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Before the

COMMITTEE ON  
ARMED SERVICES

**UNITED STATES SENATE**

HEARING TO RECEIVE TESTIMONY ON  
WORLDWIDE THREATS

Tuesday, February 9, 2016

Washington, D.C.

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Tuesday, February 9, 2016

U.S. Senate  
Committee on Armed Services  
Washington, D.C.

The committee met, pursuant to notice, at 9:30 a.m. in Room SD-G50, Dirksen Senate Office Building, Hon. John McCain, chairman of the committee, presiding.

Committee Members Present: Senators McCain [presiding], Inhofe, Sessions, Ayotte, Fischer, Cotton, Rounds, Ernst, Sullivan, Lee, Reed, Nelson, McCaskill, Manchin, Gillibrand, Blumenthal, Donnelly, Hirono, Kaine, King, and Heinrich.

1           OPENING STATEMENT OF HON. JOHN McCAIN, U.S. SENATOR  
2 FROM ARIZONA

3           Chairman McCain: Well, good morning. The Senate Armed  
4 Services Committee meets this morning to receiving testimony  
5 on the global threats faced by the United States and our  
6 allies as part of our oversight of the President's Defense  
7 Budget Request for Fiscal Year 2017.

8           I'd like to welcome back Director of National  
9 Intelligence James Clapper and the Director of the Defense  
10 Intelligence Agency, General Vincent Stewart.

11          As this is likely his final appearance before this  
12 committee at our annual Worldwide Threats hearing, I'd like  
13 to thank Director Clapper for over five decades of service  
14 to protecting our country. Director Clapper, and  
15 particularly we thank you for leading the men and women who  
16 strive every day to collect and analyze the information that  
17 helps keep America strong. I thank you for being with us  
18 today. And I've had the honor of knowing you for a long  
19 time, and I know of no individual who has served this Nation  
20 with more distinction and honor. And we're grateful for  
21 your service. And we know that that service will continue  
22 in the years to come.

23          The list of the threats confronting our Nation is  
24 drearily familiar, yet it is impossible to say we have seen  
25 much improvement. In Afghanistan, 9,800 American troops are

1 still in harm's way, the Taliban, al-Qaeda, and the Haqqani  
2 Network continue to threaten our interests in Afghanistan  
3 and beyond. And now ISIL has arrived on the battlefield,  
4 raising the specter of yet another ISIL safe -- to plan and  
5 execute attacks; regional order in the Middle East is  
6 breaking down, and this power vacuum is being filled by the  
7 most extreme and anti-American of forces; Sunni terrorist  
8 groups such as ISIL and al-Qaeda; Shi'ite extremists, such  
9 as the Islamic Republic of Iran and its proxies; and the  
10 imperial ambitions of Vladimir Putin. ISIL has consolidated  
11 control over key territories in Syria and Iraq. It is  
12 metastasizing around the region and expanding globally from  
13 Afghanistan, as I said, as well as to Lebanon, Yemen, Egypt,  
14 and, most worryingly, to Libya. It has also conducted or  
15 inspired attacks from Beirut to Istanbul, Paris to San  
16 Bernardino. More than a year into our military campaign  
17 against ISIL, it's impossible to say ISIL is losing and we  
18 are winning.

19 At the same time, Iran continues to challenge regional  
20 order in the Middle East by developing a ballistic missile  
21 capability, supporting terrorism, training and arming pro-  
22 Iranian militant groups, and engaging in other malign  
23 activities in places such -- Iraq, Syria, Lebanon, Gaza,  
24 Bahrain, and Yemen. As the Islamic Republic receives tens  
25 of billions of dollars in sanctions relief from the nuclear

1 deal, it's obvious that these activities will only increase.

2 Russia annexed Crimea and continues to destabilize  
3 Ukraine with troubling implications for security in Europe.  
4 And Putin's intervention in Syria has undermined  
5 negotiations to end the conflict by convincing Assad and his  
6 allies they can win.

7 In Asia, North Korea continues to develop its nuclear  
8 arsenal and ever more capable ballistic missiles, one of  
9 which it tested this weekend, in violation of multiple U.N.  
10 Security Council resolutions.

11 China continues its rapid military modernization while  
12 taking coercive actions to assert expansive territorial  
13 claims. At the time of this hearing last year, China had  
14 reclaimed a total of 400 acres in the Spratly Islands.  
15 Today, that figure is a staggering 3,200 acres, with  
16 extensive infrastructure construction underway or already  
17 complete.

18 I look forward to our witnesses' assessment of the  
19 nature and scope of these challenges and how the  
20 intelligence community prioritizes and approaches the  
21 diverse and complex threats we face. As policymakers, we  
22 look to the intelligence community to provide timely and  
23 accurate information about the nature of the threats we face  
24 and the intentions of our adversaries. We have high  
25 expectations of our intelligence community, as we should,

1 and as they do of themselves. However, we cannot afford to  
2 believe that our intelligence agencies are omniscient and  
3 omnipresent, especially after years of sequestration and  
4 arbitrary budget caps that have damaged our Nation's  
5 intelligence every bit as much as they have the rest of our  
6 national defense.

7         Unfortunately, this misperception is only fed by the  
8 prideful assertions of politicians seeking to justify their  
9 policies. For example, during the Iran deal, we were told  
10 that the United States has, quote, "absolute knowledge about  
11 Iran's nuclear military activities." We were told that the  
12 deal, quote, "absolutely guarantees that we will know if  
13 Iran cheats and pursues a nuclear option." This hubris is  
14 dangerously misleading and compromises the integrity of our  
15 debate over important questions of U.S. national security  
16 policy.

17         Americans must know that intelligence is not like in  
18 the movies. Although our intelligence professionals are the  
19 best in the world, there will not always be a satellite in  
20 position or a drone overhead, and not every terrorist phone  
21 call will be intercepted. Whether it is Russian military  
22 activities on the border of NATO or the movement of  
23 terrorist groups across the world or of any of the other  
24 number of hard targets that we expect our intelligence  
25 community to penetrate and understand, we will not always

1 know how our adversaries make decisions, let alone  
2 understand their implications.

3 This is doubly true if we further constrain our  
4 Nation's intelligence professionals through policy decisions  
5 that limit their effectiveness. Our intelligence capacity  
6 and capability are just like anything else, constrained by  
7 the limitations of time, space, technology, resources, and  
8 policy. As one senior U.S. official acknowledged about  
9 limited understanding of ISIL 2 years ago, quote, "A lot of  
10 the intelligence collection that we were receiving  
11 diminished significantly following the U.S. withdrawal in  
12 Iraq in 2011, when we lost some of the boots-on-the-ground  
13 view of what was going on." Put simply, if our national  
14 leaders decide not to be present in places, we should not be  
15 surprised later when we lack sufficient intelligence about  
16 the threats and dangers that are emerging there.

17 As we receive this important intelligence update today,  
18 we must remember that it is the responsibility of  
19 policymakers, from the White House to the Pentagon to here  
20 on Capitol Hill, to invest in cutting-edge capabilities that  
21 can provide early indication and warning as well as to  
22 provide our intelligence professionals with sound policy  
23 decisions and support, including, at times, military support  
24 that enable them to perform their often dangerous and always  
25 important work on behalf of our Nation. If we fail to make

1 these commitments, we will continue to be surprised by  
2 events at an ever increasing cost to our national security.

3 Senator Reed.

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1           STATEMENT OF HON. JACK REED, U.S. SENATOR FROM RHODE  
2 ISLAND

3           Senator Reed: Well, thank you very much, Mr. Chairman.

4           And let me join you in welcoming the Director of  
5 National Intelligence, General Clapper, and Director of  
6 Defense Intelligence Agency, General Stewart. Your long  
7 service, both of you gentlemen, to the Nation is deserving  
8 of praise.

9           I particularly want to echo the Chairman's comments,  
10 General Clapper, about your distinguished service and your  
11 continued service, I'm sure.

12           Thank you, gentlemen.

13           We live at a time when there is a complex array of  
14 threats facing the United States, some immediate, some in  
15 the future. It is a challenge to both the administration  
16 and Congress to decide how to allocate our Nation's finite  
17 resources to address those threats. Your testimony today  
18 will provide needed insight for our committee on that  
19 challenge.

20           In Afghanistan, for example, the security and political  
21 environments both remain challenging. The Taliban have  
22 sought to take advantage of the still maturing Afghan  
23 Security Forces by increasing their operational tempo,  
24 especially in rural areas. Also, an ISIL affiliate has  
25 entered the battlefield in the form of the so-called Islamic

1 State in the Khorasan Province, or ISKP. All the while,  
2 remnants of al-Qaeda continue to seek a resurgence.  
3 Pakistani army operations across the border have added to  
4 the dynamic by pushing other bad actors, including the  
5 Pakistan Taliban and Haqqani Network into Afghanistan. I  
6 look forward to the assessment of our witnesses of these  
7 security challenges for the coming year and the prospects of  
8 reconciliation between the Afghan government and the  
9 Taliban.

10 While ISIL controls less territory in Iraq and Syria  
11 than it did a year ago, it remains a significant threat to  
12 regional stability, the United States, and our allies. As  
13 our efforts to support the Iraqi Security Forces and local  
14 forces in Syria continue, there are a number of questions we  
15 may not -- must ask. What local forces will serve as the  
16 whole force once ISIL is removed from Mosul, Raqqa, and the  
17 surrounding areas? How will Iran seek to advance its  
18 interests in Iraq? How will Turkey respond to the threat  
19 posed by ISIL within its borders? Will our partners across  
20 the Gulf unify their efforts in Syria? And how will ISIL  
21 react within Iraq and Syria and transregionally as it is put  
22 under increasing amounts of pressure? These are questions  
23 our military forces must factor into their planning efforts  
24 in order to ensure the success of our campaign. Again, I  
25 look forward to your assessments on these important issues.

1           The past year has seen substantial changes in the  
2 nature of the international community's relationship with  
3 Iran. The Joint Comprehensive Plan of Action between the  
4 so-called P5+1 and Iran has halted and rolled back dangerous  
5 elements of Iran's nuclear program and, critically, has  
6 placed it under the most comprehensive and rigorous  
7 verification regime ever assembled. But, I hope our  
8 witnesses will provide their assessment of the likelihood of  
9 Iran complying with this agreement over its term.

10           While the JCPOA made substantial progress with respect  
11 to Iran's nuclear program, it also enabled Iran to return to  
12 the international economic community. This presents the  
13 United States and our partners in the Middle East with an  
14 adversary with additional resources they may use to support  
15 its proxies in places like Syria, Lebanon, Yemen, and other  
16 locations in the Gulf. Iran may also choose to use these  
17 additional resources to advance its missile program. Iran's  
18 decisions in these respects will be a key metric as we  
19 evaluate how to array our forces across the Gulf and what  
20 assistance our partners across the region will require to  
21 confront Iran. I would welcome our witnesses' assessment of  
22 the Gulf nations' current capacity to counter Iran's proxies  
23 and unconventional forces, and where this committee should  
24 consider additional investments to better support our  
25 partners' requirements.

1           Russia's posturing and increasingly aggressive acts in  
2 eastern Europe and in the Middle East are something we must  
3 continue to monitor, contain, and, when necessary, counter.  
4 The President's decision to increase funding for the  
5 European Reassurance Initiative is a critical step. We must  
6 keep a watchful eye on the Putin regime, particularly his  
7 use of conventional and unconventional tactics to bully its  
8 neighbors and others.

9           Russia's Syrian campaign has, for the moment, eclipsed  
10 its aggression into Crimea and Ukraine as the most serious  
11 flashpoint in U.S.-Russian relations. In Syria, Russia  
12 continues to bolster the military of the Bashar al-Assad  
13 regime while simultaneously running an information  
14 operations campaign to suggest that its military operations  
15 are instead focused against the Islamic State. Unlike  
16 Russia's obscured hand in Ukraine, its actions in Syria are  
17 being played out in daily headlines that report on Russia's  
18 indiscriminate bombing and its support of the Syrian regime  
19 in areas where moderate forces are aiming to get out from  
20 under the rule of the Assad regime. This is a complex  
21 problem for the United States, the coalition fighting ISIL,  
22 and our friends and allies in the region. I look forward to  
23 hearing how the intelligence community sees this situation  
24 and how the United States can best protect and advance our  
25 interests.

1 North Korea presents an immediate and present danger to  
2 global security. The regime conducted a rocket launch just  
3 a few days ago, in violation of multiple U.N. Security  
4 Council resolutions following its January nuclear test.  
5 While China could exert pressure on North Korea through  
6 economic sanctions to encourage the regime to desist, the Xi  
7 administration prefers to remain on good terms with the  
8 North Korean regime, putting the entire region at risk.  
9 Without China's cooperation, it is clear that North Korea  
10 will continue to develop its nuclear and ballistic missile  
11 capability.

12 China continues to invest aggressively, itself, in its  
13 military, particularly in capabilities that allow China to  
14 project power and deny access to others. While China's  
15 economy has experienced the most significant challenges in  
16 recent memory, China is continuing its aggressive efforts to  
17 solidify its claims in the South China Sea, despite the  
18 protests of its sovereign neighbors. It is critical that we  
19 enhance our partnerships with others across the region to  
20 bring China into the rule of law based on a global regime  
21 that will guarantee peace and prosperity across the region.

22 It's also critical that we use all of the Nation's  
23 tools to ensure that China's continued theft of our  
24 intellectual property is put to a halt. I will look forward  
25 to your views regarding China's adherence to President Xi's

1 pledge to President Obama to cease such economic espionage.

2 An area of equal concern is the threats and  
3 opportunities presented by cyberspace. From a military  
4 standpoint, our forces remain dependent on our ability to  
5 collect intelligence, conduct defensive cyberoperations to  
6 protect our networks and also our intellectual property,  
7 and, as appropriate, to counter with offensive  
8 cyberoperations, including actions against certain  
9 adversaries who utilize the Internet for recruitment,  
10 propaganda, and command and control. And we look forward to  
11 our witnesses' assessment of these approaches.

12 Again, let me thank you, gentlemen, for your service.  
13 And I look forward to your testimony.

14 Chairman McCain: Director Clapper.

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

3           Mr. Clapper: Chairman McCain, Ranking Member Reed, and  
4 distinguished members of the committee, first, thank you  
5 both for your acknowledgment of my service. It was -- last  
6 week marked 55 years since I enlisted in the Marine Corps  
7 Reserve. I'm very proud of that.

8           Chairman McCain: In an auspicious --

9           Mr. Clapper: And I'm proud to be sitting next to one.

10          Chairman McCain: In an auspicious beginning.

11          Mr. Clapper: I also, Chairman McCain, would want to  
12 thank you for your acknowledgment of the great men and women  
13 who work in the intelligence community for both of us. And I  
14 also appreciate your, I thought, very accurate statement  
15 about the capabilities of the intelligence community, what  
16 we can and can't do, and what it is reasonable to expect and  
17 not to expect us to do. I appreciate that.

18          General Stewart and I are here today to update you on  
19 some, but certainly not all, of the pressing intelligence  
20 and national security issues facing our Nation. And, after  
21 listening to both of your statements, I think you're going  
22 to hear some echos here. So, in the interest of time and to  
23 get to your questions, we'll just cover some of the wave  
24 tops.

25          As I said last year, unpredictable instability has

1 become the new normal. And this trend will continue for the  
2 foreseeable future. Violent extremists are operationally  
3 active in about 40 countries. Seven countries are  
4 experiencing a collapse of central government authority.  
5 Fourteen others face regime-threatening or violent  
6 instability, or both. Another 59 countries face a  
7 significant risk of instability through 2016.

8       The record of level of migrants, more than 1 million,  
9 arriving in Europe is like to grow further this year.  
10 Migration and displacement will strain countries in Europe,  
11 Asia, Africa, and the Americas. There are now some 60  
12 million people who are considered displaced globally.  
13 Extreme weather, climate change, environmental degradation,  
14 rising demand for food and water, poor policy decisions, and  
15 inadequate infrastructure will magnify this instability.

16       Infectious diseases and vulnerabilities in the global  
17 supply chain for medical countermeasures will continue to  
18 pose threats. For example, the Zika virus, first detected  
19 in the western hemisphere in 2014, has reached the U.S. and  
20 is projected to cause up to 4 million cases in this  
21 hemisphere.

22       With that preface, I want to briefly comment on both  
23 technology and cyber:

24       Technological innovation during the next few years will  
25 have an even more significant impact on our way of life.

1 This innovation is central to our economic prosperity, but  
2 it will bring new security vulnerabilities. The Internet of  
3 Things will connect tens of billions of new physical devices  
4 that could be exploited. Artificial intelligence will  
5 enable computers to make autonomous decisions about data and  
6 physical systems, and potentially disrupt labor markets.

7 Russia and China continue to have the most  
8 sophisticated cyberprograms. China continues cyber  
9 espionage against the United States. Whether China's  
10 commitment of last September moderates its economic  
11 espionage remains to be seen. Iran and North Korea continue  
12 to conduct cyber espionage as they enhance their attack  
13 capabilities.

14 Nonstate actors also pose cyberthreats. ISIL has used  
15 cyber to its great advantage, not only for recruitment and  
16 propaganda, but also to hack and release sensitive  
17 information about U.S. military personnel. As a nonstate  
18 actor, ISIL displays unprecedented online proficiency.  
19 Cyber criminals remain the most pervasive cyberthreat to the  
20 U.S. financial sector. They use cyber to conduct theft,  
21 extortion, and other criminal activities.

22 Turning to terrorism, there are now more Sunni violent  
23 extremist groups, members, and safe havens than at any time  
24 in history. The rate of foreign fighters traveling to the  
25 conflict zones in Syria and Iraq in the past few years is

1 without precedent. At least 38,200 foreign fighters,  
2 including at least 6900 from Western countries, have  
3 traveled to Syria from at least 120 countries since the  
4 beginning of the conflict in 2012. As we saw in the  
5 November Paris attacks, returning foreign fighters with  
6 firsthand battlefield experience pose a dangerous  
7 operational threat. ISIL has demonstrated sophisticated  
8 attack tactics and tradecraft.

9       ISIL, including its eight established and several more  
10 emerging branches, has become the preeminent global  
11 terrorist threat. They have attempted or conducted scores  
12 of attacks outside of Syria and Iraq in the past 15 months.  
13 ISIL's estimated strength worldwide exceeds that of al-  
14 Qaeda. ISIL's leaders are determined to strike the U.S.  
15 homeland, beyond inspiring homegrown violent extremist  
16 attacks. Although the U.S. is a much harder target than  
17 Europe, ISIL external operations remain a critical factor in  
18 our threat assessments for 2016.

19       Al-Qaeda's affiliates also have proven resilient.  
20 Despite counterterrorism pressure that's largely decimated  
21 the core leadership in Afghanistan and Pakistan, al-Qaeda  
22 affiliates are positioned to make gains in 2016. Al-Qaeda  
23 in the Arabian Peninsula, or AQAP, and the al-Nusra Front,  
24 the al-Qaeda chapter in Syria, are the two most capable al-  
25 Qaeda branches. The increased use by violent extremists of

1 encrypted and secure Internet and mobile-based technologies  
2 enables terrorist actors to, quote, "go dark" and serves to  
3 undercut intelligence and law enforcement efforts.

4 Iran continues to be the foremost state sponsor of  
5 terrorism and exert its influence in regional crises in the  
6 Mideast through the Islamic Revolutionary Guard Corps, Quds  
7 Force, its terrorist partner, Lebanese Hezbollah, and proxy  
8 groups. Iran and Hezbollah remain a continuing terrorist  
9 threat to U.S. interests and partners worldwide.

10 We saw firsthand the threat posed in the United States  
11 by homegrown violent extremists in the July attack in  
12 Chattanooga and the attack in San Bernardino. In 2014, the  
13 FBI arrested nine ISIL supporters. In 2015, that number  
14 increased over fivefold.

15 Turning to weapons of mass destruction, North Korea  
16 continues to conduct test activities of concern to the  
17 United States. On Saturday evening, Pyongyang conducted a  
18 satellite launch and subsequently claimed that the satellite  
19 was successfully placed in orbit. Additionally, last month  
20 North Korea carried out its fourth nuclear test, claiming it  
21 was a hydrogen bomb, but the yield was too low for it to  
22 have been successful test of a staged thermonuclear device.

23 Pyongyang continues to produce fissile material and  
24 develop a submarine-launch ballistic missile. It is also  
25 committed to developing a long-range nuclear-armed missile

1 that's capable of posing a direct threat to the United  
2 States, although a system has not been flight tested.

3 Despite its economic challenges, Russia continues its  
4 aggressive military modernization program. It continues to  
5 have the largest and most capable foreign nuclear-armed  
6 ballistic missile force. It has developed a cruise missile  
7 that violates the Intermediate-Range Nuclear Force, or --  
8 Forces -- or INF, Treaty.

9 China, for its part, continues to modernize its nuclear  
10 missile force and is striving for secure second-strike  
11 capability, although it continues to profess a no-first-use  
12 doctrine.

13 The Joint Comprehensive Plan of Action, or JCPOA,  
14 provides us much greater transparency into Iran's fissile  
15 material production. It increases the time the Iranians  
16 would need to produce enough highly enriched uranium weapon  
17 for a nuclear weapon from a few months to about a year.  
18 Iran probably views the JCPOA as a means to remove sanctions  
19 while preserving nuclear capabilities. Iran's perception of  
20 how the JCPOA helps it achieve its overall strategic goals  
21 will dictate the level of its adherence to the agreement  
22 over time.

23 Chemical weapons continue to pose a threat in Syria and  
24 Iraq. Damascus has used chemicals against the opposition on  
25 multiple occasions since Syria joined the Chemical Weapons

1 Convention. ISIL has also used toxic chemicals in Iraq and  
2 Syria, including the blister agent, sulfur mustard; first  
3 time an extremist group has produced and used a chemical  
4 warfare agent in an attack since Aum Shinrikyo used sarin in  
5 Japan in 1995.

6 In space and counterspace, about 80 countries are now  
7 engaged in the space domain. Russia and China understand  
8 how our military fights and how heavily we rely on space.  
9 They are each pursuing destructive and disruptive anti-  
10 satellite systems. China continues to make progress on its  
11 anti-satellite missile program.

12 Moving to counterintelligence, the threat from foreign  
13 intelligence entities, both state and nonstate, is  
14 persistent, complex, and evolving. Targeting and collection  
15 of U.S. political, military, economic, and technical  
16 information by foreign intelligence services continues  
17 unabated. Russia and China pose the greatest threat,  
18 followed by Iran and Cuba, on a lesser scale. As well, the  
19 threat from insiders taking advantage of their access to  
20 collect and remove sensitive national security information  
21 will remain a persistent challenge for us.

22 I do want to touch on one transnational crime issue;  
23 specifically, drug trafficking. Southwest border seizures  
24 of heroin in the United States have doubled since 2010.  
25 Over 10,000 people died of heroin overdoses in 2014, much of

1 it laced with Fentanyl, which is 30 to 50 times more potent  
2 than heroin. In that same year, more than 28,000 died from  
3 opioid overdoses. And cocaine production in Colombia, from  
4 which most U.S. supplies originate, has increased  
5 significantly.

6 Now let me quickly move through a few regional issues.  
7 In East Asia, China's leaders are pursuing an active foreign  
8 policy while dealing with much slower economic growth.  
9 Chinese leaders have also embarked on the most ambitious  
10 military reforms in China's history. Regional tension will  
11 continue as China pursues construction at its outposts in  
12 the South China Sea.

13 Russia has demonstrated its military capabilities to  
14 project itself as a global power, command respect from the  
15 West, maintain domestic support for the regime, and advance  
16 Western -- Russian interests globally. Moscow's objectives  
17 in Ukraine will probably remain unchanged, including  
18 maintaining long-term influence over Kiev and frustrating  
19 its attempt to integrate into Western institutions. Putin  
20 is the first leader since Stalin to expand Russia's  
21 territory. Moscow's military venture into Syria marks its  
22 first use since its foray into Afghanistan of significant  
23 expeditionary combat power outside the post-Soviet space.  
24 Its interventions demonstrate the improvements in Russian  
25 military capabilities and the Kremlin's confidence in using

1 them. Moscow faces the reality, however, of economic  
2 reception -- recession driven, in large part, by falling oil  
3 prices as well as sanctions. Russia's nearly 4 percent GDP  
4 contraction last year will probably extend into 2016.

5 In the Middle East and South Asia, there are more  
6 cross-border military operations underway in the Mideast  
7 than at any time since the 1973 Arab-Israeli War. Anti-ISIL  
8 forces in Iraq will probably make incremental gains through  
9 this spring, some of those made in Beiji and Ramadi in the  
10 past few months. ISIL is now somewhat on the defensive, and  
11 its territory and manpower are shrinking, but it remains a  
12 formidable threat.

13 In Syria, pro-regime forces have the initiative of  
14 having made some strategic gains near Aleppo and Latakia in  
15 the north, as well as in southern Syria. Manpower shortages  
16 will continue to undermine the Syrian regime's ability to  
17 accomplish strategic battlefield objectives. The opposition  
18 has less equipment and firepower, and its groups lack unity.  
19 They sometimes have competing battlefield interests and  
20 fight among themselves. In the meantime, some 250,000  
21 people have been killed as this war has dragged on. The  
22 humanitarian situation in Syria continues to deteriorate.  
23 As of last month, there were approximately 4.4 million  
24 Syrian refugees and another 6 and a half million internally  
25 displaced persons, which together represent about half of

1 Syria's pre-conflict population.

2 In Libya, despite the December agreement to form a new  
3 Government of National Accord, establishing authority and  
4 security across the country will be difficult, to put it  
5 mildly, with hundreds of militia groups operating throughout  
6 the country. ISIL has established its most developed branch  
7 outside of Syria, in Iraq and Libya, and maintains a  
8 presence in Sirte, Benghazi, Tripoli, and other areas of the  
9 country.

10 The Yemeni conflict will probably remain stalemated  
11 through at least mid-2016. Meanwhile, AQAP and ISIL's  
12 affiliates in Yemen have exploited the conflict and the  
13 collapse of government authority to recruit and expand  
14 territorial control. The country's economic and  
15 humanitarian situation also continues to worsen.

16 Iran deepened its involvement in the Syrian, Iraq, and  
17 Yemeni conflicts in 2015. It also increased military  
18 cooperation with Russia, highlighted by its battlefield  
19 alliance in Syria in support of the regime. Iran's Supreme  
20 Leader continues to view the United States as a major  
21 threat. We assess that his views will not change, despite  
22 the implementation of the JCPOA deal, the exchange of  
23 detainees, and the release of the ten sailors.

24 In South Asia, Afghanistan is at serious risk of a  
25 political breakdown during 2016, occasioned by mounting

1 political, economic, and security challenges. Waning  
2 political cohesion, increasingly assertive local  
3 powerbrokers, financial shortfalls, and sustained  
4 countrywide Taliban attacks are eroding stability.

5       Needless to say, there are many more threats to U.S.  
6 interests worldwide than we can address, most of which are  
7 covered in our statement for the record, but I will stop my  
8 litany of doom here and pass to General Stewart.

9       [The prepared statement of Mr. Clapper follows:]

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1 Chairman McCain: General Stewart.  
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1           STATEMENT OF LIEUTENANT GENERAL VINCENT R. STEWART,  
2 USMC, DIRECTOR OF THE DEFENSE INTELLIGENCE AGENCY

3           General Stewart: Chairman McCain, Ranking Members --  
4 Ranking Member Reed, members of the committee, thank you for  
5 this opportunity to provide the Defense Intelligence  
6 Agency's assessment of global security environment and the  
7 threats facing the Nation.

8           Mr. Chairman, my statement for the record details a  
9 range of multifaceted challenges, adversaries, threats,  
10 foreign military capabilities, and transnational terrorist  
11 networks. Taken together, these issues reflect the  
12 diversity, scope, and complexity of today's challenges to  
13 our national security. In my opening remarks, I would like  
14 to highlight just a few of these threats.

15           The Islamic State in the Levant: With coalition forces  
16 engaged against the Islamic State of Iraq in the Levant, DIA  
17 is helping the warfighter and our policymakers better  
18 understand both the ideology and the capabilities of ISIL.  
19 ISIS -- ISIL, as well as like-minded extremists are born out  
20 of the same extreme and violent Sunni Salafist ideology.  
21 These Salafi jihadists are determined to restore the  
22 caliphate and, as they have shown, are willing to justify  
23 extreme violence in their efforts to impose their social  
24 order on others. As the Paris attacks demonstrated, ISIL  
25 has become the most significant terrorist threats to the

1 United States and our allies. In 2015, the group remained  
2 entrenched in Iraq and Syria, and expanded globally.  
3 Spectacular external attacks demonstrate ISIL's relevance  
4 and reach, and are a key part of their narrative. ISIL will  
5 probably attempt to conduct additional attacks in Europe and  
6 attempt to direct attacks on the U.S. homeland in 2016.  
7 ISIL's foreign fighter cadre is core to its external attack  
8 capability, and the large number of Western jihadists in  
9 Iraq and Syria will pose a challenge for Western security  
10 services.

11 On the ground in Syria and Iraq, ISIL continues to  
12 control large swaths of territory. In 2015, coalition  
13 airstrikes impeded ISIL's ability to operate openly in Iraq  
14 and Syria, curtailed its use of conventional military  
15 equipment, and forced it to lower its profile. In 2016, the  
16 growing number of anti-ISIL forces and emerging resource  
17 shortfalls will probably challenge ISIL's ability to govern  
18 in Iraq and Syria. However, the group will probably retain  
19 Sunni Arab urban centers.

20 In Afghanistan: In their first full year in the lead,  
21 Afghan Security Forces increasingly conducted independent  
22 operations. However, these forces struggled to adapt to a  
23 lack of coalition enablers and the high operational tempo,  
24 which led to uneven execution of operations. As a result,  
25 insurgents expanded their influence in rural areas, limiting

1 the extension of government control. The deployment of  
2 Afghan specialized units and their enablers will be  
3 necessary to continue securing key population centers.

4 In Russia: Russian military activity has continued at  
5 historical high. Moscow continues to pursue aggressive  
6 foreign and defense policies, including conducting  
7 operations in Syria, sustaining involvement in the Ukraine,  
8 and expanding military capabilities in the Arctic. Last  
9 year, the Russian military continued its robust exercise  
10 schedule and aggressively and occasionally provocative out-  
11 of-area deployments. We anticipate similar high levels of  
12 military activity in 2016.

13 China is pursuing a long-term comprehensive military  
14 modernization program to advance its core interests, which  
15 include maintaining its sovereignty, protecting its  
16 territorial integrity, and projecting its regional  
17 influence, particularly in the South China Sea. In addition  
18 to modernizing equipment and operations, the PLA has  
19 undergone massive structural reforms, including increasing  
20 the number of navy, air force, and rocket force personnel,  
21 establishing a theater joint command system, and reducing  
22 their current military regions down to five joint theater of  
23 operations. China has the world's largest and most  
24 comprehensive missile force and has prioritized the  
25 development and deployment of regional ballistic and cruise

1 missiles to expand its conventional strike capabilities  
2 against U.S. forces in the region. And they field an anti-  
3 ship ballistic missile, which provides the capability to  
4 attack U.S. aircraft carriers in the western Pacific ocean.  
5 China also displayed a new intermediate-range ballistic  
6 missile capable of striking Guam during its September 2015  
7 military parade in Beijing.

8         North Korea's nuclear weapons program and evolving  
9 ballistic missile programs are a continuing threat. In  
10 early January, North Korea issued a statement claiming that  
11 it had successfully carried out a nuclear test. And a  
12 couple days ago, they conducted their sixth space launch.  
13 This launch was the second launch to place a satellite into  
14 orbit. The DPRK display of a new or modified mobile ICBM  
15 during their recent parade, and its 2015 test of a new  
16 submarine-launch ballistic missile capability, further  
17 highlight Pyongyang's commitment to diversifying its missile  
18 force and nuclear delivery options. North Korea is -- also  
19 continues to its effort to expand its stockpile of weapons-  
20 grade fissile material.

21         In space, China and Russia increasingly recognize the  
22 strategic value of space and are focused on diminishing our  
23 advantage, with the intent of denying the U.S. the use of  
24 space in the event of conflict. Both countries are  
25 conducting anti-satellite research and developing anti-

1 satellite weapons, making the space domain increasingly  
2 competitive, contested, and congested.

3 In cyberspace, DIA remains concerned about the growing  
4 capabilities of advanced state actors, such as Russia and  
5 China. These actors target DOD personnel, networks, supply  
6 chain, research and development, and critical infrastructure  
7 information in cyber domain. Iran and North Korea also  
8 remain a significant threat to conduct disruptive cyberspace  
9 attacks. Nonstate actors' use of cyberspace to recruit,  
10 propagandize, and conduct open-source research remains a  
11 significant challenge.

12 Mr. Chairman, the men and women of your DIA are  
13 providing unique defense intelligence around the world and  
14 around the clock to warfighters, defense planners, the  
15 defense acquisition community, and policymakers to provide  
16 warning and defeat these and other threats. I look forward  
17 to the committee's questions.

18 [The prepared statement of General Stewart follows:]

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1 Chairman McCain: Thank you very much, General.

2 Director Clapper, in all these many decades you have  
3 served this country, have you ever seen more diverse or  
4 serious challenges to this country's security?

5 Mr. Clapper: No, sir, I have not. I have said that --  
6 something like that virtually every year I've been up here.  
7 This is my fifth or sixth time. And I decided to leave it  
8 out this year because it's kind of a cliché, but it's  
9 actually true that, in my 50-plus years in the intelligence  
10 business, I don't -- I cannot recall a more diverse array of  
11 challenges and crises that we confront as we do today.

12 Chairman McCain: And your job has been made  
13 considerably more difficult because of sequestration.

14 Mr. Clapper: Yes, sir, it has. And I think the  
15 biggest problem with it, frankly, over time, is the  
16 uncertainty that it injects in a context of planning, and  
17 particularly -- and it plays havoc with systems acquisition.  
18 So, it's -- the uncertainty factor that we now have is --  
19 that has also become a normal fact of planning and  
20 programming.

21 Chairman McCain: Thank you.

22 Just in the last few days, the issue of torture has  
23 arisen again. General David Petraeus made a statement that  
24 I'd like to quote to you. He says, "Our Nation has paid a  
25 high price in recent decades for the information gained by

1 the use of techniques beyond those in the Field Manual. In  
2 my view, that price far outweighed the value of the  
3 information gained through the use of techniques" -- i.e.,  
4 waterboarding -- "beyond those in the manual." The manual  
5 obviously prohibits waterboarding and other forms of  
6 torture. Do you agree with General Petraeus's assessment?

7 Mr. Clapper: I do. I believe the -- the Army Field  
8 Manual is the standard, and that is what we should abide by.  
9 It serves the purposes of both providing a framework for the  
10 elicitation of valuable intelligence information, and it  
11 comports with American values.

12 Chairman McCain: That's the point, I think. Isn't it  
13 the fact that this is -- American values are the -- are such  
14 that just -- no matter what the enemy does, that we maintain  
15 a higher standard of behavior, and, when we violate that, as  
16 we did with Abu Ghraib, that the consequences are severe?

17 Mr. Clapper: Yes, sir.

18 Chairman McCain: An erosion of our moral authority.

19 Mr. Clapper: I would agree with that.

20 Chairman McCain: Isn't it already proven that Mr.  
21 Baghdadi is sending people with this flow of refugees that  
22 are terrorists, that -- in order to inflict further attacks  
23 on Europe and the United States?

24 Mr. Clapper: That's correct. That's -- one technique  
25 they've used is taking advantage of the torrent of migrants

1 to insert operatives into that flow. As well, they also  
2 have available to them, and are pretty skilled at, phony  
3 passports so they can travel ostensibly as legitimate  
4 travelers, as well.

5 Chairman McCain: And they're pretty good at  
6 establishing secure sites for them to continue to  
7 communicate.

8 Mr. Clapper: That's true. That -- I alluded to that  
9 in my opening statement, about the impacts of encryption and  
10 the growth of encrypted applications, which has -- having a  
11 negative impact on intelligence-gathering. I recently  
12 traveled to Texas, and this is affecting not only us in the  
13 national security realm, but State and local officials, as  
14 well.

15 Chairman McCain: As you know, in addition to the Atlas  
16 rocket, which uses the Russian RD-180 rocket engine, the  
17 United Launch Alliance also maintains an American rocket  
18 with an American engine. As we continue to have this  
19 important debate about how to break our Nation's dependency  
20 on Russia for national security space launch, do you believe  
21 we need to look seriously at that American rocket, the  
22 Delta, as an alternative way to get off the RD-180 and  
23 encourage competition from other organizations capable of  
24 providing us with this ability?

25 Mr. Clapper: I'm a customer, Chairman McCain, of the

1 launch industry in the United States. My interest is in  
2 seeing to it that our overhead reconnaissance constellation  
3 is replenished, and replenished on time. And there is a  
4 capability with the Delta that -- as you allude -- which is,  
5 we think, from our standpoint, since we pay the freight when  
6 we use these systems -- which is both effective and cost-  
7 efficient. And I certainly do agree on -- you know, a  
8 fundamental American tenet of the competition. That's why  
9 I'm quite encouraged by the aggressive approach that SpaceX  
10 has taken. And our plan is to certify SpaceX for carrying  
11 national security payloads into space.

12 Chairman McCain: And it's not in our interest in any  
13 way to continue our dependency on Russian rocket engines.

14 Mr. Clapper: Well, I -- from -- just speaking as a  
15 citizen, I'd rather we didn't -- we're more dependent on the  
16 RD-180s. We have been, and they've worked for us. And  
17 again, my interest, though, is getting those payloads up on  
18 time.

19 Chairman McCain: Thank you very much.

20 Senator Reed.

21 Senator Reed: Thank you very much, Mr. Chairman.

22 General Clapper, to date what's your assessment of the  
23 compliance by the Iranians with the JCPOA, your -- the  
24 community?

25 Mr. Clapper: Right now -- and I think the key

1 milestone here was implementation day on the 16th of  
2 January. And the Iranians did comply with the requirements  
3 that were -- that they were required to live up to. I think  
4 we, in the intelligence community, are very much in the  
5 distrust-and-verify mode. There are a half a dozen or so  
6 ambiguities -- maybe others, but certainly a half a dozen or  
7 so ambiguities in the agreement that we have identified, and  
8 we're going to be very vigilant about Iranian compliance.

9       Senator Reed: Well, that's exactly what you should be  
10 doing. And I commend you for that.

11       Just going forward, are you confident that you could  
12 detect a serious deviation from the agreements in sufficient  
13 time to give the executive options?

14       Mr. Clapper: Yes, sir, I am confident. I will -- my  
15 fingerprints are on the infamous Weapons of Mass Destruction  
16 National Intelligence Estimate of October 2002. I was  
17 serving in another capacity then. So, I think we approached  
18 this with confidence, but also with institutional humility.

19       Senator Reed: Thank you, sir.

20       There are many challenges that are being posed by the  
21 Russians, but the Russians are facing a challenge of  
22 unexpectedly low oil prices that seem to be continuing. Has  
23 the intelligence community made an assessment of the impact,  
24 medium to long term on this, on the ability of the Russians  
25 to maintain their military posture and their provocative

1 actions?

2 Mr. Clapper: Well, the price of oil has had -- the  
3 falling price of oil has had huge impacts on the Russian  
4 economy. It's -- the price of Ural crude is running around  
5 \$28 a barrel. The Russians' planning factor for their --  
6 planning and programming for their budget is around \$50 a  
7 barrel. So, this is causing all kinds of strain, if you  
8 look at all the classical measurements -- economic measures  
9 -- inflation, the value of the ruble, which has sunk to an  
10 alltime low, unemployment, stresses on their welfare system,  
11 et cetera, et cetera.

12 That said, the Russians appear to be sustaining their  
13 commitment to their aggressive modernization program,  
14 particularly in the -- with their strategic missiles.

15 Senator Reed: Looking ahead, though, is there any  
16 indication or -- this is an area that you're picking up  
17 information through many sources that are reflecting great  
18 concern by the Russians on their ability to keep this up, or  
19 looking at --

20 Mr. Clapper: Well, that determination will be made by  
21 one man. I think, for lots of reasons, he will sustain the  
22 expeditionary activity in Syria, although I think perhaps  
23 even the Russians are seeing that this is headed for  
24 stalemate, in the absence of a substantial ground-force  
25 insertion, which I don't believe the Russians are disposed

1 to do.

2 Senator Reed: Thank you.

3 Quickly changing topics in the remaining minute and a  
4 half. In Afghanistan, multiple challenges. President Ghani  
5 is trying to pursue a reconciliation with the Taliban. And,  
6 in that regard, there is at least a four-nation process:  
7 China, Pakistan, the United States, and Afghanistan. Any  
8 insights about the possibility of reconciliation or the  
9 motivation of any of the parties to the -- to this action?

10 Mr. Clapper: Well, I think that -- you know, the  
11 Taliban position has consistently been not to do that, not  
12 to negotiate. They're the first -- the precondition they  
13 always ascribe is the removal of foreign forces. And I  
14 don't see them changing that position.

15 Senator Reed: Thank you very much.

16 General Stewart, thank you for your distinguished  
17 service.

18 Thank you, Mr. Chairman.

19 Chairman McCain: Senator Inhofe.

20 Senator Inhofe: Thank you, Mr. Chairman.

21 This is a very accurate litany of doom. You covered a  
22 lot of stuff in a short period of time. We'll have to go  
23 back and reread that.

24 When you look at what -- right now, we're kind of in a  
25 situation where, "Russia is pursuing new concepts and

1 capabilities and expanding the role of nuclear weapons, that  
2 security strategy." That's a quote out of the U.S. National  
3 Intelligence -- so, you covered that also in your -- briefly  
4 in your opening remarks.

5         When we talk to people on the outside and they say, you  
6 know, "You have Russia saying -- stating they're going to  
7 make these advances, they're going to modernize, and yet we  
8 have a policy where we're not doing it." What's a  
9 justification? What kind of answer can we give people who  
10 ask that question, including me?

11         Mr. Clapper: Well, sir, that's a policy issue. I  
12 worry about the adversaries. I've used this metaphor before  
13 this committee. But, General Stewart and I and the rest of  
14 the intelligence community are just down in the engine room  
15 shoveling intelligence coal --

16         Senator Inhofe: Yeah.

17         Mr. Clapper: -- and people on the bridge get to decide  
18 where the ship goes, and how fast, and arrange the furniture  
19 on the deck. So, I -- that's a policy issue that others  
20 decide.

21         Senator Inhofe: Well, I personally don't think it's a  
22 good policy, but we all have opinions on that.

23         I was fortunate enough to be over in the Ukraine, back  
24 when Poroshenko and Yatsenyuk were successful in their  
25 parliamentary elections, and the first time in 96 years

1 there's not one Communist in the Parliament. That's really  
2 kind of exciting, although I was upset with our lack of --  
3 when Putin came in and started killing people -- with our  
4 lack of support, at that time, as a policy for Ukraine. As  
5 we're looking at it now, and in -- there's been statements  
6 made from Russia saying that, "As the NATO becomes more  
7 aggressive and we become more aggressive, they're going to  
8 become more aggressive" -- does it look to you like it's --  
9 that's going on right now? And what's -- what'll be the end  
10 game of that?

11 Mr. Clapper: I think -- answer your last question on  
12 what the end game is, I don't know, but I will say that the  
13 Russians -- I might ask General Stewart to comment on this  
14 -- but, I think the Russians fundamentally are paranoid  
15 about NATO. They're greatly concerned about being contained  
16 and, of course, very concerned about missile defense, which  
17 would serve to neuter what is their -- the essence of their  
18 claim to great-power status, which is their nuclear arsenal.

19 So, a lot of these aggressive things that the Russians  
20 are doing, for a number of reasons -- great-power status to  
21 create the image of being coequal with the United States, et  
22 cetera -- I think could probably -- could possibly go on,  
23 and we could be into another Cold War-like spiral, here.

24 Senator Inhofe: Well, that -- the Cold War, that -- I  
25 was thinking of that at the time. Isn't that what we went

1 through for such a long period of time, where you had Russia  
2 -- or USSR -- making the statements and preparing themselves  
3 and wanting to outdo us -- I mean, just for the image? I  
4 see this as something kind of similar to that.

5 Director Clapper, in your prepared statement, you said  
6 the -- and this is a quote -- "U.S. air campaigns have made  
7 significant gains in ISIL." And then we have reports that  
8 the U.S. fights against ISIL is actually benefiting al-  
9 Qaeda. Is there a relationship -- or, what is that  
10 relationship between al-Qaeda and ISIL?

11 Mr. Clapper: Well, I've seen that. I don't know that  
12 I could say that the airstrikes against ISIL are somehow  
13 benefiting al-Qaeda, because we're still keeping the  
14 pressure on --

15 Senator Inhofe: Yeah.

16 Mr. Clapper: -- al-Qaeda.

17 Senator Inhofe: You're familiar with those reports,  
18 though.

19 Mr. Clapper: I've read them.

20 Senator Inhofe: Yeah.

21 Mr. Clapper: I'm not sure I would subscribe to them.  
22 There have been -- you know, I think we have -- there has  
23 been progress made against ISIL in its Iraq-Syria  
24 incarnation, because that assumes some of the accouterments  
25 or characteristics of a nation-state, and that, in turn,

1 presents vulnerabilities that we can exploit. I think the  
2 important thing is to keep the pressure on, on multiple  
3 fronts, and keep attacking those things which are near and  
4 dear to ISIL, which is the oil infrastructure that it owns  
5 --

6 Senator Inhofe: Yeah.

7 Mr. Clapper: -- and its access to money.

8 Senator Inhofe: Yeah.

9 One last question. My time's expired. But, the RD-180  
10 issue, it's one we're looking at. And I think there is a  
11 recognition that we need to keep using for a period of time  
12 as we make any transition that might be in the future. Now,  
13 we have -- in the defense authorization bill of '16, I guess  
14 it was, we talked about nine additional ones. I think the  
15 Air Force has requested, at one point, in some form, 18  
16 additional ones. What is your thinking about that?

17 Mr. Clapper: Well --

18 Senator Inhofe: The transition.

19 Mr. Clapper: I'll tell you, Senator. I -- my position  
20 here is, I'm a user or a customer. I have to have certain  
21 payloads delivered on time to sustain the health and  
22 viability of our overhead reconnaissance system, which is  
23 extremely important to the Nation's security. And I don't  
24 get into too much, other than I have to pay the bills,  
25 because I pay the Air Force whenever we avail ourselves of

1 their launch services.

2 How they design their systems, that's kind of up to  
3 them. I'm interested in delivery. The Delta is -- worked  
4 great for us. It's -- appears to me to be cost-efficient,  
5 and it is effective, in terms of -- when we've used it, it  
6 delivers.

7 Chairman McCain: Senator Blumenthal.

8 Senator Blumenthal: Thanks, Mr. Chairman.

9 I want to join my colleagues in thanking both of you  
10 for your extraordinary service to our Nation.

11 Director Clapper, you made the point, in response to  
12 Senator Reed and also in your testimony, that the  
13 international community is, in your words, "well postured"  
14 to detect any violation by Iran of the nuclear agreement.  
15 Has there been any indication so far that it is moving  
16 toward a violation?

17 Mr. Clapper: No, not yet. The -- no, we have no  
18 evidence, thus far, that they have -- they're in a -- moving  
19 towards violation.

20 Senator Blumenthal: And I'm sure you would agree that  
21 this Nation and the international community need to be  
22 vigilant and vigorous in enforcing this agreement.

23 Mr. Clapper: Absolutely, sir. As I said earlier, I  
24 think we, in the U.S. intelligence community, are in the  
25 distrust-and-verify mode.

1           Senator Blumenthal: And the distrust-and-verify mode  
2 includes not only the IAEA, but also other investigative  
3 tools that you have at your disposal.

4           Mr. Clapper: Absolutely.

5           Senator Blumenthal: Going to the ballistic missile  
6 issue, which I believe is profoundly important -- and  
7 General Stewart makes this point in his testimony, as well  
8 -- I urged the President to impose sanctions and enforce  
9 them as a result of Iran's continued development of  
10 ballistic missiles, which are a threat, not only to the  
11 region, but also to our allies in Europe. And, fortunately,  
12 he has heeded those calls from myself and letters that were  
13 joined by my colleagues.

14           How important do you think it is that we continue to  
15 enforce sanctions in response to Iran's development of  
16 ballistic missiles?

17           Mr. Clapper: Well, I think it's quite important that  
18 sanctions be enforced, not only for missiles, but for  
19 terrorism or any other things that are covered under the  
20 sanctions. The Iranians have a very formidable missile  
21 capability, which they continue to work on. They've fired  
22 some 140-or-so missiles since the original UNSCR --  
23 Resolution 1929 of 2010. And about half of those firings  
24 were going on during the negotiations, which were -- of  
25 course, were -- as you know, were separate from the actual

1 negotiations.

2           So, for our part, this is a challenge that we must  
3 attend to by being as vigilant as possible on gleaning  
4 intelligence about these capabilities and reporting that to  
5 our policymakers.

6           Senator Blumenthal: And speaking for myself -- and I  
7 believe my view is joined by other colleagues -- I will  
8 continue to insist on vigorous enforcement of those  
9 sanctions because of the threat that you have very  
10 powerfully outlined.

11           General Stewart, in your testimony, you make the point  
12 that the economic relief that Iran will see as a result of  
13 the JCPOA is unlikely, in the short term, to increase its  
14 military capability. Is that correct?

15           General Stewart: I think it is -- it is unlikely  
16 immediately, because I believe that the focus will be on  
17 internal economic gains. However, after 35 years of  
18 sanction, Iran has developed, as we've just discussed, the  
19 most capable missile force in the region. It's extended its  
20 lethality, its accuracy. It's got all the ranges covered.  
21 It can reach all of its regional targets. In the long term,  
22 I fully expect that they'll invest some of the money into  
23 improving the rest of their military capabilities.

24           Senator Blumenthal: What is the "long term"? In other  
25 words, how many years is "long term"?

1           General Stewart:  Yeah.

2           Senator Blumenthal:  Are we talking 5 years, 10 years?

3   And secondly, what should be our response -- and I believe  
4   it has to be a robust and strong response -- to that  
5   increase in longer-term military capabilities that threatens  
6   our allies and friends in the region, most particularly  
7   Israel, with terrorism and other conventional military  
8   capabilities, as well as the kinds of counterincentives we  
9   can provide?

10          General Stewart:  So, the long term might not be as far  
11   as 5 years.  We've already seen an agreement between Iran  
12   and the Russians for the S-300 Air Defense System.  We're  
13   seeing Russia demonstrate tremendous capabilities as they've  
14   done their out-of-area deployment into Syria.  So, there's  
15   lots of weapons technology being displayed.  And I suspect,  
16   within the next 2 to 5 years, we can expect Iran to invest  
17   in some of those weapons technology that's being displayed  
18   in the Syrian battlefield by the Russians today.

19          Senator Blumenthal:  And what should be our response?

20          General Stewart:  I think I'm going to punt that to the  
21   policymakers on the response to how Iran arms and how they  
22   might use this weapons capability.

23          Senator Blumenthal:  You would agree that we should  
24   respond robustly and strongly.

25          General Stewart:  I would agree that we should have a

1 policy to be prepared to respond --

2 Senator Blumenthal: Thank you.

3 General Stewart: -- appropriately.

4 Senator Blumenthal: Thank you, General.

5 Thank you, Director Clapper.

6 Senator Reed [presiding]: On behalf of the Chairman,  
7 Senator Sessions.

8 Senator Sessions: Thank you, Senator Reed.

9 Well, we thank both of you for your service.

10 Director Clapper, thank you for your decades of service  
11 to the country. And that's something we all respect and  
12 value.

13 General Stewart, I appreciate seeing you again. You've  
14 been in the battlefield, and you've seen it from both sides  
15 and know the importance of intelligence.

16 Director Clapper, it seems to me that we are about to  
17 see a tremendous expansion of proliferation in the numbers  
18 actually of weapons and the countries that possess nuclear  
19 weapons on something that the world is united behind, trying  
20 to stop -- the U.N. and the whole world. NATO has fought to  
21 maintain a limited number of nations with nuclear weapons,  
22 and we've been particularly concerned about nuclear weapons  
23 in the Middle East. Where do we stand on that from a  
24 strategic position? Your best judgment of the risk we're  
25 now facing.

1           Mr. Clapper: Well, the -- of course, we worry about  
2 North Korea in this respect. And I think -- in the Mideast,  
3 I think the agreement, the JCPOA, which does prevent, if  
4 it's complied with, a nuclear capability in Iran, at least  
5 in the foreseeable future, that should serve as a tempering  
6 factor for the likes of -- for other countries that may feel  
7 threatened if, in fact, Iran proceeded on with its nuclear  
8 weapons program.

9           Senator Sessions: Well, we've got India and Pakistan.  
10 Secretary Kissinger testified here a year ago, I suppose, in  
11 which he said that we could see multiple nations in the  
12 Middle East move toward nuclear weapons. And we do know  
13 that North Korea will sell weapon technology, do we not?  
14 And have done so in the past?

15           Mr. Clapper: That's true, that particularly North  
16 Korea is a proliferator. That's one of the principal ways  
17 they attempt to generate revenue, is through proliferation.  
18 I worry, frankly, about more mundane things, like MANPADs,  
19 which the North Koreans produce and proliferate throughout  
20 the world, which poses a great threat to aviation.

21           So, I think our role in the intelligence community is  
22 to be as vigilant as we can about this, and report when  
23 proliferants spread. And that -- it is a great concern, and  
24 certainly -- particularly in the Mideast.

25           Senator Sessions: Thank you. That is a serious

1 subject.

2 General Stewart, tell us where we stand in Iraq. You  
3 served there, and you were involved with the Sunnis in al-  
4 Anbar Province. You saw them flip and become turned against  
5 al-Qaeda. Can we replicate that now? And what are the  
6 prospects for the Sunnis once again turning against the  
7 terrorists?

8 General Stewart: I think if the Sunnis believe that  
9 they have a real prospect, either for an involvement with  
10 the Iraqi government or some other confederation construct  
11 where their views and interests are represented -- I think  
12 they will likely turn against ISIL. I don't think that that  
13 message is -- been effectively communicated yet. I think  
14 Abadi would like a more inclusive government, but I'm not  
15 sure that he has all of the members of his ruling body  
16 behind such inclusivity. Until that occurs, then the Sunni  
17 tribes are very likely to remain either on the fence or  
18 choose the least worst option, which is to not antagonize,  
19 and maybe even support, ISIL in the western part of Iraq.

20 Senator Sessions: But, that would be the decisive  
21 action that needs to occur, that, once again, the decisive  
22 action would be if the Sunnis would turn against ISIL as  
23 they turned against al-Qaeda.

24 General Stewart: I think that would absolutely be  
25 decisive, but I think they'll be very cautious to ensure

1 that we will not leave them hanging out there after they've  
2 turned against ISIL. This is pure pragmatism. If they're  
3 not -- if we're not successful, we're not supportive of the  
4 Sunni tribes, they will die. Al-Qaeda -- or ISIL will be  
5 brutal, they'll be ruthless. And so, if we're going to  
6 support them, we're going to try to convince them to turn  
7 and fight against ISIL, then we have to have the true  
8 commitment of the Government of Iraq and all of the parties  
9 to encourage them to fight against ISIL, because this is  
10 purely about survival for those tribes.

11 Senator Sessions: And that -- and our effort to push  
12 back against ISIL would be a extremely important action --  
13 development.

14 General Stewart: Yes, sir, I believe it would be.

15 Senator Sessions: What about Mosul, city of a million,  
16 that would not have the heritage of ISIL and that kind of  
17 extremism? What are the prospects for turning the situation  
18 around in Mosul and freeing Mosul from ISIL's --

19 General Stewart: I'm less optimistic in the near term  
20 about Mosul. I think there's lots of work to be done yet  
21 out in the western part. I don't believe that Ramadi is  
22 completely secure, so they have to secure Ramadi, they have  
23 to secure the Hit-Haditha Corridor in order to have some  
24 opportunity to fully encircle and bring all the forces  
25 against Mosul. Mosul will be complex operations. And so,

1 I'm not as optimistic -- as you say, it's a large city. I'm  
2 not as optimistic that we'll be able to turn that, in the  
3 near term; in my view, certainly not this year. We may be  
4 able to begin the campaign, do some isolation operations  
5 around Mosul, but securing or taking Mosul is an extensive  
6 operation, and not something I see in the next year or so.

7 Senator Sessions: Thank you very much, General  
8 Stewart.

9 Chairman McCain [presiding]: Senator Heinrich.

10 Senator Heinrich: Thank you, Mr. Chair.

11 Welcome back, Director Clapper, General Stewart. Thank  
12 you for that predictably cheery briefing.

13 Director Clapper, I've always believed that the ground  
14 war against ISIS must be won by our Arab partners rather  
15 than by American ground forces. And so, it was, therefore,  
16 pretty encouraging to finally hear Saudi Arabia and the UAE,  
17 over the weekend, voice some openness to putting ground  
18 forces in Syria. What's the intelligence community's  
19 assessment of the capability of Saudi and UAE ground forces?  
20 And how realistic do you think this proposal is? In other  
21 words, do you assess that they actually have the political  
22 will to potentially do that?

23 Mr. Clapper: Well, let me start with UAE, which is a  
24 very, very capable military, although small. Their -- the  
25 performance of their counterterrorist forces in Yemen have

1     been quite impressive.

2             I think -- certainly appreciate and value the Saudi  
3     willingness to engage on the ground. I think that will be a  
4     challenge -- would be a challenge for them if they were to  
5     try to take that on.

6             General Stewart: If I could add --

7             Senator Heinrich: General, absolutely.

8             General Stewart: I fully concur with the UAE forces.  
9     Whether they have the capacity to do both Yemen and  
10    something in Iraq-Syria is questionable for me.

11            Senator Heinrich: Yeah.

12            General Stewart: I think they're having a tough --  
13    they're doing extremely well in Yemen, but the capacity to  
14    do more is pretty limited.

15            Senator Heinrich: Thank you both.

16            Director Clapper, one of the things we've been  
17    struggling with, obviously, is trying to crack down on  
18    ISIS's financing. They have multiple sources of revenue  
19    that include illicit oil sales, taxation, extortion of the  
20    local population, looting of banks, personal property,  
21    smuggling of antiquities, and, to a lesser extent, even  
22    kidnapping for ransom, and foreign donations. I'm certainly  
23    pleased to see some progress has been made, where the U.S.-  
24    coalition forces have escalated tactics by targeting  
25    wellheads, targeting road tankers, even cash storage sites.

1 These efforts have certainly helped force ISIS to cut its  
2 fighters' pay; in some reports, by up to 50 percent. What,  
3 additionally, do you believe that we can be doing to further  
4 restrict their financial resources?

5 Mr. Clapper: I think the main -- sir, you've outlined  
6 pretty much the sources of revenue for ISIS. And they have  
7 a very elaborate bureaucracy for managing their money. And  
8 I think the important thing is to sustain that pressure on  
9 multiple dimensions, to include going after the oil  
10 infrastructure. I know they -- ISIL has displayed great  
11 ingenuity by setting up thousands of these mom-and-pop  
12 refineries.

13 Senator Heinrich: Yeah.

14 Mr. Clapper: And we just have to stay at it. I --  
15 and, as well, the recent bombing of the financial  
16 institution in Mosul had big impact on them. I think we're  
17 starting to see some success with the Iraqi government in  
18 reducing payments to Iraqi citizens who were -- live in  
19 ISIL-controlled areas. There's a downside to that. When  
20 they do that, that alienates -- potentially alienates them  
21 further about the central government in Baghdad.

22 But, to me, the important aspect, here, and the  
23 important theme would to sustain the pressure.

24 Senator Heinrich: You know, one of the sources that  
25 has been, I guess, surprisingly consequential is black-

1 market antiquity sales from the looting that's occurred.  
2 One of -- it's my understanding that the U.S. has sanctions  
3 that it can impose on anyone who imports antiquities stolen  
4 by ISIS, but it doesn't have separate abilities to sanction  
5 individuals who actually purchase looted Syrian antiquities.  
6 Would it be helpful to authorize sanctions that are not just  
7 against the buyer or the seller of those, but against other  
8 middlemen who are involved?

9 Mr. Clapper: I would want to take that under  
10 advisement and consult with my colleagues in the Department  
11 of Treasury. But, I will tell you that, in the relative  
12 scheme of things, the sale of antiquities is not a big  
13 revenue-generator, and it's really kind of tapered off some.  
14 But, I'd be for exploring whatever -- whatever ways we can  
15 pressure the -- ISIL financially, we should.

16 Senator Heinrich: Great. Thank you both.

17 Chairman McCain: Senator Ayotte.

18 Senator Ayotte: I want to thank you both for your  
19 service.

20 I want to thank you, Director Clapper, for your many  
21 decades of service to our country. We appreciate it.

22 I wanted to follow up on a -- your written statement,  
23 where -- in it -- and I think you reiterated it today --  
24 that Iran probably views the JCPOA as a means to remove  
25 sanctions while preserving some of its nuclear capabilities.

1 And, in a second part, you said, "as well as the option to  
2 eventually expand its nuclear infrastructure." Can you  
3 expound on that?

4 Mr. Clapper: As the period of the agreement plays out,  
5 I think it's -- we should expect that the Iraqis will want  
6 to push the margins on R&D to -- they've already done work  
7 on -- on research and development on centrifuge design.  
8 Now, they've sustained the position they've taken, and the  
9 -- you know, there's one man that makes the decision, here,  
10 as the Supreme Leader, that they're not going to pursue  
11 nuclear weapons. But, there are many other things they  
12 could do, in a nuclear context, that serves to enhance their  
13 technology and their expertise.

14 Senator Ayotte: Let me ask you. We saw Iran actually  
15 have ballistic missile tests on October 10th and November  
16 21st, post-JCPOA, and even pre-receiving the sanctions cash  
17 relief, that they recently received, of billions of dollars.  
18 We also know that, recently, North Korea had a space launch  
19 developing -- continuing to develop their ICBM program. And  
20 I wanted to ask you, first of all, do you -- we know that,  
21 in your statement, you've mentioned, and historically, that  
22 there has been cooperation between North Korea and Iran on  
23 their ballistic missile program. Can you tell us what that  
24 cooperation has been? And can we expect that North Korea  
25 will sell or share technology with Tehran that could

1 expedite Iran's development of ICBM missiles?

2 Mr. Clapper: Of late -- I have to be mindful of the  
3 setting here -- there has not been a great deal of  
4 interchange between Iraq and Iran -- or between North Korea  
5 and Iran on the subject of nuclear or missile capabilities,  
6 but there's been -- there has been in the past. We have  
7 been reasonably successful in detecting this. So, hopefully  
8 we'll -- with appropriate --

9 Senator Ayotte: Let me ask --

10 Mr. Clapper: -- vigilance, we'll be able to sustain  
11 that. The North --

12 Senator Ayotte: Let me ask you -- sorry.

13 Mr. Clapper: -- Koreans, though, will -- they're  
14 interested in cash. And this is one of their --

15 Senator Ayotte: And we now know Iran has more cash,  
16 correct?

17 Mr. Clapper: Well, they do now. But, as General  
18 Stewart indicated, a lot of the cash, at least in the  
19 initial tranche, is encumbered. The Iranians have a lot of  
20 obligations to fulfill, economically with --

21 Senator Ayotte: Let me follow up on --

22 Mr. Clapper: It's a debtor nation.

23 Senator Ayotte: -- on the two. What do you -- when  
24 you -- what do you make of other fact that the Iranians did,  
25 in fact, post-JCPOA, in violation of existing U.N.

1 resolutions, make two launches of ballistic missiles? And I  
2 think you were asked about the sanctions that were put in  
3 place. Let's just be clear; those sanctions weren't very  
4 tough. Do you think that those are going to deter Iran from  
5 continuing to develop its ICBM program?

6 Mr. Clapper: Well, the Iranians have conducted some  
7 140 launches since the original U.N. Security Council  
8 Resolution 1929 that was imposed in 2010. And so, 70 of  
9 those, about half of them, were done during the  
10 negotiations, given the fact that missiles weren't a part of  
11 the negotiation. So, as far as these two launches are  
12 concerned, I think this was a deliberate message of  
13 defiance, and that the Iranians are going to continue with  
14 an aggressive program to develop their missile force.

15 Senator Ayotte: And as you and I have talked about in  
16 the past, just to be clear, we judge that Tehran would  
17 choose ballistic missiles as its preferred method of  
18 delivering nuclear weapons, if it builds them. That's --  
19 that is obviously why you would build a ballistic missile,  
20 if you choose to build a nuclear weapon.

21 Mr. Clapper: Well, and they have hundreds of them --

22 Senator Ayotte: Right.

23 Mr. Clapper: -- that threaten the Mideast. And, of  
24 course, the two under development could potentially, given  
25 the technology, although the immediate one that's most -- I

1 guess the most proximate that would be launched, the GAM, is  
2 built by civilians and is ostensibly for space launch --

3 Senator Ayotte: I only have 5 seconds left, but I want  
4 to follow up on the heroin question. I believe you said  
5 that heroin and Fentanyl, which is, of course, 30 to 50  
6 times more powerful, is coming over our southern border.  
7 And that has doubled by the Mexican drug cartels, going back  
8 to 2010. Do you believe that that's something that we --  
9 General Kelly has raised this when he was commander of  
10 SOUTHCOM as -- that delivery system and those cartels could  
11 actually deliver almost anything with the sophisticated  
12 networks they have established, but do you believe we should  
13 be focused also on more interdiction, particularly on the  
14 heroin problem at the southern border?

15 Mr. Clapper: I do. And what -- the experience, at  
16 least what I've observed -- and I think General Kelly has  
17 said this consistently when he testified -- is that it  
18 wasn't for lack of intelligence; it was lack of operational  
19 capacity to actually react and interdict. And so, we -- you  
20 know, I'm a big fan of the Coast Guard, and the Coast  
21 Guard's done some great things. These new national security  
22 cutters are fantastic capability against drug -- to -- for  
23 drug interdiction purposes.

24 Senator Ayotte: Thank you.

25 Chairman McCain: Senator Kaine.

1 Senator Kaine: Thank you, Mr. Chair.

2 And thanks, to the witnesses. I have many questions to  
3 ask, but I think what I'll do is focus on one.

4 I just -- I'm struggling with this, and I would love to  
5 hear your thoughts about low oil prices and how they affect  
6 our security posture. This is not in a litany of gloom;  
7 this is a good thing. But, it's got some elements to it  
8 that are -- I think are challenging.

9 I was in Israel once, in April of 2010, and meeting  
10 with President Shimon Peres, and I asked him what would be  
11 the most important thing the U.S. could do to enhance  
12 security in the region. And he said, "Wean yourself off  
13 dependence on oil from the Middle East." And, as I talked  
14 to him, his basic logic was, to the extent that we developed  
15 noncarbon alternatives or our own native energy sources, our  
16 demand for Middle Eastern oil would drop. We're a market  
17 leader. That would have a effect of reducing prices. And a  
18 lot of the nations in the Middle East -- Iran and other  
19 nations -- Russia or Venezuela -- they've used high oil  
20 prices to finance bellicose adventurism. And if they get  
21 more strapped on the cash side, they have a harder time  
22 doing it.

23 So, we've seen a dramatic development in American  
24 native energy. We've seen development of noncarbon energy.  
25 And we've seen oil prices go to dramatic lows. And they're

1 not going to stay there forever, but many are predicting  
2 that they're going to stay significantly lower than historic  
3 lows. It's good for American consumers. It's good for  
4 American businesses. It poses challenges for some of our  
5 principal adversaries; Russia, for example. It puts a cap  
6 on, to some degree, what Iran would get from being back in a  
7 global economy and selling their oil. But, it also poses  
8 some risks, as well. I've heard European counterparts say  
9 that they're really worried about an aggressive Russia, but  
10 they're even more worried about a economic basket-case  
11 Russia.

12 So, from the intel side, as you look at intel and  
13 threats, talk a little bit about the prospect of low oil  
14 prices and any negatives associated with that, please.

15 Mr. Clapper: Well, I think you've painted the picture  
16 pretty well, Senator Kaine. The -- it's working, I guess  
17 you would say -- one could say, to our advantage. And  
18 Russia -- I spoke about that earlier -- and the price --  
19 current price of Ural crude, for example, is \$28 a barrel,  
20 when Russia's planning factor for their national budget is  
21 \$50 a barrel. This has affected -- for example, they have  
22 been unable to invest in the Arctic, so it's had profound  
23 impact, and will, I think, for some time, just structurally  
24 in Russia.

25 Venezuela is another case, a country that was -- that's

1 been completely dependent, almost, for its revenue for a  
2 long time, on oil revenue. And, of course, with the  
3 precipitate drop in oil, it's had a huge impact on their  
4 economy, which is status managed anyway and is laced with  
5 all kinds of subsidies for its people. And now they're  
6 having -- they're facing insolvency.

7 So, that -- it has that effect. And, of course, to the  
8 extent that we become independent and not dependent on  
9 anyone's oil, that's a good thing. Countries caught in the  
10 middle, I think, it's going to be a mixed bag as to how well  
11 they manage themselves, where they are dependent on others  
12 for oil. If the price stays low, that's great. If it -- if  
13 it's hiked, either by virtue of the natural forces or  
14 artificially, that could have a very deleterious impact on  
15 the economy, say in Europe. So, it's a very mixed picture.

16 Senator Kaine: Just a followup about Russia, in  
17 particular. It seems that sometimes they're more likely to  
18 engage in some, you know, adventurism outside their country  
19 when their internal politics and economy is in trouble. I  
20 mean, Putin seems like a guy who, when things are going bad  
21 at home, he wants to divert attention. And whether it's  
22 throwing an Olympics or a World Cup or invading another  
23 country, that seems to be kind of a move that he'll make  
24 when he's got dissatisfaction at home driven by economic  
25 challenges. So, is there some degree to which these lower

1 oil prices, they negatively affect an adversary, but they  
2 may make them a little more unpredictable and, hence,  
3 dangerous?

4 Mr. Clapper: That's true. And, of course, all  
5 decisionmaking in Russia is essentially made by -- is done  
6 by one person. The Russians have a great capacity for  
7 enduring pain and suffering. The polls that are taken in  
8 Russia still indicate very high levels of popularity, 80-  
9 percent range, for Putin. It is interesting, though, his  
10 speeches of late in -- domestically, have taken a different  
11 turn or a different tone, in that they are much more  
12 exhorting patriotic spirit and the great history of Russia  
13 as, I think, probably a way of diverting attention from the  
14 poor economic performance of the Russian economy. And, by  
15 any measure -- you look at unemployment, inflation, the  
16 worth of the ruble -- its alltime low -- and investment, et  
17 cetera, whatever measure you want to use, the -- it's all  
18 not good for -- from a Russian perspective.

19 Now, the issue would be, How does that affect the  
20 street, and what point does the people start turning out and  
21 demonstrating, which -- that's what makes them -- they're  
22 very nervous. If people get organized and restive on a  
23 large scale throughout the -- throughout Russia, they --  
24 Russians are very concerned about that.

25 Senator Kaine: Thank you very much.

1 Thank you, Mr. Chair.

2 Chairman McCain: Senator Fischer.

3 Senator Fischer: Thank you, Mr. Chairman.

4 Director Clapper, in your statement, you assess that  
5 foreign support will allow Damascus to make gains in some  
6 key areas this year. And, General Stewart, you state that  
7 the Assad regime is unlikely to be militarily defeated or  
8 collapse in the near term, and it's poised to enter 2016 in  
9 a stronger military position against the opposition because  
10 of their increased support that they're receiving from Iran  
11 and Hezbollah and Russia. Given Assad's apparently  
12 improving fortunes that we're seeing, do you assess that he  
13 will negotiate any kind of transition from power?

14 General Stewart: He's certainly in a much stronger  
15 negotiating position than he was just 6 months ago. His  
16 forces, supported by Russian air forces, supported by  
17 Iranian and Hezbollah forces, are having some effect, but  
18 not decisive effect across the battlefield. They've  
19 isolated Aleppo, for instance. They're now sieging Aleppo.  
20 So, he's in a much stronger negotiating position, and I'm  
21 more inclined to believe that he is a player on the stage  
22 longer term than he was 6 months to a year ago. He's in  
23 much better position.

24 Senator Fischer: And, General, what -- how would you  
25 define "longer term"?

1           General Stewart: Yeah, that's -- I think this -- this  
2 one's interesting, because I think the Russians are very  
3 comfortable with the idea that, if they have a regime that  
4 supports their interests in Syria, Bashar al-Assad might not  
5 be as important to them as -- Bashar al-Assad is far more  
6 important to the Iranians to maintain their relationship  
7 with Syria and status around Lebanon. So, I think getting  
8 all the parties to agree on whether he should go, the  
9 timeline with which he should go, who might be an -- a  
10 better alternative, because that's important to all the  
11 parties -- this is such a dynamic space -- and then you sow  
12 the Turks in with their interest that Assad should go, also.  
13 So, I think, long term, I'm not seeing any change in the  
14 status here for the next year or so. And, beyond that,  
15 we'll see how the fight on the battlefield unfolds.

16           Senator Fischer: Before I turn to you, Director  
17 Clapper -- General, when you mention about Iran and Moscow  
18 being able to work together on this, and maybe they're --  
19 what I heard was, maybe they're diverging in their support  
20 for Assad in keeping him in power or giving him more  
21 leverage in a transition. Do you believe that is going to  
22 come to a head -- again, in the short term, long term -- and  
23 what are the consequences of that?

24           General Stewart: In --

25           Senator Fischer: I mean, I can remember -- and it

1 wasn't that long ago -- when we would all sit up here and  
2 say, "it's not a question on if Assad is leaving, it's when  
3 he's leaving." That obviously has changed.

4       General Stewart: The Russian reinforcement has changed  
5 the calculus completely. The tactical relationship that  
6 Iran and Russia has today, I suspect, at some point -- and  
7 it's pretty hard to predict that some point -- will diverge,  
8 because they won't share the stage. Iran wants to be the  
9 regional hegemon. If it has to compete with Russia in the  
10 longer term -- and again, I can't put months or years -- I  
11 suspect that their interests will diverge because of  
12 competition as a regional power.

13       In the near term, though, their interest is simply to  
14 prop up the regime. And the regime, in my mind, is not  
15 necessarily Assad; it's the regime, first of all, that  
16 allows Russia to maintain its interests and allows Iran to  
17 control Syria -- greater Syria and parts of Lebanon. When  
18 those two things become tension points, where their  
19 interests -- where Russia jettisons Assad or Russia pushes  
20 for his removal -- I suspect that they will have at least a  
21 tactical breakdown. However, it's still in Iran's interest  
22 to maintain a relationship with Russia, because of what we  
23 talked about earlier, the ability to procure weapons from  
24 Russia without any preconditions. And they would like to  
25 modernize all of their military forces, and Russia seems to

1 be an option for doing that.

2 So, the relationship might be tense, it might break  
3 down at some point because of regional desires for control,  
4 but they'll still have the enduring relationship from a  
5 weapons procurement standpoint.

6 Senator Fischer: And, Director Clapper, I'm out of  
7 time, but if you had just a couple of comments you'd like to  
8 add there -- I apologize for giving you less time.

9 Mr. Clapper: That's fine.

10 The thing that I find interesting is that both the  
11 Russians and the Iranians are growing increasingly  
12 interested in using proxies, rather than their own forces,  
13 to fight in Syria. The Russians are incurring casualties.  
14 The Iranians are. And so, to the extent that they can bring  
15 in others -- and, of course, in Iran's case, Hezbollah.

16 I think Russians are not wedded to Assad personally,  
17 but they have the same challenge as everyone else, "If not  
18 Assad, who?" And I don't know that they've come up with an  
19 alternative to him, either.

20 Senator Fischer: Thank you.

21 Thank you, Mr. Chairman.

22 Chairman McCain: Senator King.

23 Senator King: Gentlemen, thank you for being with us  
24 this morning.

25 I was discussing, yesterday with one of our "Five Eyes"

1 partners, overall long-term intelligence and worldwide  
2 threats. I'm afraid -- and you touched on this, Director  
3 Clapper, in your report -- I'm afraid that the Syrian  
4 refugee crisis is a precursor of a larger refugee crisis  
5 that we could be facing over the next 10 to 20 years, based  
6 upon predictions of climate change, the band of the world  
7 that is going to be subject to droughts, famine, crop loss,  
8 flooding in some areas, over -- incredible heat in the band  
9 around North Africa, Central Africa, into Southeast Asia.  
10 We could see mass migrations that could really strain the  
11 Western countries. Would you concur in that, Secretary --

12 Mr. Clapper: Well, I think you're quite right. And I  
13 alluded to that, at least briefly, in my oral statement,  
14 about the fact that we have some 60 million people around  
15 the globe displaced in one way or another. And I think the  
16 --

17 Senator King: If that increases, it's going to create  
18 -- because all of those people are going to want to go where  
19 things are better --

20 Mr. Clapper: Exactly.

21 Senator King: -- which happens to be the northern  
22 hemisphere.

23 Mr. Clapper: And so, that's why that is going to --  
24 that will place ever greater stresses on the remainder of  
25 the countries, whether here in the Americas, Europe, Africa,

1 Asia, wherever. And the effects of climate change, of  
2 weather aberrations, however you want to describe them, just  
3 exacerbate this. You know, the -- what we have in the world  
4 is sort -- in the -- by way of resource to feed and support  
5 the growing world population is somewhat of a finite  
6 resource. There's only so much water, only so much arable  
7 land. And so, the conditions that you mention, I believe,  
8 are going to foment more pressure for migrants. That on top  
9 of the instability that -- of governance that I spoke  
10 briefly about in my oral statement, as well -- I think are  
11 going to make for a challenging situation in the future.

12 Senator King: Thank you.

13 Again, turning to something that you touched on. The  
14 lack of capacity to deal with drug imports, it seems to me,  
15 is something that is a real strategic and tactical  
16 challenge. We're suffering terribly, in my home State of  
17 Maine, with heroin. New Hampshire has one death overdose a  
18 day. In Maine, it's 200 a year, one death every weekday, if  
19 you will. And we're trying to deal with the demand side and  
20 with the treatment and prevention. But, keeping this stuff  
21 out to begin with -- and heroin's cheaper than it's ever  
22 been, which tells me that the supply is up. What do we --  
23 where should we be putting our efforts on the interdiction  
24 side?

25 Mr. Clapper: Well, on -- to the extent -- I think the

1 -- working with the Mexican government, particularly since  
2 that's where a great deal of this comes from, is Mexico, and  
3 I think the partnership that we can engender with them is  
4 crucial to this.

5 Senator King: Are they --

6 Mr. Clapper: Obviously --

7 Senator King: -- a serious partner? Do they want to  
8 stop this, or does -- or are they conflicted? Do they see  
9 this as a cash crop?

10 Mr. Clapper: Well, I think it's who -- it depends on  
11 who "they" is in Mexico. I think the national leadership  
12 would obviously like to stop the flow. But, there are very  
13 -- as you know, very, very powerful economic forces in  
14 Mexico that auger against that, and we've got a lot of  
15 money. And so, they also have a corruption problem,  
16 frankly, to deal with. So, I think we need to be as  
17 aggressive as we can be in interdicting what we can. I  
18 mentioned earlier, for example, the tremendous impact of the  
19 Coast Guard capabilities, when they're brought to bear.  
20 And, as we discussed earlier, General Kelly, one of -- the  
21 former commander of SOUTHCOM -- has spoken to this many  
22 times, about not so much a lack of intelligence, but rather  
23 the lack of an operational capability to respond to the  
24 intelligence to interdict. We have the intelligence  
25 capability and the intelligence capacity, but that needs to

1 be matched by a concomitant resource commitment.

2 Senator King: We need a greater commitment, in terms  
3 of interdiction capacity.

4 Mr. Clapper: Exactly.

5 Senator King: With just a few seconds left, and  
6 perhaps you could take this for the record. We always, at  
7 these hearings, talk about the cyberthreat. We've done some  
8 actions here. We finally got through a cyber bill last year  
9 about information-sharing. I'm still concerned about  
10 critical infrastructure. And perhaps, for the record, you  
11 could give us some thoughts about what further we should be  
12 doing here in Congress or in the country, in terms of  
13 critical infrastructure. Because that's, I think, our --  
14 one of our areas of greatest vulnerability.

15 Mr. Clapper: I share your concern and we'll provide  
16 some for the record.

17 Senator King: Thank you.

18 [COMMITTEE INSERT]

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1 Chairman McCain: Thank you, Mr. Chairman.

2 Chairman McCain: Senator Cotton.

3 Senator Cotton: Gentlemen, thank you both for your  
4 many years of service to our country.

5 First, I'd like to say that it's reassuring to hear so  
6 many members of this committee, who voted to give the  
7 world's worst state sponsor of terrorism tens of billions of  
8 dollars, express their grave concerns about what Iran might  
9 do with that money. And I wish we had heard more of those  
10 concerns during the debate and before the vote on it.

11 Director Clapper, you testified last year that, in your  
12 45 years of public service, this was the worst global threat  
13 environment you had ever seen. Is that correct?

14 Mr. Clapper: Yes, sir. And I had occasion to say it  
15 again in a -- response to a question earlier.

16 Senator Cotton: That's a -- and that's -- was your  
17 point with Senator McCain earlier, is that it's the worst  
18 global threat environment now in 46 years?

19 Mr. Clapper: Well, it's certainly the most diverse  
20 array of challenges and threats that I can recall.

21 Senator Cotton: Why is that?

22 Mr. Clapper: Well, I think it's -- frankly, it's  
23 somewhat a function of the change in the bipolar system that  
24 did provide a certain stability in the world, the Soviet  
25 Union and its community, its alliance, and the West, led by

1 the United States. And virtually all other threats were  
2 sort of subsumed in that basic bipolar contest that went on  
3 for decades and was characterized by stability. When that  
4 ended, that set off a whole range of a whole group of  
5 forces, I guess, or dynamics, around the world that have  
6 changed.

7 Senator Cotton: You both have long and deep experience  
8 in the Middle East. In your experience, is the Middle East  
9 a place that prizes concessions in negotiations or strength  
10 in toughness?

11 General Stewart: I would argue that, in almost all  
12 these cases, strength is preferred over signs of weakness.

13 Senator Cotton: Do you believe that the appearance and  
14 reputation for power is an important part of the reality of  
15 power in national security affairs?

16 General Stewart: Yes, Senator.

17 Senator Cotton: What would you believe is our current  
18 reputation for power in the Middle East after, say, 12 -- 10  
19 American sailors were videotaped kneeling at gunpoint by  
20 Iranian Revolutionary Guard Corps forces?

21 General Stewart: I don't know that that incident alone  
22 reflects the perception of our strength and power. I think,  
23 over the last several years, there have been some concerns  
24 among our partners about our commitment to the region, our  
25 willingness to employ the force, where our interests -- both

1 national and strategic interest lies. I think that's caused  
2 just a little bit of concern among our partners about our  
3 commitment to the region.

4 Senator Cotton: I would like to return to a question  
5 that Senator Heinrich raised. He raised the news that the  
6 Saudi Defense Ministry and now the Emirati Foreign Ministry  
7 have both suggested that they would be willing to deploy  
8 their troops to the ground in Syria. And he asked you to  
9 assess the capability of those militaries. But, threats,  
10 for good or for ill, are part of -- are both capability and  
11 intention. In both of the statements from Saudi Arabia and  
12 the UAE, they both insisted that they would need to see U.S.  
13 leadership in that effort.

14 Director Clapper, do you have any idea what kind of  
15 leadership they're talking about, what more they would  
16 expect to see from the United States that they apparently  
17 are not seeing at the moment?

18 Mr. Clapper: Well, I don't know what -- I -- and I  
19 took it to mean specifically with respect to if they  
20 deployed a significant military force into Syria. And I  
21 took it to mean the command-and-control capability that, you  
22 know, the U.S. is pretty good at. I -- that's what I took  
23 it to mean.

24 Senator Cotton: General Stewart?

25 General Stewart: I think the Arab countries, led by

1 Saudi Arabia and the Emiratis, would like to see more ground  
2 forces to match their commitment. Having said that, I do  
3 not assess that the Saudi ground forces would have either  
4 the capacity to take this fight on -- as I've said earlier,  
5 the Emiratis, very capable, acquitted themselves well in  
6 Yemen, but lack the capacity to take on additional fight  
7 elsewhere. I think the idea is, How do we get more U.S.  
8 skin in the game?

9 Senator Cotton: Thank you.

10 Director Clapper, in early October, shortly after  
11 Russia began its incursion into Syria, President Obama  
12 called it, quote, "a big mistake," and, quote, "doomed to  
13 fail." Do you believe, 4 and a half months later, that  
14 Russia's incursion into Syria is "a big mistake" from their  
15 standpoint, and "doomed to fail"?

16 Mr. Clapper: It could be a big mistake. And one of  
17 the concerns the Russians have, of course, those with long  
18 memories, is a repeat of Afghanistan. And, of course,  
19 that's why the Russians, to this point, have avoided a  
20 significant ground force presence. They have about 5,000  
21 personnel tied up in supporting the air operations --  
22 advisors, intelligence, et cetera. So, long term, it could  
23 be a mistake for them. They haven't enjoyed the success, I  
24 think, that Putin anticipated. I think he believed that he  
25 would go in quickly and be able to leave early. And that is

1 not turning out to be the case. And they are getting into a  
2 long-term stalemate, themselves.

3 Senator Cotton: Thank you.

4 My time is expired.

5 Chairman McCain: Senator Nelson.

6 Senator Nelson: Thank you, Mr. Chairman.

7 And good morning, gentlemen. And I repeat what so many  
8 have said here. Thank you for your public service.

9 Given what you just said, General Clapper, about Russia  
10 being concerned about being bogged down, and going back to  
11 the comments of Senator Kaine about the cash reserves of  
12 Russia diminishing because of the price of oil, and you  
13 mentioned that, at some point, the street in Russia going --  
14 these are my words -- to erupt. Can you give us any sense  
15 of when that might occur, given these factors that has been  
16 discussed in the whole committee meeting?

17 Mr. Clapper: Senator Nelson, I cannot. I don't know  
18 when that tipping point might occur. As I said, the Russian  
19 people have a great capacity for enduring discomfort and  
20 inconvenience and pain. But, I think, at some point, they  
21 will reach a breaking point. And I think the Russian  
22 leadership is mindful of that and are very concerned about  
23 it. And so, the sustained economic recession, which will go  
24 well into 2016, I think it's somewhat of an imponderable to  
25 try predict when -- if this is sustained, when that will

1 cause a breaking point and when the street will say  
2 something.

3 Senator Nelson: From an intel standpoint, Putin can  
4 continue his diversions -- Crimea, Syria, whatnot -- to get  
5 the nationalistic fervor of the Russian people continually  
6 stoked up. But, when they can't get butter and they get to  
7 the point that they realize that that's going more to guns,  
8 do we have any sense, from the history of Russia, of all --  
9 or from an intel standpoint -- do we hear anything of the  
10 rumblings going on in Russia that would give us a better  
11 idea of how to predict that timing?

12 Mr. Clapper: Well, no. I don't think -- predicting,  
13 you know, sociological dynamics is very difficult, when  
14 people will collectively reach a breaking point. That's,  
15 you know, kind of what happened with the demise of the  
16 Soviet Union, when the -- you know, "the big lie," I think,  
17 became evident to more and more people. That's another  
18 thing that the Russians worry about, is information and --  
19 information from the outside world. The Russians expend a  
20 lot of energy, time, and resource on controlling information  
21 and controlling the message in Russia. So, the combination  
22 of these factors -- their ability to endure the gradual  
23 erosion of the economy of Russia, their tight control of  
24 information, not unlike the heyday of the Soviet Union,  
25 makes it, to me at least, very difficult to predict when all

1 those forces will collide.

2 Senator Nelson: Let me ask about assured access to  
3 space, which is essential to our national security. We have  
4 a great deal of optimism as a result of what we're seeing, a  
5 number of companies now producing rockets that seem to be  
6 quite successful. We have the likelihood of new engines  
7 being produced. But, this Senator is concerned, not in the  
8 long term, but more in the short term, of -- Is there a gap  
9 there that, if we do not have that Russian-supplied engine,  
10 the RD-180, that we will not have the assured access to  
11 space because of the alternative being, number one, that the  
12 Delta 4 cannot be produced quickly enough, and number two,  
13 that it would be prohibitively expensive compared to the  
14 alternative of the Atlas 5?

15 Mr. Clapper: Well, as I said earlier, Senator Nelson,  
16 I -- I'm in the customer mode. I have certain imperatives,  
17 in terms of our assured access to space for overhead  
18 reconnaissance purposes. This is extremely crucial  
19 capability for the Nation's safety and security. And so, I  
20 look to the providers of those who get those things into  
21 space, which, for me, is the Air Force --

22 Senator Nelson: I understand that.

23 Mr. Clapper: -- to decide that. So, I -- you know,  
24 the Delta has worked great for us. We felt it was  
25 responsive, it was cost-effective --

1 Senator Nelson: Right.

2 Mr. Clapper: -- and it worked for us.

3 Senator Nelson: Are you concerned that there could be  
4 a gap?

5 Mr. Clapper: Well, I certainly would be. I mean, when  
6 we've had to manage gaps, not so much from a -- because of  
7 launch, but simply because of the capabilities in space,  
8 that is a great concern to us in the intelligence community.  
9 So, yes, I would be very concerned about gaps.

10 Chairman McCain: Senator Rounds.

11 Senator Rounds: Thank you, Mr. Chairman.

12 Director Clapper and General Stewart, thank you both  
13 for your service to our country. And we most certainly  
14 appreciate the participation that you have in this meeting  
15 today.

16 In October of last year, the U.S. Naval Institute  
17 published a rather chilling article detailing the long list  
18 of advanced weaponry that the Chinese military has cloned by  
19 stealing from other nations either through cyber espionage  
20 or reverse engineering. What roles do you see the  
21 intelligence agencies taking to prevent this hemorrhaging of  
22 American technological advantage?

23 Mr. Clapper: Well, I think it's our responsibility to  
24 ensure that our policymakers, and particularly the  
25 Department of Defense, are aware of the -- this hemorrhage,

1 if you will, of technological information that the Chinese  
2 have purloined. So, I think our duty, our obligation is --  
3 from an intelligence community standpoint, is to make sure  
4 people know about this, and, where we can, suggest ways to  
5 try to stop it.

6 Senator Rounds: General Stewart?

7 General Stewart: I don't know if I could add anything  
8 more to that. We detect, we get an appreciation,  
9 understanding of the threat vectors, we inform, and, if we  
10 can, we provide some potential solutions. It then becomes  
11 up to those who have the technology, who have been  
12 threatened -- their intellectual property threatened, to  
13 take those countermeasures. So, I think we identify, we  
14 warn, we report, and it's over to the users.

15 Senator Rounds: Would you both -- with regard to the  
16 tools that you have available today, do you have the  
17 appropriate equipment, tools, and technology to be able to  
18 detect and report these attacks?

19 Mr. Clapper: Yes, we do. But, I do think -- and this  
20 gives me an opportunity for maybe a small commercial that we  
21 do sustain our R&D. This is particularly the -- important  
22 for, well, all the IC, but particularly NSA, that we stay  
23 ahead of cyber technological developments in the world  
24 domain for foreign intelligence purposes to stay abreast of  
25 these.

1           Senator Rounds:  What do you believe constitutes an act  
2 of war in cyberspace?  What do you assess it would look  
3 like?  When does it become an act of war?

4           Mr. Clapper:  That's a great question, Senator, that --  
5 one that we've wrestled with.  A certain extent, it's -- I  
6 guess it's in the eye of the beholder.  And this gets to the  
7 whole issue of cyberdeterrence and all those kind of complex  
8 questions.  But, I think that's a determination that would  
9 almost have to be made on a case-by-case basis, depending on  
10 the impact.

11          Senator Rounds:  So, if we were to suggest that it was  
12 time to define what an act of war in cyberspace would be, it  
13 would not be appropriate?  Or should we be looking at  
14 clearly defining what an act of war constitutes with regard  
15 to cyber activity?  Would that be helpful, or not?

16          General Stewart:  I think it would be extremely helpful  
17 to have clear definitions of what constitutes cyber events  
18 versus acts of war.  We generally look at all cyber events,  
19 and we define it as an "attack."  In many cases, you can do  
20 reconnaissance, you can do espionage, you can do theft in  
21 this domain we call cyberspace.  But, the reaction always is  
22 -- whether it's an adversary doing reconnaissance, an  
23 adversary trying to conduct HUMINT operations in this  
24 domain, we define it as an "attack."  And I don't think  
25 that's terribly helpful.  So, if we can get a much fuller

1 definition of the range of things that occur in cyberspace,  
2 and then start thinking about the threshold where an attack  
3 is catastrophic enough or destructive enough that we define  
4 that as an act of war, I think that would be extremely  
5 useful.

6 Senator Rounds: Have we done enough, or a sufficient  
7 job, in deterring cyber aggression?

8 General Stewart: I think we have a pretty robust  
9 capability to understand the adversaries. I think most  
10 potential adversaries understand that we have a capability.  
11 Whether or not we are ready to use that, because that's the  
12 essence of deterrence that an adversary actually feels, that  
13 we will use the capability that we have, I'm not sure we're  
14 there yet. And that goes beyond our ability to understand  
15 and to counter with military capabilities. So, I think  
16 there's another dimension of convincing, from a policy  
17 standpoint, that we're willing to use that capability.

18 Chairman McCain: Wouldn't it be a good idea to have a  
19 policy, General? As I understand it, we have no policy as  
20 to whether we should deter, whether we should respond,  
21 whether -- if so, how. Is it -- wouldn't it be good if we  
22 had a policy?

23 General Stewart: Mr. Chairman, I always find it good  
24 to have a policy that guides the things that I can do as a  
25 military officer.

1 Chairman McCain: I think that's not a earth-shaking  
2 comment, to tell you the truth. I don't think we'll stop  
3 the presses. The fact is, we don't have a policy. And I  
4 don't know how you act when there's no policy as to how we  
5 respond to threats or actual acts of penetration into some  
6 of our most sensitive information.

7 Senator Sullivan.

8 Senator Sullivan: Thank you, Mr. Chairman.

9 And welcome, gentlemen. Great to see two marines at  
10 the table. As the Chairman knows, the terms "marine" and  
11 "intelligence" are considered synonymous by most, so glad to  
12 see you're --

13 Chairman McCain: Really?

14 [Laughter.]

15 Senator Sullivan: -- glad to see you're bolstering  
16 that fine tradition.

17 I wanted to focus a little bit on the -- what's going  
18 on in the South China Sea. And, Director Clapper, last time  
19 you were here, you expressed concerns over the possible  
20 militarization of some of the formations that are being  
21 built up in that part of the world by the Chinese. And, as  
22 you know, here we are, a year later, and that's exactly  
23 happened, in terms of 3200 acres of new land, seven large  
24 land features, an airfield, one of which is 10,000 feet  
25 long. What do you believe the Chinese -- what do you

1 believe their goals are in the region?

2 Mr. Clapper: Well, I think the Chinese are very, very  
3 determined to sustain their exorbitant claims in the South  
4 China Sea. They've had this "nine-dash line" playing for  
5 some time. They have sustained that. I think they will  
6 continue with building up their capabilities on these  
7 outcroppings and islands.

8 Senator Sullivan: Do you think they're clearly looking  
9 to militarize those outcroppings?

10 Mr. Clapper: Well, I think -- not sure what -- you  
11 know, what the definition of "militarize" is. Apparently,  
12 President Xi may have a different view than -- definition  
13 than we do. But, I think when you put in runways and  
14 hangars and start installing radars, doing port calls with  
15 Chinese navy and Chinese coast guard ships -- they have not  
16 yet, I don't believe, actually landed any military fighter  
17 aircraft yet, but they have tested the airworthiness, so to  
18 speak, of their air drones there with civilian aircraft. So  
19 --

20 Senator Sullivan: So, I want to follow --

21 Mr. Clapper: -- I think it's very clear that they will  
22 try to exert as much possessiveness, if you will, over this  
23 area and the South China Sea in general.

24 Senator Sullivan: I want to follow up on a point the  
25 Chairman just made. As far as our policy to counter that,

1 you know, this committee, in a bipartisan way, has certainly  
2 been encouraging the White House, the military, to conduct  
3 regular FONOPs in the region, preferably with our allies. I  
4 think our allies are all very motivated to see American  
5 leadership here. Do you think that we have clearly  
6 articulated what our policy is? And do you think that  
7 regular FONOPs by U.S. military vehicles -- ships, aircraft  
8 -- with our allies, is an important way to counteract the  
9 strategy that seems to have very little pushback on it right  
10 now?

11 Mr. Clapper: Well, again, this is a policy, and we're  
12 just down in the engine room, shoveling intelligence coal.  
13 But, I do think that we have made clear the policy on  
14 freedom of navigation, and have done at least two FONOP  
15 missions.

16 Senator Sullivan: Do you think our allies understand  
17 what our articulated policy in the region is?

18 Mr. Clapper: I think they do, and I think they welcome  
19 our freedom-of-navigation operations. I think they are a  
20 bit reticent to speak publicly as supportively as they do in  
21 private.

22 Senator Sullivan: Let me turn to the Arctic. I  
23 appreciated your -- both of your focus on the Arctic in your  
24 testimony. And, as you know, there's been a dramatic  
25 increase in the Russia's military buildup in the Arctic.

1 There's been statements by the Deputy Prime Minister about  
2 how we should colonize the Arctic. You even mentioned,  
3 Director, in your testimony, that the Russians would be  
4 prepared to -- unilaterally, to protect their interests in  
5 the Arctic. Let me just ask a couple of questions, and you  
6 -- both of you can answer them to the -- however you want,  
7 in terms of prioritization.

8 What do you believe the Russians are up to with their  
9 dramatic buildup in the Arctic? President Putin certainly  
10 is somebody who probes for weakness. How do you think he's  
11 reacting to our actual plans for dramatically withdrawing  
12 the only Arctic-trained forces in the Active Duty U.S.  
13 military? And do we need to be looking at, kind of, FONOP  
14 kind of operations in the Arctic, particularly given that  
15 the Russians have such a significant interest in the Arctic?  
16 They've built up their northern fleet, they have 40  
17 icebreakers, and the strategic northwest passage is only  
18 going to become more important. Is that something we should  
19 be looking at doing on a regular basis --

20 Mr. Clapper: Well, I can --

21 Senator Sullivan: -- in terms of our FONOPs?

22 Mr. Clapper: -- I can --

23 Senator Sullivan: You can answer any of those -- all  
24 three of those questions, if you'd like.

25 Mr. Clapper: I can comment on -- from an intelligence

1 perspective, that we are turning attention to the Arctic.  
2 There's about a 6,000-kilometer-long coastline that the  
3 Russians have on the Arctic. They've established a -- built  
4 around their northern fleet a joint command to oversee their  
5 military activities. They are refurbishing bases there.  
6 They're -- quantitatively, they appear to have what -- where  
7 they're going would be actually less than what they had in  
8 the Arctic regions during the heyday of the Cold War, but,  
9 qualitatively, it'll probably be better.

10       What has stymied the Russians, as I alluded to earlier,  
11 though, was -- their grand plans for investing there,  
12 particularly with energy extraction, have been stymied  
13 because of the economic recession. So -- and they need  
14 foreign investment, from a technological standpoint, and  
15 they are not getting it, because of the economic extremis  
16 they're in.

17       So, yes, Arctic is important. We engage with the  
18 countries that are a part of the Arctic Council, notably  
19 Canada and Norway. We are stepping up our intelligence-  
20 sharing with those countries. And as -- in terms of what  
21 the Russians are doing there. As far as what we do about it  
22 and troop deployments, that's kind of not our department.

23       Senator Sullivan: But, you can give us assessment on  
24 what you believe Putin would think as he builds up the  
25 Arctic, we're withdrawing forces from the Arctic. In your

1 assessment of how he operates and thinks, what does he think  
2 about that? How will he view a reduction in Arctic forces  
3 by the United States when he is dramatically building up  
4 forces? You can certainly answer that question.

5 Mr. Clapper: Well, I don't know what he thinks. I  
6 don't read his mind. But, I guess anytime he sees an  
7 opportunity where he believes we're reducing or not being  
8 prevalent, then if he -- if that serves his purpose, he'll  
9 take advantage of it.

10 Senator Sullivan: General, any views?

11 General Stewart: The Russians intend to increase their  
12 ability to control the Arctic regions. They've built air  
13 bases, they're building missile defense capability, both  
14 coastal and naval missile defense capability. They're doing  
15 that for economic and military reasons. In the absence of  
16 something that counters that, they will continue to expand.  
17 So, there is, I think, an imperative that we have both the  
18 willingness and the capacity to push back on their control  
19 or dominance of the Arctic region.

20 I think they're probably in a place where they are --  
21 they'd be willing to negotiate and discuss how you conduct  
22 operations in the Arctic, but they need to have something to  
23 push against.

24 Senator Sullivan: Thank you.

25 Thank you, Mr. Chairman.

1 Chairman McCain: Senator King feels compelled to ask  
2 an additional question.

3 Senator King: Thank you, Mr. Chairman, I think.

4 [Laughter.]

5 Senator King: Quick question about money. Two  
6 questions, actually.

7 Where does North Korea get its money? It doesn't seem  
8 to have much of an economy, and yet it's building missiles,  
9 nuclear capability, military buildup. Where's their  
10 funding?

11 Mr. Clapper: Well, the -- their primary trading  
12 partner, of course, is China, by far, probably 90 percent of  
13 their trade. They -- and the biggest single export from  
14 North Korea to China is coal. Runs around a -- they get  
15 about a billion-point-two a year from coal sales. And then,  
16 of course, it's illicit finance -- illicit finances. They  
17 have a -- an organized approach to laundering money and this  
18 sort of thing. So -- but, most of their trade in the -- in  
19 North Korea is natural-resource-heavy. And so, the Chinese  
20 exploit that. So, that's where they get the lion's share of  
21 the --

22 Senator King: Is it safe to say that if China decided  
23 they didn't like the direction of North Korean policy, they  
24 could have a significant influence over it?

25 Mr. Clapper: I don't think there's any question that,

1 to the extent that anyone has leverage over North Korea,  
2 it's China.

3 Senator King: A second followup question, this time  
4 about Russia. What percentage of the Russian budget is  
5 funded by oil revenues?

6 Mr. Clapper: Oh, I'll have to take that for the  
7 record, but a large part is -- a significant proportion of  
8 their budget is -- I think is from oil revenue. I don't  
9 know exactly what it is. I could --

10 [COMMITTEE INSERT]

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1           Senator King:  And you've talked about a 4-percent  
2 contraction, I believe, in their economy over --

3           Mr. Clapper:  Yes.

4           Senator King:  -- the past year, which is projected to  
5 continue into this year.

6           Mr. Clapper:  Correct.

7           Senator King:  And, at some point, it seems to me,  
8 they're going to reach a point where they just run out of  
9 money.  And I wouldn't imagine they would be too good a  
10 credit on the world --

11          Mr. Clapper:  Right.

12          Senator King:  -- credit market.

13          Mr. Clapper:  They do have very significant reserves --  
14 financial reserves that they've built up over the years,  
15 which they're starting to eat into.  But, you're quite  
16 right, I mean, over an extended period, it can't sustain  
17 them.

18          Senator King:  Thank you.

19          Thank you, Mr. Chairman.

20          Chairman McCain:  Very quickly, Director.  General  
21 Kelly testified before this committee about this issue of  
22 this manufactured heroin, which has now become a major issue  
23 all over America, particularly the northeast and the  
24 midwest, this dramatic increase in heroin drug overdoses.  
25 Some of it comes across the land border.  General Kelly

1 testified before this committee that he -- because of his  
2 lack of assets, he watches, sometime, seaborne  
3 transportation of drugs that land in various places in the  
4 Caribbean and come up into the United States. Isn't that an  
5 issue that you can trace, to some degree, to sequestration,  
6 but also the old squeezing-the-balloon theory?

7 Mr. Clapper: Well, I can't say specifically whether  
8 this is attributable to sequestration, or not. I just do  
9 know that there is a great deal of intelligence that the  
10 intelligence community produces on drug flow into the United  
11 States. And --

12 Chairman McCain: And some of that is --

13 Mr. Clapper: And I've heard -- I've --

14 Chairman McCain: -- shifted to seaborne --

15 Mr. Clapper: Yes --

16 Chairman McCain: Yeah.

17 Mr. Clapper: -- exactly. Seaborne interdiction with  
18 these semi-submersible vehicles that are sailed to the  
19 American coast. And the difficulty has been: not enough  
20 operational resources, and particularly Coast Guard or Navy  
21 resources, that could be used to take advantage of the  
22 intelligence that is produced. And I saw General Kelly  
23 speak to that, just about every year he testified.

24 Chairman McCain: The interesting thing about this is  
25 that if you talk to literally any Governor in the northeast

1 or midwest of this country today, they would say that this  
2 is practically an epidemic of -- a dramatic increase in  
3 heroin drug overdose deaths. And now we're going to have  
4 this agreement with the FARC, which all of us want, in  
5 Colombia. But, does that mean that a lot of these FARC  
6 people will go into the drug business?

7 Mr. Clapper: It certainly could, sir. And the other  
8 thing I -- and I alluded briefly to this in my statement --  
9 was, of course, the -- we're seeing an increase in cocaine,  
10 which is occasioned by -- comes from Colombia and, as part  
11 of this agreement and also, I think, President Santos, the  
12 -- took heed of what were presented to him as environmental  
13 impacts of the eradication program that have been existent  
14 in Colombia for some years. And so, they're stopping the  
15 drug eradication and trying to appeal to the farmers to grow  
16 other crops, which probably will be a challenge. So --

17 Chairman McCain: We saw that experiment in  
18 Afghanistan, trying to get the farmers to go to other crops  
19 rather than poppies. It was a failure.

20 Mr. Clapper: Well, it didn't seem to work, no. I  
21 mean, that -- there is so much money to be made, and it is  
22 such a huge moneymaker that it's very hard, I think, to find  
23 other -- alternate crops that are equal -- that are  
24 legitimate, that are equally profitable.

25 Chairman McCain: Finally -- I apologize for imposing

1 on your time, but one thing we know is the Energomash, the  
2 company that sells the Russian rocket engines to the United  
3 States, is rife with people who are cronies of Vladimir  
4 Putin, people who have been sanctioned, part of criminal  
5 activities. Wouldn't it better for us to -- rather than  
6 giving tens of millions of dollars to Russia -- Putin and  
7 his cronies, to buy more Deltas as part of the solution?  
8 And I know your answer is going to be: you're the  
9 purchaser. But, I also think that this almost borders on a  
10 national security issue, because, if we're going to give  
11 tens of millions of dollars to people who are known thugs  
12 and Putin, himself, who was just recently implicated by the  
13 British for the murder of a former KGB agent in London, the  
14 assassination of Boris Nemtsov in the shadow of the Kremlin,  
15 that -- for us to unnecessarily provide the Russians with  
16 tens or hundreds of millions of dollars, it doesn't seem to  
17 me to be a logical way to do business, particularly if the  
18 we have the opportunity to buy more Deltas and have the  
19 development of Russian rocket engines here in the United  
20 States, which people like SpaceX and others are working on.  
21 Do you have any comment?

22 Mr. Clapper: I would agree with you. I -- I'm  
23 interested in the service, in lift, in getting -- in launch,  
24 in getting our reconnaissance satellites deployed on time.  
25 And I would much prefer that the totality of the system that

1 gets those satellites into orbit were American.

2 Chairman McCain: I thank you.

3 Senator Reed, do you have --

4 Senator Reed: I simply want to thank both General  
5 Stewart and General Clapper for their testimony and their  
6 service.

7 And particularly, again, General Clapper, thank you for  
8 your extraordinary service to the Nation.

9 Mr. Clapper: Thank you very much.

10 Chairman McCain: Can I say, sometimes we have hearings  
11 that are, maybe, not too productive. I view this as one of  
12 the more helpful hearings that we have had before this  
13 committee. And I thank the witnesses for their candor and  
14 their wisdom.

15 This hearing is adjourned.

16 [Whereupon, at 11:37 a.m., the hearing was adjourned.]

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