to fund not just our national security requirements in an old traditional military intelligence kind of -- (inaudible) -- but the broader

definition that John Kringen was beginning to get to in his answer, that we can't afford to do all that we as a nation would like to do.

It does make it imperative -- my final point -- it seems to me to do more things in cooperation with other nations: burden sharing, sharing some of the costs, underscoring the mutual interests, a common stake in working together to minimize the danger of the disparity in who owns what, who has the money, how might it be used. It was Mr. Hunter who mentioned money being used to purchase American firms and the concerns about technology leakage. These are appropriate and serious concerns, sir. Do you want to add anything, John or Robert?

MR. KRINGEN: I think the only thing I would add in addition is a very specific point, which is over the years, the U.S. government has had considerable success in influencing other governments through the use of economic -- economic sanctions and financial activities. The degree to which that power is eroded and our capability to do that means you're removing a key part of our national security toolkit.

REP. JONES: Let me -- and then I'll close, Mr. Chairman -- just a couple more points. Last week we had Secretary Gates -- picking up on some of your comments, Secretary Gates was in here -- going to Germany to try to convince NATO to help us in Afghanistan. That is a situation that is not in good shape at this point. In addition, I brought to his attention an article in USA Today that said that the allies that were with us when we went into Iraq, that the allies have not paid their part -- they pledge \$15.8 billion to help rebuild Iraq. They have only given \$2.5 billion to build Iraq. This country has already obligated 26 billion. We have additional 16 billion that we're going to add. I appreciate your comments and I think I understood that this -- maybe I'm not (?) putting words in your mouth -- that it could be an issue. But the Chinese are buying our Treasury notes at a rate we haven't seen in years, and there's nothing to say that the Chinese won't cash those Treasury notes in sooner than they mature to take their money to put into a better investment. I know this is not your area of expertise, but I will say to my friends in Congress in both sides of the party that I think I did acknowledge from you -- without putting words in your mouth -- that this could be an issue, and an issue of blackmail that could put this country -- if we don't do something about it, could put us in a box without any doors to get out.

MR. FINGAR: What I'm about to say is not to sort of diminish the seriousness of the question, but in certain respects, analogies with the period of the 1980s when it was Japan that was buying our Treasury notes at unprecedented levels and buying properties in the United States and a number of questions were raised that were not of the questioning whether Japan would become an adversary rather than an ally -- it was sort of almost neutral on the political ground was this kind of financial arrangement troubling.

REP. JONES: Dr. Fingar, just real quick, and my time is up. Japan in 1980 is no China of 2007 either, by the way, militarily speaking.

MR. FINGAR: No, absolutely.

REP. JONES: Thank you, sir. Thank you, Mr. Chairman.

REP. SKELTON: Mr. Sestak for five minutes.

REPRESENTATIVE JOE SESTAK (D-PA): Thanks, Mr. Chairman. I'm kind of following up on Congressman Jones' question. I was actually going to ask

something similar. I was going to bring it up because I was surprised you did not talk about the threat to economic security. The intelligence communities did with the Soviet Union. I can remember many classified studies when you looked at their economy, you looked at their ethnicity, of even their army.

To the point, you brought up -- the only thing you brought up about China or Russia was their military. Specific case in point, you mentioned Taiwan and the concern. You remembered 1996. We moved two aircraft carriers off there and the missiles didn't come down. You remember three months ago where the Chinese -- (off mike) -- one person in the Chinese government -- a fairly midlevel said we might put more money into euro, and our stock market dropped 300 points.

Today, if something were to happen and they dropped their \$900 billion in public debt they own, or the \$1.33 trillion in U.S. reserves they have, that is more damaging to U.S. security, I would say, than potentially some of the military conflicts that are going on. And so I'm surprised that there was not any economic security issues brought forth when you -- (inaudible) -- down -- Russia's military security -- (off mike) -- military -- towards that economic challenge. I find a great disparity. And I was glad he brought it up because I do think that's a major issue.

But since I have time, you can answer it, if you'll give me another five, but I'll come back again -- let me -- the question I was taken with, sir, when you here before in the NIE is Iran. The key line in that NIE for me was this, that showing that -- and you used the words today -- it was a response to international pressure and I can't read my writing, but international pressure that they stopped.

And then your NIE went on to say it shows that Iran does do its foreign policy analysis under a rational decision-making process. That was key. Do you think in your assessment then that we should be trying to deal more diplomatically with Iran, whether it's Iraq, Afghanistan, weapons of mass destruction than we are today. And I asked you that question also, the first time you were here that I've been on this panel, with regards to your assessment that Iraq would spiral into chaos in 18 months if we withdrew in 18 months. And asked you if we had dealt with Iran at that time would it have made a difference. And you said, I'd have to think that over, but it would make a difference. So should we be approaching Iran differently than we do in view of that I thought quite insightful statement in your NIE?

MR. FINGAR: Let me make two points and invite others to come here, that I'm very glad that you pointed to that important judgment of the estimate, that the wording used was that Iran employs a cost-benefit --

REP. SESTAK: Cost-benefit analysis.

MR. FINGAR: Cost-benefit analysis. That -- and we drew a contrast with earlier assessments of the intelligence community that had Iran determined to acquire nuclear weapons sort of -- almost without regard. That was an irreversible decision, that this estimate says they pulled back on a dimension of it, and they said it was in response to this international scrutiny and pressure.

One thin that has changed since we were here with you last time is that we have begun in the embassy in Baghdad limited direct discussions with the Iranians on their involvement in Iraq. It's a mixed bag from my perspective,

that these discussions do not yet appear to have produced the results that certainly I would have hoped for in terms of diminution of their provision of weaponry and involvement in Iraq. Whether one can extrapolate from that narrowly focused, by design, discussion to a larger -- if Iran could be made less concerned about its security and feel less need for asymmetric ways to enhance its security -- terrorism at one end, nukes at the other -- might other things be possible, this estimate suggests yes. REP. SKELTON: Mr. Conaway for minutes.

REPRESENTATIVE MICHAEL CONAWAY (R-TX): Thank you, Mr. Chairman. Gentlemen, thank you for being here. I apologize for only being here for part of what's going on, so if I repeat something --

Three areas would be -- Saturday we had a Russian Tupolev bomber fly directly across the limits. It hasn't happened since -- much since the Cold War -- your assessment of what Putin is trying to do. If that was intentional or if he's overall trying to -- his positions.

Second would be foreign investment in technology, U.S. technology companies, your role with the -- I forgot the acronym of the committee that oversees that --

MR. FINGAR: CFIUS.

REP. CONWAY: CFIUS, thank you. Your role with that to make sure that they're not -- or that we understand what happens when they make those investments which are going to be difficult to allow that happen, but we ought to know if those circumstances are happening.

And third will be, if you have time, continued efforts within the European community to convince them how credible this threat for Islamic jihadism really is, and that there -- it's in their best interests, as well as ours for them to stay engaged and become more engaged with it.

MR. FINGAR: Robert, do you want to take the first one, and then I'll ask John to take the CFIUS one.

MR. CARDILLO: Sir, with respect to the flyover, we see that as a continuation of some activity that's picked back up in the last couple of years. These are out-of-area deployments -- put their -- (inaudible) -- not too long ago. In some ways, they are showpieces, sir. You know, they -- to make a statement that their military is on the way back and that they intend to use or project that power as part of the influence around the world. We don't see it as overly concerning in a sense of recovery, if you will, of that military force, but it's a trend that we obviously take great note of and great interest and apply a great deal of our analysis against that.

MR. KRINGEN: Sir, with regard to the issue of CFIUS, we have a cell within my shop that essentially handles those, but we rely upon inputs from the remainder of the community. Last year we did about 160 of those -- what we called as threat assessments. The one observation I would make is we do threats -- the remainder of CFIUS -- and we are not a voting member of CFIUS; we are an advisor. Essentially we conduct the vulnerability assessments and the risk assessments. We provide essentially expert assistance to them in terms of intelligence assistance, but those -- conduct those ourselves. REP. CONAWAY: I'm afraid we won't -- that third one. Would you recommend a greater role for your shop in the process given the circumstances?

MR. KRINGEN: Sir, we are very satisfied exactly with our role at the moment.

REP. CONAWAY: Okay, thank you.

MR. CARDILLO (?): On the issue of cooperation on European governments on terrorism, I recently traveled to Europe, met with four different governments. All of those four governments are very serious about the challenge they have. In each case, they see the threat perhaps slightly differently but in terms of the focus on the issue, the investment of resources, we have seen a continued expansion of their investments. Part of this is driven by real-world events in their own backyard -- Danish plot in the fall of last year, a German plot involving the IJU, and of course continuing things going on in Spain and in Italy. So I think there is a very good appreciation for it.

There are, however, some constraints that have to do with the way in which their legal systems work and other things that in some cases make it more difficult to make them partners, but it's not a question of will, and by and large, it's not a question of an investment or capability; it's a question of how they can take the right action within the context of the legal regimes that they have.

REP. CONAWAY: Thank you, Mr. Chairman. I yield back.

REP. SKELTON: Thank you. Is it Dr. Fingar in Fingar?

MR. FINGAR: Fingar.

REP. SKELTON: I'm going to take my five minutes now and then we'll go to Mr. Lamborn.

Dr. Gingery -- Dr. Fingar, I was asking you -- Dr. Fingar, I was asking questions about the FISA bill and the renewal. And as I understood what you were saying is that you're currently satisfied with the intelligence gathering and the information you're getting would not be very happy if this bill were to expire -- join the choruses of those that think we need to continue the current law. Am I hearing you correctly that it would not be helpful to you at all if we were to have a gap between the expiration of the current one and the start of the new one? Is that a fair statement?

MR. FINGAR: Yes it is. My understanding is that we will be providing a classified statement for the record. One was not initially requested, but we will provide it. And in that statement, there are examples of how this collection has been helpful to us. REP. LAMBORN: Well, and of course, this is not in your lane, but I saw the president's statement this morning, which he said he would not accept a 21-day extension. And I am just very perplexed by that. I mean, your statement is very clear that the current law is working. And sometimes, the legislative process is not like trains and boats on a schedule, so I don't know why there would be objection to a three-week extension if we saw that we were not able to get this completed this week. And that's what I took from your previous statement.

I wanted to ask a question about Iran. One of the issues that comes up on Iran is their discussions that they need a nuclear-energy program. And then, our response is, yes, but you're a great oil country. But then they do have some fuel shortage issues going on now. Is that correct? Would you help me

understand the relationship from the energy side between their desire for nuclear energy and why they're having some struggles right now with satisfying the natural gas or whatever gasoline shortages that they have?

MR. KRINGEN: I'll let Tom talk more about the nuclear side. But on the petroleum side, the issues really are refining capacity. In other words --

MR. LAMBORN: Did you say refining capacity?

MR. KRINGEN: Refining capacity. In other words, they have to purchase a lot of their refined products from overseas because they lack sufficient domestic capacity to do so. And that reflects years of underinvestment in that capability as well as the fact that frankly they -- put this way -- cheap gasoline is regarded as a national right in Iran. And therefore, it's underpriced relative to what it could get on the world market, which means they consume more of it than they otherwise would.

MR. LAMBORN: How about natural gas as a commodity? Is that in abundant supply?

MR. KRINGEN: Just in general, yes. There are a number of programs that I would say underdeveloped now, but they have a very aggressive program to develop more natural gas in the future, some of which involves foreign investors.

MR. LAMBORN: Any comments, Mr. Cardillo or Dr. Fingar?

MR. FINGAR: Well, sir, let me just add two things. What the Iranians say -- and I know this can be taken mostly at face value is that they have oil and they have gas, which is a primary source of foreign exchange earnings. It's what they have to export to earn the wherewithal to support this large and growing population. They also argue that nuclear power would diversify their portfolio. They have very real electricity needs. I think beyond the desire to maximize exports by having alternative sources of power generation, there is a political and prestige that -- my words, not theirs -- that if they are in compliance with the international control regimes for nuclear power, then they should be allowed to have it like any other state in compliance. And I should hasten to add that they are not in compliance with the United Nations Security Council resolutions with respect to their centrifuge program.

REP. SKELTON: I misspoke. Mr. Saxton is ahead of Mr. Lamborn. Mr. Saxton for five minutes.

REPRESENTATIVE JIM SAXTON (R-NJ): Mr. Chairman, thank you. First of all, let me apologize for not having been here except for off and on all day. The votes and other things have kept some of us away. And this is obviously a very important hearing and one that we should all participate in and pay attention. I'm told while I wasn't here today, someone asked the question about the most serious threat to the American homeland and to the American citizens, and the reply was probably without a doubt terrorism.

Recently, I was doing some reading and I came across a book that talked about the mind-set of insurgents and the mind-set of terrorists, the mind-set of al Qaeda relative to where they choose to make their activities felt. And very simply stated, it said the message was that they watch for opportunities where success is likely and act on those opportunities. And they also identify, my words, targets that are too difficult to attack with some degree of certainty

and avoid those targets. That makes sense to me. And I just wondered if you could talk about that in the context of today's world events and what you see happening, perhaps in Afghanistan, what you see happening in Iraq, how Pakistan may play into that theory, if you will, of watching for opportunities and acting on those opportunities, watching for targets that are perhaps too difficult attack that they might otherwise like to and avoiding those kind of targets?

MR. FINGAR: It's a very good question. I'm going to invite Ted Gistaro, the national intelligence officer for transnational threats, to answer that.

TED GISTARO: Sir, I would make two points. One, as Dr. Kringen pointed out that we're seeing in Europe, al Qaeda continually puts operatives and plots into the pipeline. I think they are constantly trying to conduct attacks. We have just been very fortunate through the hard work of the United States government and our allies overseas in stopping those attacks. But they're always putting plots into the pipeline.

With regard to target selection, we know from detainee reporting that they do see the United States in particular as being a harder target, that the things that we have done offensively and defensively in this country make it more difficult for them to attack us here. Yet, that has not stopped them from trying to do so. And I would go back to the 2006 summer aviation plot that we stopped a matter of weeks from occurring. Despite everything we have done to harden our aircraft and make aircraft plots more difficult, they remain fascinated with aviation as both a target and as a weapon. And they spend a lot of times thinking creatively about how to get even at the hardest of targets.

MR. KRINGEN: If I could just add one point on the last, that leads them then to an evolution of tactics and an ability to learn. We saw in Iraq the use of suicide bombers. We're now seeing that being applied within Afghanistan, and we're now seeing it be applied within Pakistan. So they've been able to learn and adjust their tactics. In Iraq, for example, what we've seen is a real shift from what used to be vehicle bombs to now individual bombers. And that is intended, frankly, to get around the security procedures that the coalition and the Iraqi government have put in place, and to be able to go after those sorts of soft targets I think that were being alluded to in the book you referenced.

MR. : I would just add, sir, a fine point on the learning piece of it. Suicide bombers, vehicle-borne, and now what we're seeing more and more in Iraq is quite dangerous to our deployed forces are house-borne IEDs. As we go through and clear after an operation, more and more, we're seeing those now being booby-trapped and set for just that activity, to inhibit our ability to clear an area after an operation.

REP. SKELTON: Mr. Lamborn, five minutes.

REPRESENTATIVE DOUG LAMBORN (R-CO): Is that better? Okay, thank you. Let me call attention to page 12, Dr. Fingar, of your annual threat assessment. And I see something in there that frankly troubles me. And this was also part of the NIE that came out regarding the change of policy with Iran and its weaponization program, although apparently not its nuclear enrichment program in 2003 because on the page before, on page 11, it does say that in the fall of 2003, according to this, Tehran halted its nuclear weapons design and weaponization activities. And in this first full paragraph on page 12, it says we judge with high confidence that the halt was directed primarily in response

to increasing international scrutiny and pressure resulting from exposure of Iran's previous undeclared nuclear work.

And something else happened in 2003, which was very momentous. Next door, in Iraq, that was the invasion of Iraq and the deposing of Saddam Hussein. And yet, here that's not even mentioned as something that would have anything to do with their apparently withdrawing from some of their weaponization plans. Don't you think that that was a factor also?

MR. FINGAR: We certainly think it was a factor. In the full classified NIE, the reasons for the choice of the wording here is made clearer. But was the presence of U.S. troops next door in Iraq a factor? Was the Libyan decision to give up its nuclear program a factor? Was the fall of the Taliban, an adversary of Iran in the east a factor? There are many things. The EU-3 negotiations, building U.N. Security Council, that concern about isolation, being alone and dealing with us militarily or diplomatically I think has to be brought into the equation, not simply troops next door, rumors or expectations of Iran was next. Was that a factor? It had to be. But there were reasons we chose the wording as we did. I'd be happy to explain separately.

REP. LAMBORN: Okay. Oh, were you -- thanks for explaining that because I'm still somewhat perplexed that that was not given more prominence. My other question had to do with Syria. On page 24 and 25, there are several items that are mentioned in connection with Syria. But one thing that is not mentioned is the bombing by Israel recently of a facility of some type in Syria. And there is talk that that's being resumed, that the construction and rebuilding of that facility is being resumed. In this particular setting, is there anything that you could add or --

MR. KRINGEN: No, there is nothing we can talk about in this setting.

REP. LAMBORN: Okay, all right, thank you. That concludes my time. I yield back, Mr. Chairman.

REP. SKELTON: Thank you. Mr. Hunter?

REP. HUNTER: Gentlemen, please accept my apologies for having to step out. It's too bad that we've had this hearing cut up into some pieces today because I think it's been very important for us. Let me go to an issue I don't think you've addressed in the previous questions. If you have, my apologies. But China, the emergence of China as a military power, at some point approaching the status of superpower, with the FT multi-role fighters that they're now producing in some numbers. I think the SU-27, they're doing in co-production with the Russians. The 100 or so ballistic missiles they're fielding each year, most of them staged in the Taiwan area, the well-heralded knocking down of a satellite with the first demonstrated ASAT capability last January.

But especially the area of submarines, the Chinese now have 63 submarines to the best of our knowledge. They're out-producing us by between three and five a year, depending on whether you add their foreign military acquisitions of Kilos from the Russians to their own production. I think their own production is about two-and-a-half to three a year. They clearly are moving ahead in submarine development. And we are at a very -- we're right now fielding -- I believe we've got right at 49 attack boats. We've laid down in this last analysis that 48 is rock bottom. And yet, at the rate that we're producing, we're going to be going for about 12 or 13 years, we'll be having -- fielding a

force of about 40 submarines. So we're going way down and you see an emerging submarine capability being developed by China. Any thoughts on that and any thoughts on guidance that you would give those that are shaping America's naval forces for the future?

MR. CARDILLO: Sir, first of all, you said it very well. This is a growing serious threat, especially along the lines of the missile capability and their deployment patterns. And as I discussed earlier, we believe that it's in concert with their intent to deny us access to the region in general, to Taiwan specifically. And so, the submarine activity that you laid out, sir, is in sync with that overall intention. It is, as you probably know, of highest import to both our command in the Pacific and the U.S. Navy in particular to how they are going to counter that intent.

And we work very diligently to provide assessments on how we can identify and exploit vulnerabilities in the Chinese buildup, sir.

REP. HUNTER: Would recommend increasing the U.S. submarine force?

MR. CARDILLO: Well, sir, I wouldn't feel qualified to say that directly. We provide our assessment of the threat to the department. It gets fed into the Navy's program. Yes, sir.

REP. HUNTER: Okay, fair enough. Thank you, Mr. Chairman; appreciate it.

REP. SKELTON: Mr. Franks for five minutes.

REPRESENTATIVE TRENT FRANKS (R-AZ): Well, thank you, Mr. Chairman. I'm glad we got here early. Mr. Fingar, I know that this has come up probably a number of times earlier in the hearing. And I just would like to suggest that the NIE report that we had on Iraq, even though -- I'm sorry, Iran -- even though if one reads it carefully, I think you come to a different conclusion than has been largely disseminated in the media. But I think it has caused us some pretty profound damage in terms of being able to deal with the potential of a nuclear Iran.

And so, I guess what I'd like to ask you, sir, is given just for clarity, even if it's redundant, perhaps I should put it this way: If my perspective when after reading the report that Iran, given the fact that they are continuing to enrich uranium and that everybody agrees on that -- our inspectors agree on that -- that they are not reduced even by one day their potential of gaining a nuclear capability in terms of weapons at some point. This report, even though the ostensible weapons program has been suspended, that that can be restarted at such a time when the fissible material development would be sufficient that they could continue forth if they chose. So is it true that the NIE report, if read carefully, does not mean that Iran has been reduced in their capacity even by one day in getting the nuclear weapons capability?

MR. FINGAR: I wouldn't put it exactly as you did.

REP. FRANKS: How would you put it? MR. FINGAR: In terms of the one day, because there are things that we don't know about the state of the program. But your larger point is accurate. They have the capacity to resume a weapons program with a decision that could be made at any time. The timelines that we have that are dependent on fissile material and estimates about how long it would take to convert that material, to have it for a device, something that

will explode, would suggest that yes, they are operating in a cushion where it might not make much difference. But I would like to take a few minutes of your time and ask my colleagues, because I gave a lengthy explanation. I think it's useful to hear the same kind of question approach from my colleagues.

REP. FRANKS: Okay.

MR. KRINGEN: My apologies. I would concur with Tom's statement, which is I don't think we can say it literally would not change their ability to get a weapon within a day.

REP. FRANKS: Could we not -- forgive me for the --

MR. KRINGEN: If you look at the estimated timelines for a nuclear capability, that is essentially unchanged from before. The other factor I would highlight -- and it goes back to the motivation for why we think they stopped their weaponization program had to do with their feeling under pressure at the time.

REP. FRANKS: Based on the -- (inaudible) -- we just marched into Iraq.

MR. KRINGEN: And there were all kinds of other pressures as well. The fact of the matter is, those pressures are now removed and nothing we see or know says that they have forgone forever building this capability.

REP. FRANKS: Thank you.

MR. CARDILLO: I would just add, sir, another underplayed piece of the way it was interpreted when it was released is that the decision to go nuclear, to have a weapon, is theirs. We believe they have the technical wherewithal to do so, pending that decision. And so, in great measure, that timeline is theirs.

REP. FRANKS: Well, let me ask kind of two questions at once, because I'm afraid I've run out of time, and you can each of you answer. I'll start with Mr. Fingar again. Is it possible that if Iran is able to develop a nuclear missile capability -- in other words, to develop the fissible material and to weaponize it to be something that -- to use your words -- can explode and put it on a missile, isn't it also possible that that technology can be translated fairly quickly into like a nuclear IED, in layman's terms, something that could be an ideal terrorist weapon to bring into this country in ways that could affect us in a very profound sense? And what do you think our policy should be in America as far as allowing a nuclear Iran?

MR. FINGAR: Well, again, I'll be very brief so others can comment that the ability to make a device that is deliverable by missile means you've got an ability to make something that is fairly small. And nuclear weapons, nuclear material is very hard to detect at a distance. We don't have the capability to do that. So yes, it would be worrisome.

The other point I would add though is a nuclear-armed Iran would be very destabilizing to the region. There's almost certain to be a response by some, perhaps many, of its neighbors.

REP. SKELTON: Mr. Sestak, we will give you a bite of the apple, but it's got to be about a one-minute bite.

REP. SESTAK: Thank you very much. Two quick questions -- is the government set up really to address cyberspace? We all know about the interagency process, and this is not an NSA issue alone; it kind of goes across the board. Just kind of a five-seconds, yes or no.

MR. FINGAR: This will be presented up here, I believe it's this week by the director of national intelligence. The White House has issued a directive and there are rollout sessions schedule.

REP. SESTAK: It's very obvious Congress is not set up for it. I mean, you can't find a single belly button for cyberspace. Second question I had very quickly then is, I was a little confused, and it's probably my reading, you say the most dangerous threat is al Qaeda, the one that is over on the ungoverned borders. You say the most capable threat in al Qaeda is AQI. You only use the term coming against the homeland with the one along the ungoverned borders. (Inaudible) -- testimony said, you know, I'm concerned that as we kind of continue to squeeze AQI that they may shift their resources over here, which is exactly the opposite of what they thought some people said they were going to do when we keep the fight over there so we don't send them here. It sounds to me as though the trend is that AQI is not dangerous to us right now, but it could be if we continue to squeeze them there. Did I read that correctly?

MR. KRINGEN: I wouldn't phrase it that way. What I would say is, where we see al Qaeda in Iraq right now is because it's under pressure, it's actually to a larger degree focusing on internal Iraqi targets.

REP. SESTAK: And that's what you mean where it's most capable is right there not against us at the homeland.

MR. KRINGEN: Yes, not against us. But also what we are seeing are some signs -- and I wouldn't say large numbers --

REP. SESTAK: You said about 100 people. MR. KRINGEN: You're seeing some people who are kind of saying, maybe this is not the place in which to engage in jihad and to be looking for opportunities outside of Iraq.

REP. SESTAK: Understood. So it just kind of looks as though where those said we've got to fight there in order to have al Qaeda here, our fighting there is actually going to be sending them over against us.

MR. KRINGEN: If they're successful.

REP. SESTAK: If your term bears out.

MR. KRINGEN: I'm not sure that I'd agree with the conclusion.

REP. SESTAK: I understand. Thank you very much.

REP. SKELTON: Thank you, Mr. Sestak. Thank you, gentlemen. We have votes. You need to eat lunch. We appreciate your service, appreciate your time with us today. The committee hearing is adjourned. Thank you.

END.