

Stenographic Transcript
Before the

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

HEARING TO RECEIVE TESTIMONY ON WORLDWIDE
THREATS

Tuesday, May 23, 2017

Washington, D.C.

ALDERSON COURT REPORTING
1155 CONNECTICUT AVENUE, N.W.
SUITE 200
WASHINGTON, D.C. 20036
(202) 289-2260
www.aldersonreporting.com

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5
6 U.S. Senate
7 Committee on Armed Services
8 Washington, D.C.
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10 The committee met, pursuant to notice, at 9:31 a.m. in
11 Room SD-G50, Dirksen Senate Office Building, Hon. John
12 McCain, chairman of the committee, presiding.

13 Committee Members Present: Senators McCain
14 [presiding], Inhofe, Wicker, Fischer, Cotton, Rounds, Ernst,
15 Tillis, Sullivan, Perdue, Graham, Sasse, Strange, Reed,
16 Nelson, McCaskill, Shaheen, Gillibrand, Blumenthal,
17 Donnelly, Kaine, King, Heinrich, Warren, and Peters.
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1 OPENING STATEMENT OF HON. JOHN McCAIN, U.S. SENATOR
2 FROM ARIZONA

3 Chairman McCain: The Senate Armed Services Committee
4 meets this morning to receive testimony on worldwide
5 threats.

6 We are pleased to welcome our distinguished witnesses,
7 Dan Coats, who is the Director of National Intelligence, and
8 Lieutenant General Vince Stewart, Director of the Defense
9 Intelligence Agency.

10 Out of respect for the scheduling commitments of our
11 witnesses and a unanimous request on the part of all our
12 members, we will conclude this hearing at 11:30. In the
13 interest of time and to ensure the members of the committee
14 to be able to ask their questions, I will be very brief. I
15 know that comes as a disappointment, especially to the
16 Senator from South Carolina.

17 I would ask our witnesses to please submit their
18 written statements for the record, if they can. That is not
19 required.

20 Last night's horrific attack in Manchester was a
21 gruesome reminder that the world is on fire. Everywhere we
22 turn, we can see threats to the rules-based order that
23 underpins global security and prosperity. Yet, when it come
24 understood the great national security challenges we face,
25 U.S. policy and strategy are consistently lacking. Whether

1 it is China, Russia, North Korea, Iran, or radical Islamist
2 terrorism, I have heard few compelling answers about how the
3 United States intends to use its alliances, its trade, its
4 diplomacy, its values, but most of all, its military to
5 protect and defend our national interests and the rules-
6 based order that supports them, especially with
7 sequestration still the law of the land.

8 This is still a young administration. Cogent, coherent
9 policy and strategy take time to develop. But we should be
10 ever mindful that our adversaries are not waiting for us to
11 get our act together. Time is of the essence.

12 Senator Reed?

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

3 Senator Reed: Mr. Chairman, in keeping with your
4 spirit, I will abbreviate my statement, but ask that the
5 full statement be made part of the record.

6 The Chairman: Without objection.

7 Senator Reed: Thank you, Mr. Chairman, for holding
8 this important hearing. I also want to thank our witnesses
9 for appearing here today to provide their analysis of the
10 national security threats and other challenges facing us
11 around the world.

12 I would also like to welcome back our former colleague,
13 Director Coats, for his first appearance before the
14 committee and, General Stewart, thank you for your continued
15 strong leadership of the intelligence professionals of the
16 Defense Intelligence Agency.

17 The national military strategy is organized,
18 appropriately so, around the so-called four plus one primary
19 threats facing our nation today, namely Russia, China, North
20 Korea, Iran, and the enduring non-state challenge of violent
21 extremism, a tragic example of what we witnessed last
22 evening in Manchester, England. And our hearts and prayers
23 and thoughts go out to the people of England and people of
24 the world. We are pursuing these issues, and I know you
25 gentlemen are at the forefront in terms of our intelligence

1 efforts, and I appreciate what you do.

2 The four plus one threats I have just touched upon
3 inform the capabilities we develop, the size of the force we
4 build, and the scenarios we plan against. However, to
5 paraphrase former Secretary Gates, we have a near perfect
6 record in predicting the nature of the next threat we will
7 face: we have always gotten it wrong. We rely heavily on
8 our intelligence community to highlight those emerging
9 threats, the ones that we have not identified already, and I
10 hope our witnesses will provide the committee with their
11 candid thoughts on the other challenges we should pay close
12 attention to moving forward, in addition to the four plus
13 one that I have outline.

14 Thank you, Mr. Chairman.

15 [The prepared statement of Senator Reed follows:]

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1 The Chairman: Since a quorum is now present, I ask the
2 committee to consider six civilian nominations and a list of
3 818 pending military nominations. First, I ask the
4 committee to consider the nomination of the Honorable David
5 L. Norquist to be Under Secretary of Defense, Comptroller;
6 Robert Daegle to be Director of Cost Assessment and Program
7 Evaluation, Department of Defense; Elaine McCusker to be
8 Principal Deputy Under Secretary of Defense, Comptroller;
9 Kari Bingen to be Principal Deputy Under Secretary of
10 Defense for Intelligence; Robert S. Karem to be Assistant
11 Secretary of Defense for International Security Affairs; Mr.
12 Kenneth P. Rapuano to be Assistant Secretary of Defense for
13 Homeland Security and Global Security.

14 Is there a motion to favorably report these six
15 nominations to --

16 Senator Reed: So moved.

17 The Chairman: Is there a second?

18 Senator Inhofe: Second.

19 The Chairman: All in favor, say aye.

20 [Chorus of ayes.]

21 The Chairman: The ayes have it.

22 Welcome to our old and dear friend, Director Coats, and
23 Lieutenant General Stewart who continues to serve with
24 distinction and with great honor. I thank you. Director
25 Coats, given your advanced age, we begin with you.

1 [Laughter.]
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1 STATEMENT OF HON. DANIEL R. COATS, DIRECTOR OF
2 NATIONAL INTELLIGENCE

3 Mr. Coats: Thank you, Mr. Chairman. You and I have an
4 ongoing race between who is the more aged and experienced.
5 And you win every time --

6 [Laughter.]

7 Mr. Coats: -- which is quite an accomplishment.

8 I am pleased to be before you, Chairman McCain and
9 Ranking Member Reed, and members of the committee.

10 I must admit when I walked through the door,
11 instinctively I made a right turn trying to find my seat up
12 on the panel, and said, oh, yeah, that is right. I got to
13 come down here.

14 The Chairman: You are welcome at any time to come and
15 take a trip down memory lane, Mr. Coats.

16 Mr. Coats: Thank you.

17 Let me just reiterate what the chairman said relative
18 to what happened in Manchester last evening. I just
19 returned from London a couple of days ago and met with all
20 of my intelligence community colleagues there. We spent a
21 significant amount of time discussing threats to our
22 respective homelands and it is a tragic situation that we
23 see all too much of happening in countries around the world,
24 particularly our allies. So it, once again, reminds us that
25 this threat is real. It is not going away and needs

1 significant attention to do everything we can to protect our
2 people from these kinds of attacks.

3 I am here today with Lieutenant General Vince Stewart
4 from the DIA to discuss the IC's assessment of the multitude
5 of threats facing our country. Vince will give some brief
6 opening comments as well, and I have tried to condense my
7 opening remarks, knowing this is an unclassified session, so
8 that we will have plenty of time for your questions.

9 We are here to describe in an unclassified way the
10 complexity of the threat environment which is ever expanding
11 and has challenged the IC to stay ahead of the adversary.
12 And this has not been an easy task. We appreciate the
13 support from this committee to address these threats in a
14 way that will give the President, the Congress, and other
15 policymakers the best and most integrated intelligence we
16 can assemble.

17 In the interest of time, I will discuss just some of
18 the many challenges that we currently face. The IC's
19 written statement that was submitted earlier discusses these
20 and many other threats in much greater detail.

21 Let me start with North Korea. North Korea is an
22 increasingly grave national security threat to the United
23 States because of its growing missile and nuclear
24 capabilities, combined with the aggressive approach of its
25 leader, Kim Jong-un. Kim is attempting to prove that he has

1 the capability to strike the U.S. mainland with a nuclear
2 weapon. We assess that all flight tests this year,
3 including the two this month, have demonstrated capabilities
4 short of an ICBM at this point in time. However, North
5 Korea updated its constitution in 2012 to declare itself a
6 nuclear power, and its officials consistently state nuclear
7 weapons as the basis for regime survival, suggesting Kim
8 does not intend to negotiate them away.

9 In Syria, we assess that the regime will maintain its
10 momentum on the battlefield provided, as is likely, that it
11 maintain support from Iran and Russia. A continuation of
12 the Syrian conflict will worsen already dangerous conditions
13 for Syrians in regional states.

14 Furthermore, as you all know, on April 4th, the Syrian
15 regime used the nerve agent sarin against the opposition in
16 Khan Shaykhun in what was probably the largest chemical
17 attack by the regime since August 2013. Since that sarin
18 attack, we have observed more than five allegations of
19 Syrian regime chlorine use. We assess that Syria is
20 probably both willing and able to use chemical weapons in
21 future attacks. We are still acquiring and continue to
22 analyze all intelligence related to the question of whether
23 Russian officials had foreknowledge of the Syrian chemical
24 weapon attack on 4 April.

25 Let me turn to cyber threats. Cyber threats continue

1 to represent a critical national security issue for the
2 United States for at least two key reasons.

3 First, our adversaries are becoming more bold, more
4 capable, and more adept at using cyberspace to threaten our
5 interests and to shape real-world outcomes. And the number
6 of adversaries grows as nation states, terrorist groups,
7 criminal organizations, and others continue to develop cyber
8 capabilities.

9 And second, the potential impact of these cyber threats
10 is amplified by the ongoing integration of technology into
11 our critical infrastructure and into our daily lives. We
12 see this today in the form of the Wanna Cry ransomware
13 attack, which victimized companies, services, and
14 individuals in well over 100 nations within days of its 12
15 May release. As this activity continues, the U.S.
16 Government investigation is ongoing.

17 The worldwide threat of terrorism is geographically
18 diverse and multifaceted, and it poses a continuing
19 challenge for the United States, for our allies and partners
20 who seek to counter it. ISIS is experiencing territorial
21 losses in Iraq and Syria. However, we assess ISIS will
22 continue to be an active terrorist threat to the United
23 States due to its proven ability to direct and inspire
24 attacks against a wide range of targets around the world. I
25 might mention that ISIS has claimed responsibility for the

1 attack in Manchester, although they claim responsibility for
2 virtually every attack. We have not verified yet the
3 connection.

4 Outside Iraq and Syria, ISIS is seeking to foster
5 interconnectedness among its global branches and networks,
6 align their efforts to its strategy, and withstand counter-
7 ISIS efforts. We assess that ISIS maintains the intent and
8 capability to direct, enable, assist, and inspire
9 transnational attacks.

10 Al Qaeda and its affiliates continue to pose a
11 significant terrorist threat overseas as they remain
12 primarily focused on local and regional conflicts.

13 And homegrown violent extremists remain the most
14 frequent and unpredictable terrorist threat to the United
15 States homeland. This threat will persist with many attacks
16 happening with little or no warning.

17 I would like to take a quick run through some key areas
18 of the Middle East. In Iraq, Baghdad's primary focus
19 through 2017 we assess will be recapturing and stabilizing
20 Mosul and other territory controlled by ISIS. We assess
21 that Iraq will still face serious challenges to its
22 stability, political viability, and territorial integrity
23 even as the threat from ISIS is reduced. Reconstruction
24 will cost billions of dollars, and ethno-sectarian and
25 political reconciliation will be an enduring challenge.

1 In Iran, Tehran's public statements suggest that it
2 wants to preserve the Joint Comprehensive Plan of Action
3 because it views the deal as a means to remove sanctions
4 while preserving some nuclear capabilities. We assess that
5 the JCPOA agreement has extended the amount of time Iran
6 would need to produce enough fissile material for nuclear
7 weapons from a few months to about a year.

8 In the meantime, Tehran's malign activities continue.
9 For example, Iran provides arms, financing, and training,
10 and manages as many as 10,000 Iraqi, Afghan, and Pakistani
11 Shia fighters in Syria to support the Assad regime. Iran
12 has sent hundreds of its own forces, to include members of
13 the Islamic Revolutionary Guard Corps, the IRGC, and IRGC
14 Quds Force to Syria as advisors.

15 The reelection on 19 May of President Rouhani suggests
16 the Iranian populace also broadly supports the JCPOA.
17 Shortly before the election, Rouhani criticized the IRGC for
18 attempting to sabotage the deal and called for Iran to
19 restart interaction with the world and not be under, quote,
20 the evil shadow of war.

21 In Yemen, fighting will almost certainly persist in
22 2017 between Houthi alliance forces trained by Iran and the
23 Yemeni Government backed by a Saudi-led coalition. Neither
24 side has been able to achieve decisive results through
25 military force. Al Qaeda in the Arabian Peninsula, AQAP,

1 and an ISIS branch in Yemen have exploited the conflict in
2 Yemen and the collapse of government authority to gain new
3 recruits and allies and expand their influence.

4 The IC assesses that the political and security
5 situation in Afghanistan will almost certainly deteriorate
6 through 2018 even with a modest increase in military
7 assistance by the United States and its partners. This
8 deterioration is underpinned by Afghanistan's dire economic
9 situation. Afghanistan will struggle to curb its dependence
10 on external support until it contains the insurgency or
11 reaches a peace agreement with the Taliban.

12 Meanwhile, we assess that the Taliban is likely to
13 continue to make gains, especially in rural areas. Afghan
14 Security Force's performance will probably worsen due to a
15 combination of Taliban operations, combat casualties,
16 desertions, poor logistic support, and weak leadership.

17 Pakistan is concerned about international isolation and
18 sees its position through the prism of India's rising
19 international status, including India's expanded foreign
20 outreach and deepening ties to the United States. Pakistan
21 will likely turn to China to offset its isolation,
22 empowering a relationship that will help Beijing to project
23 influence in the Indian Ocean.

24 In addition, Islamabad has failed to curb militants and
25 terrorists in Pakistan. These groups will present a

1 sustained threat to the U.S. interests in the region and
2 continue to plan and conduct attacks in India and
3 Afghanistan.

4 Russia is likely to become a more assertive nation in
5 global affairs, more unpredictable in its approach to the
6 United States, and more authoritarian in its approach to
7 domestic politics. We assess that Russia will continue to
8 look to leverage its military support to the Assad regime to
9 drive a political settlement process in Syria on Russia's
10 terms. Moscow is also likely to use Russia's military
11 intervention in Syria in conjunction with efforts to
12 capitalize on fears of a growing ISIS and extremist threat
13 and expand its role in the Middle East.

14 We also have noticed and discussed in significant
15 detail and may do so during this session Russia's influence
16 campaign and strategies to undermine democratic institutions
17 and interfere with elections. As I said, I just returned
18 from Europe. Clearly in France in its election, now in
19 Germany with its pending election, in England with its
20 pending election, we are seeing duplications of what has
21 happened here in our election. So the Russian strategy
22 continues.

23 Let me talk a little bit about Ukraine and Russia. We
24 assess that Moscow's strategic objectives in Ukraine,
25 maintaining long-term influence over Kiev and frustrating

1 Ukraine's attempts to integrate into Western institutions
2 will remain unchanged in 2017. Russia continues to exert
3 military and diplomatic pressure to coerce Ukraine into
4 implementing Moscow's interpretation of the political
5 provisions of the Minsk II agreement, among them
6 constitutional amendments that would effectively give Moscow
7 a veto over Kiev's strategic decisions.

8 I will finish up here with China. China will continue
9 to pursue an active foreign policy, especially within the
10 Asia-Pacific region, highlighted by a firm stance on
11 competing territorial claims in the East China Sea and South
12 China Sea, relations with Taiwan and its pursuit of economic
13 engagement across East Asia. China, which views a strong
14 military as a critical element in advancing its interests,
15 will also pursue efforts aimed at fulfilling its ambitious
16 One Belt, One Road initiative to expand China's strategic
17 influence and economic role across Asia through
18 infrastructure projects.

19 In the interest of time and to get to your questions, I
20 will defer assessments on western hemisphere issues, which I
21 trust we will discuss during the question period.

22 However, I would like to make one final point on a key
23 authority for the IC going forward. As you are all well
24 aware, section 702 of the FISA Amendments Act is due to
25 expire at the end of the year. I cannot stress enough the

1 importance of this authority in how the IC does its work to
2 keep Americans safe. Section 702 is an extremely effective
3 tool to protect our Nation from terrorists and other
4 threats. As I described in my confirmation hearing, 702 is
5 instrumental to so much of the IC's critical work in
6 protecting the American people from threats from abroad. We
7 are committed to working with all of you to assure that you
8 understand not only how we use this authority, but also how
9 we protect privacy and civil liberties in the process.

10 In conclusion, the intelligence community will continue
11 its tireless work against these and all other threats, but
12 we will never be omniscient. Although we have extensive
13 insight into many threats in places around the world, we
14 have gaps in others. Therefore, we very much appreciate the
15 support provided by your committee and will continue to work
16 with you to ensure that the intelligence community has the
17 capabilities it needs to meet its many mission needs.

18 I will now turn to General Stewart for a few brief
19 remarks.

20 [The prepared statement of Mr. Coats follows:]

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1 STATEMENT OF LIEUTENANT GENERAL VINCENT R. STEWART,
2 USMC, DIRECTOR, DEFENSE INTELLIGENCE AGENCY

3 General Stewart: Chairman McCain, Ranking Member Reed,
4 members of the committee, thank you for this opportunity
5 appear with DNI Coats to provide an assessment of the
6 threats to our national security.

7 I concur with the Director's statement in its entirety.
8 However, I would like to reinforce for this committee and,
9 by extension, the American people your Defense Intelligence
10 Agency's view on five military threats facing the Nation.
11 We in DIA call these our no-fail missions because the risk
12 is too high for us to fail in pursuing these missions. They
13 include a nuclear-capable and increasingly provocative North
14 Korea, a resurgent Russia, a modernizing China, an ambitious
15 regional power in Iran, and violent extremist organizations,
16 the last category encompassing ongoing operations in
17 Afghanistan, Iraq, Syria, and elsewhere.

18 The world is focused on events in Pyongyang and for
19 good reasons. Since assuming power, Kim Jong-un has
20 conducted three nuclear tests, and the regime has tested an
21 unprecedented number of ballistic missiles of varying ranges
22 over the past year. Although shortfalls remain, key
23 milestones have been met in specific systems, and they
24 continue to obtain valuable data and insights from each
25 test. Let me be very clear on this point. If left on its

1 current trajectory, the regime will ultimately succeed in
2 fielding a nuclear armed missile capable of threatening the
3 United States homeland. While nearly impossible to predict
4 when this capability will be operational, the North Korean
5 regime is committed and is on a pathway where this
6 capability is inevitable.

7 Russia views military power as critical to achieving
8 its key strategic objective and devotes significant
9 resources to its military modernization program. The
10 Russian Government seeks to be the center of influence in
11 what it describes as a multi-polar, post-West world order.
12 To support this world view, Moscow pursues aggressive
13 foreign and defense policies by employing a full spectrum of
14 influence and coercion aimed at challenging U.S. interests
15 around the globe. Out-of-area operations remain a priority,
16 as demonstrated by its ongoing deployment to Syria and long-
17 range aviation approaching U.S. airspace.

18 China is in the third decade of an unprecedented
19 military modernization program involving weapon systems,
20 doctrine, tactics, training, space and cyber operations. It
21 now stands firmly in the category as a near-peer U.S.
22 competitor. New bases are being built in the South China
23 Sea, and evidence suggests that these outposts will be used
24 for military purposes. A key component of China's strategy
25 for a regional contingency is planning for potential U.S.

1 intervention in a conflict in the region. Its navy remains
2 on a course for 350 ships by the year 2020, and anti-
3 access/area denial capabilities continue to improve.

4 Turning to Iran, despite sanctions, Tehran is putting
5 considerable resources into conventional military priorities
6 such as ballistic and cruise missiles, naval systems,
7 unmanned aerial vehicles, air defense systems that could
8 threaten the U.S. and our interests in the region. Iran's
9 conventional military doctrine is designed to protect Iran
10 from the consequences of its assertive regional policy
11 spearheaded by the Iranian Revolutionary Guard's Quds Force
12 and its regional proxy, Lebanese Hezbollah, and in concert
13 with certain Iraqi Shia militias and the Houthis. We should
14 expect Iran to continue to undermine the current regional
15 security architecture using terrorist organizations and
16 proxies to complicate U.S. efforts throughout the region.

17 Finally, we are making steady progress against trans-
18 regional terrorism but still have a long way to go. ISIS
19 has been greatly diminished in Libya, will soon lose control
20 of Mosul, and the capital in Raqqa is nearly isolated. We
21 have killed many ISIS and Al Qaeda leaders and numerous
22 terrorist plots have been averted. The trend lines are
23 moving in the right direction, but this fight will not end
24 soon. The enemy remains highly adaptable and capable, and
25 instability and under-governed territory may give them

1 opportunities to resurge. I am particularly concerned about
2 the long-term impact of returning foreign fighters and the
3 potential for these groups to capitalize on the
4 proliferation of armed unmanned aerial vehicles to do harm
5 to U.S. and our allied interests.

6 Mr. Chairman, the men and women of your DIA are
7 providing unique defense intelligence around the world and
8 around the clock to warfighters, defense policymakers and
9 planners, and the defense acquisition community. They are
10 doing so on the battlefield at combatant commands,
11 headquarters, here on the banks of the Potomac, and in the
12 capitals of the world through our defense attache service.
13 It has been a privilege to serve with them the last 2 and a
14 half years and see firsthand their service and contribution
15 to our country.

16 I look forward to the committee's questions.

17 [The prepared statement of General Stewart follows:]
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1 The Chairman: Thank you very much.

2 Director Coats, according to the "Washington Post"
3 story this morning, President Trump asked two of the
4 Nation's top intelligence officials in March to help him
5 push back against an FBI investigation into possible
6 coordination between his campaign and the Russian
7 Government. According to current and former officials,
8 Trump made separate appeals to the Director of National
9 Intelligence, Daniel Coats, and to Admiral Michael S.
10 Rogers, the Director of the NSA, urging them to publicly
11 deny the existence of any evidence of collusion during the
12 2016 elections. Coats and Rogers refused to comply with the
13 request, which they both deemed to be inappropriate.

14 Is that an accurate reporting, Director Coats?

15 Mr. Coats: Mr. Chairman, as the President's principal
16 intelligence advisor, I am fortunate to be able and need to
17 spend a significant amount of time with the President
18 discussing national security interests and intelligence as
19 it relates to those interests. We discuss a number of
20 topics on a very regular basis. I have always believed that
21 given the nature of my position and the information which we
22 share, it is not appropriate for me to comment publicly on
23 any of that. So on this topic, as well as other topics, I
24 do not feel it is appropriate to characterize discussions
25 and conversations with the President.

1 The Chairman: And is it not true that some of these
2 leaks can be damaging to national security, Director Coats?

3 Mr. Coats: Leaks have become a very significant --
4 played a very significant negative role relative to our
5 national security. The release of information not only
6 undermines confidence in our allies but our ability to
7 maintain secure information that we share with them. It
8 jeopardizes sources and methods that are invaluable to our
9 ability to find out what is going on and what those threats
10 are. Lives are at stake in many instances, and leaks
11 jeopardize those lives.

12 The Chairman: Thank you.

13 In light of the tragedy in Manchester last night, does
14 it not lend significant urgency to retaking Raqqa where all
15 this originates?

16 Mr. Coats: Well, that will not solve the problem,
17 particularly the homegrown and inspired attacks. Clearly
18 going to the heart of ISIS and driving a stake through that
19 heart we assess will significantly improve the situation,
20 the plotting and the planning that comes from a centralized
21 caliphate or safe haven for ISIS. We have seen the damage
22 that has occurred. We do assess, however, that its ideology
23 and methods have spread like tentacles into many places,
24 most of them ungoverned countries, and sent some foreign
25 fighters back home that might want to carry on their

1 mission. But clearly the strategy I believe is the right
2 strategy and that is to go to the heart and disperse their
3 planning and their leadership.

4 The Chairman: The Defense Science Board told this
5 committee at least in the next decade, the offensive cyber
6 capabilities of our most capable adversaries are likely to
7 far exceed the United States' ability defend key critical
8 infrastructure. Do you agree with that assessment?

9 Mr. Coats: I do. I do. I think cyber has risen to
10 the top, close to the top of one of the most serious
11 challenges that we face. As I mentioned in my opening
12 statement, we need to see this as a very significant
13 challenge to our public safety, as well as the public
14 health.

15 The Chairman: 2 years in a row we have authorized the
16 provision of defensive lethal weapons in the defense
17 authorization bill to Ukraine. Do you believe that we
18 should seriously consider that in light of continued Russian
19 aggression in the country?

20 Mr. Coats: Well, Mr. Chairman, that is a little bit
21 outside my portfolio. It is a policy decision that perhaps
22 General Stewart may want to discuss. But we want to try to
23 continue to provide the intelligence that would shape and
24 fashion that decision among our policymakers, General Mattis
25 and others.

1 The Chairman: Finally, on the issue of cyber, right
2 now we have no policy nor did we for the previous 8 years of
3 the last administration. And so, therefore, without a
4 policy, we do not have a strategy. So, therefore, when we
5 do not have a strategy, we do not know how to act.

6 Is that a true depiction of the scenario as we see it
7 as far as cyber is concerned?

8 Mr. Coats: Well, I think we are learning that we do
9 need to take this seriously, which we do. We do need to
10 fashion a means by which we address these cyber attacks that
11 are growing by the day. Our critical infrastructure is at
12 risk. Our personal lives are at risk. Our financial
13 community, commercial communities, military, and other
14 entities that are important to our national security are at
15 risk, and shaping a policy and a plan to address this I
16 think rises to a top priority.

17 The Chairman: I want to thank you and General Stewart
18 for your outstanding work for our country.

19 Senator Reed?

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

21 Thank you both, gentlemen.

22 Director Coats, apparently the alleged call was
23 prompted by the testimony of Mr. Comey that the FBI was
24 conducting an investigation into the nature of any links
25 between individuals associated with the Trump campaign and

1 the Russian Government and whether there was any
2 coordination between the campaign and Russia's efforts. In
3 your capacity as Director of all the intelligence services,
4 including many aspects of the FBI, are you aware of such an
5 investigation?

6 Mr. Coats: Well, I am aware of the investigations that
7 are underway both by the House and the Senate, now special
8 counsel.

9 Senator Reed: And the FBI.

10 Mr. Coats: And the FBI, yes.

11 Senator Reed: And do you have any reason to question
12 the appropriateness of the investigations?

13 Mr. Coats: No. I think these investigations are in
14 place to get us to the right conclusion so that we can move
15 on with a known result.

16 Senator Reed: There are other allegations in the
17 article which suggests that either the President or White
18 House personnel contacted other people in the intelligence
19 community with requests to drop the investigation into
20 General Flynn. Are you aware of any other contacts, not
21 just yourself personally but to others in the intelligence
22 community to conduct such activity?

23 Mr. Coats: I am not aware of that.

24 Senator Reed: You have and General Stewart have
25 painted a very challenging picture of the threats that face

1 us. Let me raise two specific issues.

2 One, with respect to Iraq, there have been discussions
3 in the Kurdish community of a referendum to declare
4 essentially their independence or their desire for
5 independence. In your estimation, Director Coats, then
6 General Stewart, what would that do to the ability of the
7 Iraqi Government to come together after the defeat of ISIS?

8 Mr. Coats: Well, it certainly adds an issue that is
9 going to need to be worked through. As complicated as the
10 situation is, it would add one more complication. I would
11 turn to General Stewart relative to the military aspects of
12 that.

13 General Stewart: Once ISIS is defeated in Mosul, the
14 greatest challenge to the Iraqi Government is to reconcile
15 the differences between the Shia-dominated government, the
16 Sunnis out west, and the Kurds to the north. Resolving the
17 Kirkuk oilfield, the revenues associated with the oilfields,
18 resolving the ownership of the City of Kirkuk will be
19 significant political challenges for the Iraqi Government.
20 Failure to address those challenges, coming up with a
21 political solution, will ultimately result in conflict among
22 all of the parties to resolve this and going back to what
23 could devolve into civil strife in Iraq. Those are
24 significant challenges. Kurdish independence is on a
25 trajectory where it is probably not if but when, and it will

1 complicate the situation unless there is an agreement in
2 Baghdad, an agreement that all of the parties can live with.
3 So this is a significant referendum that comes up in October
4 this year.

5 Senator Reed: Director Coats, just for a moment going
6 back, I understand that you feel that you cannot comment on
7 any communications between you and the President. But just
8 hypothetically if a President reached out to the Director of
9 National Security and made such a request, would you think
10 that would be appropriate?

11 Mr. Coats: Mr. Vice Chairman, I made it clear in my
12 confirmation hearing before the Senate Select Committee on
13 Intelligence that my role and the role of the Director of
14 National Intelligence is to provide intelligence information
15 relevant to policymakers so that they can base their
16 judgments on that. Any political shaping of that
17 presentation or intelligence would not be appropriate. I
18 have made my position clear on that to this administration,
19 and I intend to maintain that position.

20 Senator Reed: Thank you, Mr. Director.

21 Thank you, Mr. Chairman.

22 The Chairman: Senator Inhofe?

23 Senator Inhofe: Director Coats, in your opening
24 statement, you just made a couple of brief comments about
25 what happened in Manchester last night, and then you

1 responded to a couple questions. Is there anything that you
2 would like to elaborate on that incident last night,
3 particularly when we have witness after witness coming in
4 here talking about the threat which you have talked about
5 too to this country? And it is only a matter of time.
6 Anything else that you would like to add in terms of last
7 night's attack?

8 Mr. Coats: Well, in my discussions with my
9 counterparts in London, MI5, MI6, the various intelligence
10 agencies, and my counterpart to my position, their greatest
11 concern was the inspired or homegrown violent extremist
12 attacks because they are very hard to assess and detect.
13 Initial reports that we have received are that it was,
14 indeed, a suicide attack. Whether there were others
15 implicated in that is under assessment.

16 My counterpart actually will be boarding a plane to
17 come to the United States to testify before -- I am not sure
18 which committee it is -- and I am sure he will have some
19 information on that. I have a call in to him to try to see
20 what the latest information is --

21 Senator Inhofe: You have had conversations since this
22 happened this morning?

23 Mr. Coats: Pardon?

24 Senator Inhofe: You have had conversations with these
25 counterparts since this happened?

1 Mr. Coats: My colleagues in the IC have been talking.
2 My direct discussion with my counterpart -- he was actually
3 briefing the Prime Minister at the time. We have call teed
4 up as soon as this hearing is finished.

5 Senator Inhofe: Okay.

6 On North Korea, we all know the significance of May
7 14th, the capability that is there, the anticipation that
8 they are going to have the capability to do something with
9 the payload that they can survive the exit and reentry
10 strategy. That is of great concern, but it already was a
11 concern to us.

12 Now, I understand and I have heard from different
13 witnesses that intelligence gathering in North Korea is more
14 difficult than it is in other parts of the world. You
15 cannot use whistleblowers and some other things. Could you
16 talk about the difficulty that is unique to North Korea in
17 gathering information?

18 Mr. Coats: It is one of the hardest, if not the
19 hardest, collection nation that we have to collect against.
20 You know, if you look at that satellite picture of the
21 lights at night from the satellite, there is one dark area
22 with no lights on, and that is North Korea. Their broadband
23 is extremely limited. So using that as an access to
24 collection -- we get very limited results. We do not have
25 consistent ISR capabilities. And so there are gaps. The

1 North Koreans know about these. So it becomes a difficult
2 challenge relative to a society as closed and as isolated as
3 North Korea is to get the right intelligence that we need.

4 Senator Inhofe: Well, I know it is a problem. And
5 that has to make us question the accuracy of the product a
6 little bit more than we would some of the other countries
7 that we are involved in in intelligence.

8 Mr. Coats: Clearly.

9 Senator Inhofe: The last hearing that we had, we
10 talked quite a bit in some detail about the fact that we
11 know in North Korea the big problem is that it is
12 unpredictable. It is managed by someone who may be mentally
13 deranged, and so we have things that are true there that are
14 not elsewhere when we talk about the danger that is there.

15 But they did also say in the last hearing that we had
16 last week -- they talked about maybe one of the
17 opportunities we have is a new awakening in China, that
18 China now may no longer be as close to them as they had been
19 in the past. Do you see an opportunity? I noticed when you
20 went over and did an excellent job the seven different areas
21 of problems, the last one was China. But you did not say
22 anything about maybe a change that will enable us to make a
23 little bit more progress in North Korea.

24 Mr. Coats: Well, as you know, the President had a very
25 positive meeting with Prime Minister Xi. Our Secretary of

1 State and others have been working very closely with the
2 Chinese. We see them as playing a very integral role in
3 dealing with the situation in North Korea, and there is a
4 strategy in place relative to sort of a ratcheting up of
5 efforts with China to influence North Korea to cease and
6 desist their nuclear weapons goals. So that, along with the
7 election in South Korea with its new president, is part of
8 our strategy to leverage efforts against North Korea to get
9 them to reassess their current strategy.

10 Senator Inhofe: Thank you, Director Coats.

11 The Chairman: Senator Shaheen?

12 Senator Shaheen: Thank you, Mr. Chairman.

13 And thank you both for being here this morning.

14 Director Coats, you talked about Russia's influence
15 campaign and its effort to undermine Western elections as we
16 saw here in 2016, we saw in France, we are seeing in
17 Germany. So far, we have failed to hold Russia accountable
18 for that interference which, would you agree, sends a
19 message to other countries that would threaten our
20 cybersecurity here at home that we have failed to hold
21 Russia accountable?

22 Mr. Coats: Well, I think we are looking at every
23 opportunity to hold Russia accountable. I think it is still
24 in process in determining what kind of actions that we
25 should take. But there clearly is a consensus that Russia

1 has meddled in our election process, as it is in Germany. I
2 was in France just after the election of Macron, and that
3 clearly had Russian influence attempting to address that
4 election. I was in Berlin. Germany is facing the same
5 thing. The UK is experiencing the same thing with an
6 election coming up. We see this happening all across
7 Europe. Russia has always been doing these kind of things
8 with influence campaigns, but they are doing it much more
9 sophisticated through the use of cyber and other techniques.

10 Senator Shaheen: And they have not actually tried to
11 influence the outcome of our elections in the past in the
12 same way that they did in 2016, as we heard from our
13 intelligence community.

14 Do you think it would be helpful for Congress to
15 increase sanctions on Russia that would be a response to
16 what they did in our elections? There is a bipartisan bill
17 in Congress that has been introduced that would have a
18 significant impact on Russia.

19 Mr. Coats: Well, I would leave that to my former
20 colleagues. I have had to remove my policy hat, which has
21 not been easy after a career in politics, and put on my
22 intelligence hat. My job now is to provide you with the
23 intelligence to make those decisions. I keep having to
24 correct myself and say, whoops, I am not supposed to go
25 there. That is up to our executive and congressional branch

1 to make the policy that they feel is necessary to address
2 the problem.

3 Senator Shaheen: Well, I certainly hope that the
4 administration will come out with a proposal that will hold
5 Russia accountable at some point in the near term.

6 Let me ask you, though, about pointing to the events of
7 last night in Manchester, that horrible tragedy, and the
8 threat posed by transnational terrorism. Both of you have
9 talked about that. I think that points to the need for
10 robust intelligence sharing. So what kind of message does
11 it send to our allies that we have revelations that
12 classified information was disclosed in a meeting with
13 Secretary Lavrov? And just let me point out this is an
14 issue that has been raised with me recently by a high-
15 ranking official of one of our closest allies, about whether
16 their country could count on information that was shared
17 with us with being kept secret.

18 Mr. Coats: Well, one of the purposes of my trip was to
19 ensure that we maintain that kind of relationship that you
20 are talking about. It is essential, given the threats that
21 we face today, that we are all in dealing with this issue.
22 There is no safe haven anymore among our allies in terms of
23 being a target for an attack, and the better that we can
24 share information, the better that we can maintain our
25 relationships and trust those relationships, the better able

1 we are to prevent these kinds of attacks.

2 I would say two things. One, we have had some
3 significant successes in providing information back and
4 forth relative to preventing attacks. But secondly, to a
5 country, the consensus is the most difficult attack to
6 prevent is that which is inspired by an individual --

7 Senator Shaheen: Sure. I think the members of this
8 committee --

9 Mr. Coats: -- by someone who just has a hatred and
10 wants to do damage.

11 Senator Shaheen: I do not want to interrupt, Director
12 Coats, but I think all of us on this committee understand
13 that. And I am about out of time, and I do want to ask you
14 have you reassured our own men and women in the intelligence
15 community that their work to protect this country and the
16 relationships will be safeguarded?

17 Mr. Coats: Oh, absolutely. My initial message to all
18 of the intelligence community is do your job, provide us the
19 best intelligence of any entity in the world, keep your
20 focus on what we are here to do. And I am confident that
21 that is what is happening. I know General Stewart wanted
22 just to make a comment.

23 General Stewart: We remain focused on our missions.
24 Nothing has changed. Our relationships with our partners
25 have grown over the last year. I have seen no indication

1 that our partners are walking away from us in collaborating
2 and sharing insights on the threats that we face around the
3 world. None.

4 Senator Shaheen: Thank you.

5 The Chairman: They are very worried, General.

6 Senator Fischer?

7 Senator Fischer: Thank you, Mr. Chairman.

8 I want to thank both of you gentlemen for being here
9 today and for your service to this country.

10 General Votel and General Nicholson have both testified
11 about Russia's assistance to the Taliban, and recent news
12 reports have suggested that it is increasing, to include
13 weapons, logistical and financial support, and even medical
14 treatment to Taliban fighters. What do each of you assess
15 Russia's goal to be in Afghanistan? And, General, if you
16 could also discuss the impact that this assistance has had
17 on the battlefield.

18 General Stewart: So Russia continues to view itself,
19 as I mentioned earlier, as a global power. It is going to
20 be influencing actions around the world. Its narrative is
21 that primarily ISIS in the Khorasan Province is a threat to
22 the Central Asian states and ultimately a threat to Russia.
23 That is their argument. It is a pretty weak argument, and
24 they use that argument as the avenue to get the Taliban
25 forces to fight ISIS Khorasan Province. So they are in

1 conversation with the Taliban. We have seen indications
2 that they have offered some level of support, but I have not
3 seen real physical evidence of weapons or money being
4 transferred. They have had conversation because they want
5 to be part of the solution, quote/unquote, in the Afghan
6 theater. So they are going to continue to meddle. They are
7 going to continue to bet on all of the horses, including
8 Taliban, so that they will have a say at the seat when there
9 is a political solution.

10 Senator Fischer: Director?

11 Mr. Coats: Well, I am privileged to be able to serve
12 with General Stewart. One of the great things about this
13 job that I inherited is that I inherited a group of people
14 that are experienced in the areas that they direct. And
15 they have been enormously supportive and helpful.

16 So I think it points out the fact that the IRTPA act,
17 which was passed in about 2005 I believe it was and enacted
18 in 2006, has really benefited in terms of our ability to
19 reach out to all of the 16 agencies to collect the
20 information necessary to integrate that into a coherent and
21 effective intelligence assessment.

22 Senator Fischer: And would you agree with the
23 General's assessment of Russia's involvement then?

24 Mr. Coats: I agree with that. Yes, I do.

25 Senator Fischer: Thank you.

1 And both of you in your opening statements, you note
2 that increasing investments are being made by other nations
3 with regard to their nuclear forces, especially Russia and
4 China. And, Director and General, how does that discussion
5 of the escalate to deescalate approach to nuclear weapons
6 effect a change in the Russian thinking or planning with
7 respect to the use of nuclear weapons?

8 General Stewart: Russia builds nuclear capability with
9 the intent of using it on the high end of conflict for war
10 termination or escalate to deescalate or some people call it
11 escalate to terminate idea that if the crisis is going in a
12 decidedly negative way for Russia, that the tactical use of
13 nuclear weapons will discourage further actions by NATO or
14 U.S. forces. So the idea is tactical use of nuclear weapons
15 causes us to pause, causes us to think about whether we want
16 to continue the fight and create the opportunity where they
17 can settle the contest in more favorable terms.

18 They are the only country that I know of that has this
19 concept of escalate to terminate or escalate to deescalate,
20 but they do have that built into their operational concept.
21 We have seen them exercise that idea, and it is really kind
22 of a dangerous idea because it could escalate to further
23 escalate.

24 Senator Fischer: Have you seen any indication that
25 they are changing their path on that at all?

1 General Stewart: None. No, Senator.

2 Senator Fischer: With regard to China and their
3 modernization efforts, do you see any of their views with
4 nuclear weapons -- do you see any of their views changing?

5 General Stewart: Certainly nuclear weapons and
6 modernization of their nuclear force is an integral part.
7 All of these countries view nuclear weapons as the guarantor
8 of their regime. It is much like North Korea. So China
9 continues to modernize all levels, including nuclear forces,
10 including capability to deter U.S. forces from entering the
11 west Pacific. They do not talk about a first use, but they
12 do talk about use of nuclear weapons as part of warfighting.

13 Mr. Coats: I might add to that despite the heroic and
14 really incredible efforts by former Senators Nunn and Lugar
15 toward minimizing and reducing the use of nuclear weapons,
16 the success we had in Libya, the success we had in Ukraine--
17 unfortunately, the lessons learned have been if you have
18 nuclear weapons, never give them up because it is a
19 deterrent from other actors who may want to interfere in
20 your country. If you do not have them, get them. And so we
21 see what has happened in Ukraine. It probably would not
22 have happened if they had maintained nuclear weapon
23 capability. But we see what is happening in North Korea who
24 believes that regime survival is dependent solely on
25 becoming a nuclear power. And so we, unfortunately, tend to

1 be moving in the wrong direction as countries around the
2 world think that gaining nuclear capability is a protection,
3 either a deterrent or for survival of their country or
4 potentially it could be used for offensive capabilities.

5 Senator Fischer: If I could follow up with you later,
6 Mr. Director, I would appreciate it. Thank you.

7 The Chairman: Senator Gillibrand?

8 Senator Gillibrand: Thank you, Mr. Chairman.

9 Director Coats, if a memo exists documenting you or
10 Admiral Rogers' conversations with the President regarding
11 the Russian investigation, will you make those documents
12 available to Special Counsel Robert Mueller and the
13 congressional Intelligence Committees?

14 Mr. Coats: I have no documents to make relevant.

15 Senator Gillibrand: In an opinion piece in the "New
16 York Times" last week, it called Israel the eyes and ears of
17 the United States in the Middle East when it comes to
18 intelligence. Would you agree with that assessment?

19 Mr. Coats: Israel is a very valued partner in terms of
20 supporting us in any number of ways, including intelligence
21 sharing.

22 Senator Gillibrand: The piece also suggests that
23 President Trump's alleged unsanctioned sharing of highly
24 sensitive information that we received from Israel could do
25 permanent damage to the special intelligence relationship.

1 Without speaking to what President Trump may have revealed
2 to Foreign Minister Lavrov and Ambassador Kislyak, could the
3 unsanctioned sharing of highly classified information from
4 Israel or other countries with whom we have intelligence
5 partnerships harm those relationships and therefore our
6 ability to gather intelligence and protect Americans?

7 Mr. Coats: I have not seen any evidence of that or any
8 reporting relative to anything that would lead to that
9 conclusion.

10 Senator Gillibrand: With regard to the documents,
11 whether they exist or not, if you get called in front of the
12 Intelligence Committee, will you share your conversations
13 with President Trump in that hearing in that setting?

14 Mr. Coats: Well, as I mentioned to Senator McCain in
15 answer to his question, I do believe that the information
16 and discussions that I have had with the President are
17 something that should not be disclosed. On the other hand,
18 if I am called before an investigative committee, I
19 certainly will provide with them what I know and what I do
20 not know.

21 Senator Gillibrand: Reports indicate that Moscow is a
22 lifeline to Pyongyang in a way that might undermine
23 international pressure to convince North Koreans to give up
24 their nuclear programs. Please describe what you can tell
25 us in an open setting about the extent of Russia's ties to

1 North Korea.

2 Mr. Coats: I am sorry. Would you repeat that last
3 statement?

4 Senator Gillibrand: Can you describe to us in this
5 open setting the extent of Russia's ties to North Korea?

6 Mr. Coats: That is something I think I would rather
7 reserve for a classified session.

8 Senator Gillibrand: Researchers at Kaspersky Labs
9 reportedly found evidence linking the recent global
10 ransomware attack to North Korea cyber operatives. The
11 North Korean threat is clear and present. So too is the
12 cyber threat that the country poses to us and our allies.

13 How do you think about the most recent attack, if it
14 was by the North Koreans, fits into your plans?

15 Mr. Coats: Well, I am sorry. Would you state that
16 question again?

17 Senator Gillibrand: How do you think this most recent
18 attack, if it was by the North Koreans, fits into their
19 plans?

20 Mr. Coats: Well, we do not have evidence yet to
21 confirm that. There has been that link. We do know North
22 Korea possesses the capability of doing this kind of thing,
23 but we are still assessing as to what the source is.

24 Senator Gillibrand: Do you feel we are prepared to
25 meet further cyber challenges from North Korea and other

1 actors?

2 Mr. Coats: I think we need a constant evaluation and
3 engagement in terms of how we deal with cyber and the
4 threats that it poses to us. The question was asked earlier
5 and I agree. This has risen to a significant, if not the
6 most significant, threat to the United States at this
7 current time, and our policymakers need to be fully engaged
8 I believe in how we deal with these both from a defensive
9 and offensive way of addressing this particular issue. So I
10 have been outspoken relative to the need to do this, and we
11 will continue to provide as much intelligence as we can to
12 support that view.

13 Senator Gillibrand: Do you believe that our voting
14 infrastructure is critical infrastructure, and do you
15 believe we should have a national security plan so that each
16 of the States have to be certified for cyber compliance and
17 cyber resiliency?

18 Mr. Coats: I think those are two very relevant issues
19 that ought to be thought through and policy ought to be
20 devised and defined in terms of how we best address that.
21 But on the critical infrastructure side, we are so
22 interconnected now that it poses a major threat to the
23 United States and our individual States also.

24 The Chairman: Senator Rounds?

25 Senator Rounds: Thank you, Mr. Chairman.

1 Gentlemen, first of all, thank you for your service to
2 our country.

3 Director Coats, you began a conversation in response to
4 Senator Fischer's question with regard to nuclear weapons,
5 and you made an interesting statement that what we are
6 learning is that if you have nuclear weapons, you keep them,
7 and if you do not have nuclear weapons, you get them. For a
8 lot of years now, many of our allies have depended upon
9 arrangements or agreements with the United States in which
10 we are carrying nuclear weapons and that we, in many cases,
11 are responsible for carrying that nuclear deterrent so they
12 do not have to, which keeps nuclear weapons out of other
13 countries' hands, but it also requires a responsibility for
14 us.

15 You have suggested something here which is critical,
16 and that is that those countries out there are learning a
17 different understanding of the world that perhaps is not
18 consistent with our message to them. Could you elaborate on
19 this in terms of your analysis of the information, and why
20 is it you believe right now that that is their belief, that
21 if they have them, they keep them, and if they do not have
22 them, they need to get them?

23 Mr. Coats: Well, it is just an assessment of mine. It
24 is almost a personal -- I was not quoting an intelligence
25 community report. I was simply saying it appears that based

1 on what has happened in past years here relative to the
2 nuclear capability question, that --

3 Senator Rounds: Is it due, sir, to a policy that was
4 not followed up on?

5 Mr. Coats: No.

6 Senator Rounds: Was it something that we failed to
7 follow up on to reassure our allies?

8 Mr. Coats: Well, I think that is a relevant question
9 that you ask, and I do not know that I have the answer. But
10 I do know -- I do not know, but I believe and have heard
11 that some of the narrative out there relative to the
12 situation in Ukraine has led some thinking along the regard
13 of -- and then watching what is happening in North Korea and
14 how they have basically linked nuclear weapon possession and
15 capability even by amending their constitution to declare
16 themselves a nuclear state.

17 Senator Rounds: Would it be fair to say that for those
18 who are our allies, that it would be appropriate for us to
19 reinforce our policy provisions in defense of their own
20 security where we have made that commitment? Would that be
21 appropriate?

22 Mr. Coats: I think it would be appropriate. I think
23 we want to reassure our policy allies that we have the
24 capabilities to provide that. At the same time, we are
25 basically saying, you know, we have to up our game, whether

1 it is conventional or whatever, because these threats are
2 real and having the capability to address these.

3 I would like to turn to General Stewart to let him
4 follow up.

5 General Stewart: If I can offer this. I think our
6 allies are very comfortable with the arrangements, the
7 protection that comes from our nuclear umbrella. It is the
8 rogue states. And it is not just about nuclear capability.
9 Rogue states are looking for anything that will guarantee
10 their survival, their hold on power. And one of those
11 things that they believe guarantees their hold on power is
12 to have a nuclear device that can threaten either its
13 neighbors or the United States.

14 Senator Rounds: But, General, you would not consider
15 Ukraine a rogue state, would you?

16 General Stewart: No.

17 Senator Rounds: And yet, they must have that thought
18 process there, and I would consider them to be an ally of
19 ours.

20 General Stewart: I do not know if they fall in the
21 ally category, to be honest. I know they are a strong
22 partner. I do not know that we have an alliance with
23 Ukraine, but I suspect that the Ukrainian Government
24 probably views that the fact that they gave up much of their
25 capability as part of the disarmament put them at greater

1 risk and greater pressure from the Russian Government. So I
2 would imagine that right now they probably wish they had
3 some lethal -- to go back to Senator McCain's question, some
4 lethal capability that could hold at risk Russian
5 interference in there government and in their way of life.

6 Senator Rounds: But among our allies, you are
7 suggesting that they have a strong belief that we would
8 respond, if necessary, and you do not see our allies who do
9 not currently have nuclear weapons as feeling that our
10 policies are clear and that our resolve is clear as well?

11 General Stewart: That is a fair statement, Senator.

12 Mr. Coats: And I agree with that assessment. I was
13 not attempting to suggest otherwise, but rogue states or
14 marginal states I think are thinking on a different level
15 than that, not our allies.

16 Senator Rounds: Thank you, Mr. Chairman.

17 The Chairman: Senator Heinrich?

18 Senator Heinrich: Director Coats, you have refused
19 today to confirm or deny whether the President asked you to
20 intervene with Director Comey. If you are asked for those
21 details by Special Counsel Bob Mueller, will you be
22 forthcoming?

23 Mr. Coats: Yes, I will.

24 Senator Heinrich: You said earlier lives are at stake
25 and leaks jeopardize those lives. If the President held any

1 other position in our government, what he told the Russians
2 could be considered the mother of all leaks. Was it
3 dangerous for the President to share that classified
4 information with the Russian Government?

5 Mr. Coats: Well, I was not in the room and I do not
6 know what the President shared. All I have read is the
7 public --

8 Senator Heinrich: So you have not discussed this? All
9 you have read is the public reports?

10 Mr. Coats: I have not expressed that. First of all, I
11 have been on travel, and secondly --

12 Senator Heinrich: You have been on travel.

13 Mr. Coats: And I have not discussed this issue with
14 the President.

15 Senator Heinrich: I find that troubling.

16 Mr. Coats: Well, I was in Europe, and he was in the
17 White House.

18 Senator Heinrich: Can you describe the interagency
19 process that the intelligence community undertakes when
20 deciding what intelligence information can be shared with a
21 foreign government?

22 Mr. Coats: Well, we work through a process. I cannot
23 specifically describe that process here today. I am new to
24 the job, weeks in. But there are procedures and processes
25 in place. I will be happy to get those back to you.

1 Senator Heinrich: Did the Trump administration undergo
2 that interagency clearance process prior to the President's
3 May 10th meeting with the Russian Government?

4 Mr. Coats: I have no awareness of that.

5 Senator Heinrich: Sir, if they did, you are not aware
6 of it.

7 Mr. Coats: I am not aware of it, no.

8 Senator Heinrich: That is disappointing, but shifting
9 gears, I have got another question I want to get to the
10 bottom of having to do with whether or not the Office of the
11 Director of National Intelligence has received any guidance
12 from the Trump administration, either written or verbally,
13 that the ODNI or any other agency, for that matter, is not
14 to respond to oversight inquiries from Members of Congress.

15 Mr. Coats: I am not aware of any information to that
16 extent.

17 Senator Heinrich: No information to say that they will
18 only respond to chairs and ranking members?

19 Mr. Coats: To my knowledge, no.

20 Senator Heinrich: Thank you.

21 Mr. Chair, I am going to yield back.

22 The Chairman: Senator Ernst?

23 Senator Ernst: Thank you, gentlemen, for being here
24 today.

25 Director Coats, we do expect an announcement on the

1 President's new strategy in Afghanistan shortly. And what I
2 hope we do not hear is an accelerated plan of what we have
3 already been doing in Afghanistan. I do hope that we see
4 some new ideas. And hopefully the plan that we see is one
5 that will take into account a broader strategic problem.
6 And something that we all understand and know is that we
7 cannot address terrorist groups in Afghanistan on the ground
8 without addressing their safe havens in Pakistan.

9 And so my question to you is what steps do we need to
10 see Afghanistan's neighbors take to help stabilize that
11 region, and how do we make sure that they are following
12 through?

13 Mr. Coats: Well, once again, we provide the
14 intelligence relative to the policymaking, but to directly
15 answer your question, I think certainly an evaluation of how
16 we work with Pakistan to address the situation of the
17 harboring of terrorist groups would be essential to a
18 strategy that affects Afghanistan going forward in
19 Afghanistan because that is potentially a very disrupting
20 situation, putting our own troops at risk and undermining
21 the strategy of dealing with the Taliban and local groups
22 that are trying to undermine the government. So it is a
23 very clear link that I think would have to be addressed in
24 conjunction with whatever is done in Afghanistan.

25 Senator Ernst: Thank you.

1 And, General Stewart, I had the pleasure of flying into
2 Afghanistan with you last year at Thanksgiving time. So it
3 was very good to catch up with you.

4 Besides more troops, which I anticipate might be part
5 of the plan that we see, do we need to implement a different
6 strategy on the ground in Afghanistan?

7 General Stewart: Thanks, Senator. Again, I hate to
8 talk about either policy or strategy, not just intel. So
9 let me frame the response this way.

10 Pakistan views Afghanistan -- desires for Afghanistan
11 some of the same things we want, a safe, secure, stable
12 Afghanistan. One addition: one that does not have heavy
13 Indian influence in Afghanistan. They view all of the
14 challenges through the lens of an Indian threat to the state
15 of Pakistan. So they hold in reserve a terrorist
16 organization. We define terrorist organizations. They hold
17 them in reserve so that if Afghanistan leans towards India,
18 they will no longer be supportive of an idea of a stable and
19 secure Afghanistan that could undermine Pakistan interests.

20 So we have got to get a couple of things. One, very
21 clear that Afghanistan's security and stability is in the
22 interest of all of the parties in the region and does not
23 pose a threat to Pakistan.

24 We got to convince Pakistan that if they are harboring
25 of the Haqqani Network members that it is not in their

1 interest to continue to host the Haqqani Network, that we
2 ought to be working together to go after those 20 terrorist
3 organizations that undermine not just Afghanistan, not just
4 Pakistan, but all of the region. And so we have got to make
5 sure we are pushing them to do more against the Haqqani
6 Network.

7 They separate the Taliban from the Pashtun. They want
8 a Pashtun-dominated Afghanistan.

9 So we got to get the conversation going again with
10 Pakistan about their role in not harboring any of these
11 terrorists, helping to stabilize Afghanistan, and I think
12 maybe we will have some progress. They also have some
13 influence in bringing the parties to the table. So we got
14 to get them to think about reconciliation, that the status
15 quo is not in their best interests.

16 Senator Ernst: Do you think that we can frame the
17 intelligence in a way that would state that we need Pakistan
18 to be a good friend to not only Afghanistan and the United
19 States in order for the United States to be a good friend to
20 Pakistan?

21 General Stewart: I am hoping to do just that in the
22 weeks ahead, ma'am.

23 Senator Ernst: Okay. Thank you.

24 I will yield back my time. Thank you, Mr. Chair.

25 The Chairman: Senator Donnelly?

1 Senator Donnelly: Thank you, Mr. Chairman.

2 I want to thank both the witnesses for being here. We
3 are greatly appreciative of your hard work. And, Director,
4 everyone back home in Indiana is very, very proud of you,
5 and we feel more safe in our country having you in that
6 position.

7 In February, North Korea tested a solid fuel missile
8 which we were told caught the U.S. by surprise. My
9 understanding from STRATCOM is that the type of fuel, the
10 launcher erector, and even the location of the tests were
11 not anticipated. Just over a week ago, North Korea tested a
12 missile they say is capable of carrying a nuclear warhead.

13 One at a time. Are either of you able to confirm
14 whether the recent missile tested is in fact capable of
15 carrying a nuclear warhead?

16 General Stewart: I would prefer not to talk about that
17 in this setting, Senator.

18 Mr. Coats: I was just about to say that, the same
19 thing.

20 Senator Donnelly: General Stewart, can you speak to
21 what technological hurdles North Korea would need to
22 overcome in order to successfully mate a nuclear warhead to
23 an ICBM capable of reaching the U.S. and surviving reentry?

24 General Stewart: The technical hurdle remains in the
25 survival of the reentry platform. They have certainly

1 demonstrated a range of missiles, a range of fuel types, a
2 range of boosters. They have the Taepodong 2 that launched
3 a space launch vehicle. So that, if modified, could have
4 intercontinental range. The single hurdle that we have not
5 seen all the pieces put together is the reentry vehicle
6 surviving the atmosphere. But that is really a matter of
7 enough trial and error to make that work. They understand
8 the physics, but it is just a matter of design.

9 Senator Donnelly: I was just going to talk to you
10 about the trial and error. You hear sometimes folks almost
11 smile that they have had a failure or something in their
12 testing. But to me -- and I want to check with you -- the
13 way you learn is by trying and by doing. And the fact that
14 it is a failure is not so much a failure for North Korea.
15 They are learning all the time and it is becoming of
16 increasing concern. Would you agree with that?

17 General Stewart: They not only are learning with every
18 test, but they are not encumbered by some of the challenges
19 we have in our safety and acquisition program. So they will
20 take greater risk. And so the timeline where we would see
21 things and we would say, based on our model, it will take 7
22 years, they are accelerating that timeline because they are
23 not encumbered by some of the bureaucratic burdens that we
24 have in our weapons acquisition program.

25 Senator Donnelly: Understanding that North Korea may

1 not currently be able to deliver a nuclear weapon to the
2 continental United States, can you speak to their capability
3 to use a nuclear weapon against South Korea where we have
4 30,000 troops stationed or Japan where we have 50,000 troops
5 stationed?

6 General Stewart: I would not want to answer that in
7 this hearing, Senator.

8 Senator Donnelly: Thank you.

9 Let me ask you about something else, and that would be
10 the Chinese and their efforts to try to affect the decision-
11 making by Kim Jong-un. Have you seen any indication that
12 they have become more serious in this effort, that they are
13 taking the kind of steps necessary to alter Kim Jong-un's
14 decision-making process? Have you seen that they are aware
15 of the sufficient, grave situation we have here? And then
16 as a follow-up on that, what do you think are the kind of
17 steps that China could take that might actually get Kim
18 Jong-un's attention?

19 Mr. Coats: We certainly have been able to get their
20 attention, and they have taken some steps. At this point,
21 it has not produced the results that we had hoped.

22 Secretary Tillis defines this as a series of steps relative
23 to increasing pressure on North Korea and that we are just
24 at the early stages of that. So clearly China's engagement
25 in helping us address this issue is critical, deemed that

1 way, and we continue to work with the Chinese in that
2 regard. Beyond that I would think the opportunity to
3 address that to Secretary Tillis -- Tillerson -- I mentioned
4 one of my colleagues.

5 Senator Donnelly: I knew who you meant.

6 Mr. Coats: -- Tillerson to get a better detail of what
7 we are trying to do. But clearly China needs to play a
8 role.

9 It has been suggested that -- speaking of Senator
10 Tillis, he just walked in. I equated you with the Secretary
11 of State. You are smiling. I am not sure you want that
12 job.

13 It has been publicly stated that China has rejected
14 some coal imports from North Korea to somewhat significant
15 efforts. There is a question about oil that is provided and
16 other economic issues. But it really falls outside of my
17 category and more into the Secretary of State's category.

18 Senator Donnelly: Understood.

19 Thank you both.

20 Thank you, Mr. Chairman.

21 The Chairman: Senator Graham?

22 Senator Graham: Thank you both for very compelling
23 testimony.

24 When it comes to Russia, former Director of the CIA
25 Brennan said today that Russia brazenly interfered in our

1 2016 election. Do both of you agree with that?

2 Mr. Coats: I agree. We have high confidence from all
3 of our sources that there was a significant involvement.

4 Senator Graham: And you agree with that, General?

5 General Stewart: Yes, Senator.

6 Senator Graham: Iran. The President said this
7 morning, I think, in Israel that Iran will not be allowed to
8 get a nuclear weapon. Director Coats, do you believe that
9 the current agreement with Iran regarding their nuclear
10 program will accomplish this goal?

11 Mr. Coats: No. I think it was made clear that it
12 would not accomplish this goal. It would only accomplish a
13 deferment relative to their having a free hand at developing
14 nuclear capability.

15 Senator Graham: Do you agree with that, General?

16 General Stewart: It defers the effort, and I do not
17 see any indication that Iran is pursuing breaking out of
18 that deal at this point.

19 Senator Graham: The question is, does it accomplish
20 the goal of denying them nuclear capability?

21 General Stewart: Ultimately it does not deny forever.
22 It defers for 10 years, if I understand the agreement.

23 Senator Graham: Iran, do you agree, is more aggressive
24 since the agreement in terms of activity within the region?

25 Mr. Coats: We have seen a lot of malign efforts on the

1 part of Iran that are very provocative. On the confirmation
2 of the last 90-day certification that has to be signed every
3 90 days relative to the Iranian compliance with JCPOA, while
4 the intelligence did not suggest a breach that would deny
5 confirming that --

6 Senator Graham: The question is have they been more
7 aggressive in the region.

8 Mr. Coats: Absolutely more aggressive.

9 Senator Graham: Do you agree with that, General?

10 General Stewart: I do not know that I would
11 necessarily say they are more aggressive. Their actions in
12 Syria was the same.

13 Senator Graham: What about Yemen?

14 General Stewart: In Yemen, that has picked up
15 because --

16 Senator Graham: Would you say they are a destabilizing
17 force in the region?

18 General Stewart: Absolutely.

19 Senator Graham: Is there any indication they have
20 taken the sanctions money and put it in rogue schools and
21 hospitals?

22 General Stewart: That would be impossible to detect.

23 Senator Graham: Is it fair to say that they have
24 increased their military capabilities since the agreement?

25 General Stewart: Some of the money that they have

1 gained has gone to the military. The preponderance of the
2 money gone to economic development and infrastructure.

3 Senator Graham: Is Iran a greater threat or lesser
4 threat since the agreement, or the same?

5 Mr. Coats: I would say it is certainly a threat to the
6 region. Whether it is greater or lesser, based on the
7 agreement, I am not sure I can assess that.

8 Senator Graham: How do you get on the ballot in Iran
9 to run for president?

10 Mr. Coats: The question is how do you --

11 Senator Graham: Yes. How do you get on the ballot to
12 run for president in Iran?

13 Mr. Coats: It looks like you can get on the ballot,
14 but you can get kicked off.

15 Senator Graham: Who has the final say who gets on the
16 ballot?

17 Mr. Coats: I think it is the Supreme Leader.

18 Senator Graham: Do you agree with that, General
19 Stewart?

20 General Stewart: Yes, sir.

21 Senator Graham: Nobody is on the ballot he does not
22 want.

23 North Korea. Is it the policy of the United States to
24 stop North Korea from developing a missile with a nuclear
25 weapon on top that could hit America, or is it the policy of

1 the United States to contain that threat by trying to shoot
2 it down if they launch it?

3 Mr. Coats: It is the policy of the United States to
4 prevent it.

5 Senator Graham: Do you agree with that, General
6 Stewart?

7 General Stewart: Yes, Senator.

8 Senator Graham: So that would mean all options are on
9 the table to prevent it. Is that correct?

10 General Stewart: I am certainly not in a position to
11 remove any of the options.

12 Senator Graham: ISIL. Our strategy to take Raqqa back
13 has a heavy reliance on YPG Kurds. Are you both familiar
14 with that?

15 Mr. Coats: Yes.

16 General Stewart: Yes.

17 Senator Graham: Is that creating friction with Turkey?

18 Mr. Coats: Yes.

19 General Stewart: Yes.

20 Senator Graham: Do you agree that it would be better
21 if we had more Arabs in the fight and less Kurds from a
22 regional point of view?

23 Mr. Coats: I think General Mattis is the best person
24 to answer that question. I think he is very comfortable
25 with what the balance is.

1 Senator Graham: From an intelligence point of view, do
2 you see growing friction between Turkey and Kurdish elements
3 in the region?

4 Mr. Coats: It appears likely.

5 Senator Graham: Is that being driven by our policy to
6 arm the YPG Kurds with heavy weapons?

7 Mr. Coats: I think it contributes to it.

8 Senator Graham: Do either one of you know anything
9 about bitcoin?

10 Mr. Coats: You know, I tried to figure out what it was
11 and I never got a good answer or at least one that I could
12 comprehend. I am still using dollars and coins.

13 Senator Graham: Me too. But could you do me a favor
14 and look at that issue and report back to the committee
15 whether or not you believe bitcoin will become the currency
16 of terrorists and criminals down the road?

17 Mr. Coats: We would be happy to look into that. I
18 think there is some indication that it is being used for
19 that purpose, but we can give you an assessment of that.

20 Senator Graham: Sequestration would be a disaster for
21 both of your agencies if it kicked back in?

22 General Stewart: It would continue to cut into real
23 capability.

24 Senator Graham: The same for you?

25 Mr. Coats: It is a little difficult for me to answer

1 that question relative to the community as a whole, but it
2 would depend on what other supplemental measures of
3 resources would be available.

4 Senator Graham: Thank you both.

5 Senator Reed [presiding]: On behalf of Chairman
6 McCain, Senator Warren, please.

7 Senator Warren: Thank you.

8 I do not want to duplicate the questions that others
9 have asked, important questions. So what I would like to do
10 is just take up another area about a serious threat to our
11 security and economic issues around the world, and that is
12 climate change. The science is unmistakable. Human
13 activities are releasing greenhouse gases into the
14 atmosphere and contributing to climate change.

15 A Defense Department report from 2 years ago observed
16 global climate change will have wide-ranging implications
17 for U.S. national security interests over the foreseeable
18 future because it will aggravate existing problems such as
19 poverty, social tensions, environmental degradation,
20 ineffectual leadership, and weak political institutions. In
21 short, this DOD report describes climate change as a threat
22 multiplier.

23 Director Coats, do you agree?

24 Mr. Coats: I do not know if I would describe it as a
25 threat multiplier, although our job is simply to assess the

1 consequences of potential changes in climate relative to
2 migration, relative to humanitarian issues. The science
3 falls to other federal agencies.

4 Senator Warren: That is the question I am --

5 Mr. Coats: I think there have always in the history of
6 the world been reactions to different climate changes, and
7 it is an issue that continues.

8 Senator Warren: Well, and the Department of Defense
9 report has identified that climate change exacerbates,
10 aggravates -- this is their words -- existing problems,
11 poverty, social tensions, environmental degradation,
12 ineffectual leadership, and weak political institutions. Do
13 you disagree with any of that?

14 Mr. Coats: No, I do not disagree. I am simply saying
15 that I think that has been an ongoing issue throughout the
16 ages.

17 Senator Warren: Let me ask the question this way then.
18 How should we be integrating climate change risks into our
19 national security strategy?

20 Mr. Coats: We should be assessing the consequences of
21 changes that are relevant to security issues. That should
22 be part of the assessment, and it is.

23 Senator Warren: Climate change is clearly a threat to
24 international peace and security, and I just think it is
25 critically important that we take this seriously and we

1 adapt accordingly.

2 Let me ask you another question. Others have asked
3 about the interference of the Russians in our election and
4 now in other elections. You talked about this in your
5 opening statement. The question I want to ask about is we
6 all agree that interference by foreign actors in our
7 democratic process is unacceptable, but right now, it does
8 not seem like we are doing enough about it.

9 So my question, Director Coats, is what more do we need
10 to do to make sure the U.S. is sufficiently prepared to
11 defend against Russian-style cyber attacks on our elections
12 and particularly those that could escalate to attempted
13 manipulation directly of voting machines or alteration of
14 registration rolls in our 2018 and 2020 elections?

15 Mr. Coats: Well, that is a matter for those of you
16 sitting on the dais here. That is a policy decision that
17 the country needs to make. We provide the intelligence and
18 the basis of the accuracy, to the best that we can, of what
19 has happened. The response to what has happened is
20 something that the executive --

21 Senator Warren: So you do not have any advice on this?

22 Mr. Coats: My job is to provide the intelligence. My
23 job is not to make policy. It used to be when I sat up
24 there.

25 Senator Warren: Could I ask it differently? Do you

1 think we should treat our election systems as critical
2 infrastructure and provide cybersecurity assistance directly
3 to State and local officials?

4 Mr. Coats: Oh, I think that is something we certainly
5 should do. Anybody who is trying to undermine the
6 democratic institutions of the United States -- it ought to
7 be addressed.

8 Senator Warren: Thank you.

9 You know, when he recently testified before a Judiciary
10 subcommittee on Russian interference in our elections, your
11 predecessor, James Clapper, said our election apparatus
12 should be considered critical infrastructure and should have
13 the protections that are attendant to that. And I think he
14 is right on this. Protecting our election systems from
15 vulnerability should be part of our cyber defense strategy.

16 Mr. Coats: I agree with that.

17 Senator Warren: Good. I am glad to hear that. Thank
18 you very much.

19 Thank you, Mr. Chairman.

20 Mr. Coats: I might add to that that we do not have an
21 assessment that any of our voting machines were tampered in
22 this election.

23 Senator Warren: I understand your point. Thank you.

24 Senator Reed: On behalf of Chairman McCain, Senator
25 Tillis, please.

1 Senator Tillis: Thank you, Senator Reed.

2 Director Coats, it is great to see you. We miss you
3 here, but we are glad you are where you are.

4 Mr. Coats: There are days when I miss you.

5 Senator Tillis: Not all days.

6 General Stewart, thank you for being here and for your
7 service.

8 Just a quick follow-up question. To what extent do you
9 think the aggressive actions of Russia, Iran, ISIS, North
10 Korea, and China, their current strategies, the threat that
11 they represent today are inspired by their concern with
12 climate change based on your intelligence assessments?

13 General Stewart: I have not seen anything in
14 intelligence circles that says their policies, their
15 approach is driven by climate change.

16 Senator Tillis: Any. Thank you.

17 I want to spend most of my time -- and I am going to be
18 brief so that we have got a vote coming up and defer to my
19 colleagues. But I want to go back to your opening
20 statement, Director Coats. You were talking about section
21 702 and the need for reauthorization. Can you give us some
22 sense for public consumption of how that tool has been used
23 to identify real threats and potentially intervene before a
24 bad action takes place, some rough order of magnitude if not
25 specific numbers?

1 Mr. Coats: A lot of our threats have come from foreign
2 sources, and when we have information that leads us to a
3 potential foreign source, then examination of that in terms
4 of what they might be planning to do, who they may be
5 talking to in terms of -- accomplish an attack on the United
6 States has been an invaluable piece of information that has
7 prevented many, many attacks. As I mentioned earlier, it is
8 also to the great gratitude of our allies in Europe and
9 elsewhere -- have prevented numerous, numerous threats that
10 could have turned into disastrous attacks. And so it has
11 been a very essential element of our collection process.

12 Obviously, as we all know, we are talking here about
13 foreign non-U.S. persons that have bad intentions toward the
14 United States. It may be that those persons are connecting
15 with someone here in the United States, and we want to make
16 sure what is being transferred in that regard.

17 During that process, it is possible that U.S. citizens'
18 names are mentioned in an email, mentioned in a verbal way.
19 And we give immediate attention to what we call
20 minimization, and that is we want to make sure we are not
21 doing collecting on those persons.

22 The program has adapted to ensure that we provide
23 privacy protections for U.S. persons. There is a process
24 that we go through, minimization being one of those.

25 We also have oversight. It is the most overseen effort

1 that the United States has against any policy matter or
2 agency in government. All three branches have oversight
3 capability in the program to ensure the privacy of
4 individuals.

5 So I think there is a lot of misunderstanding about
6 what 702 is and what it is not. But we have scheduled and
7 will continue to schedule specific meetings with the
8 relevant committees in the Congress to describe exactly what
9 is done and what is not done and make sure the public itself
10 is fully aware of the importance of the program but also the
11 privacy protections that have been put upon it and the
12 oversight.

13 Senator Tillis: Would it be fair to say that if we
14 failed to reauthorize it, even if we address some of the
15 concerns that came up with the unmasking of maybe U.S.
16 citizens -- but would it be fair to say that if we failed to
17 reauthorize 702, that it is probably going to lead to
18 disastrous consequences?

19 Mr. Coats: I believe it would, and I think a lot of
20 Americans will die unnecessarily.

21 Senator Tillis: Thank you.

22 Senator Reed: Thank you very much.

23 On behalf of Chairman McCain, Senator Peters, please.

24 Senator Peters: Thank you, Senator Reed.

25 And thank you to our witnesses today for your

1 testimony.

2 We know that China is currently executing a multi-
3 decade strategic plan to acquire the United States'
4 technologies that they believe will be foundational both to
5 their future economic growth, as well as to their military
6 strength. The primary tool that we use is to block or
7 mitigate foreign investments that pose a national security
8 risk is the Committee on Foreign Investment in the United
9 States, or CFIUS. Both of you, I know, are very familiar
10 with this and because the intelligence community plays a key
11 role in the process, developing the national security threat
12 assessment used to inform committee decisions.

13 Based on its current mandate, however, CFIUS reviews
14 transactions just on a case-by-case basis rather than a
15 strategic assessment of acquisitions or acquires and only
16 those transactions that involve a controlling interest by
17 foreign investors. However, as we have seen recently and
18 continue to see on a regular basis, other transaction types
19 such as joint ventures and minority investments also can
20 result in the transfer of key technologies that are outside
21 of CFIUS' jurisdiction.

22 And at the same time, the intelligence community CFIUS
23 workload is also increasing rapidly, a workload marked by
24 increased Chinese investment in the very technologies that
25 are the key to U.S. innovation and military advantage,

1 including autonomous vehicles, artificial intelligence,
2 robotics, virtual reality, as well as gene editing.

3 So, Mr. Coats, my question is CFIUS remains a voluntary
4 process, which I think underscores the importance of the
5 intelligence community to identifying both unreported and
6 non-notified transactions that may pose a national security
7 risk. What are some of the challenges in finding the
8 technical expertise necessary to understand and resolve
9 potential national security implications across this very
10 diverse threat spectrum?

11 Mr. Coats: I would like General Stewart to address
12 this also.

13 But this issue has been raised and it is under
14 consideration. And I think your questions are very valid
15 relative to the current status of CFIUS and whether or not
16 adjustments need to be made.

17 Relative to finding the right technical capabilities to
18 assess this, we are in contest with the private sector, the
19 private sector that offers significantly higher compensation
20 for the people they hire and probably a better work
21 schedule. Nevertheless, we are blessed with people who want
22 to give service to their government and to work longer hours
23 with lesser pay but bring technical capabilities. We are
24 out trying to recruit these people constantly, whether you
25 are talking to Admiral Rogers at the National Security

1 Agency or other of our agencies. We need to understand that
2 at a certain point to gain the kind of technical
3 capabilities that we need, we may have to look at our salary
4 structure because just about every major corporation in
5 America now, whether it is cyber or other issues, are
6 looking to find people with these capabilities.

7 Nothing is more important than protecting the safety of
8 Americans, and that is the first responsibility of
9 government. So I do think on two areas, on the basis of
10 what you have said, we ought to do a significant review of
11 the current CFIUS situation to bring it up to speed, number
12 one, and then look at how we can get the best and the
13 brightest to be able to help us with that.

14 Senator Peters: So before that answer, General, so I
15 could take from your answer that we need to really fully
16 examine the CFIUS authorization and have a top-to-bottom
17 review of that. Would you agree, General?

18 General, if you would also respond to the fact that
19 right now you have a considerable workload before you now
20 that continues to expand and how that reauthorization may be
21 necessary to help you --

22 Mr. Coats: I was not trying to give Vince more work.

23 [Laughter.]

24 General Stewart: That is okay. I will take it.

25 Yes. So China has approached leap-ahead technology

1 with a legal or illegal transferring intellectual property,
2 transferring of knowledge, acquiring corporate sector,
3 private sector, industry to get that technology, insertion
4 of students into the upstream development of technology and
5 the capabilities.

6 So, yes, all of that needs to be reviewed especially in
7 light of the fact, voluntary primarily, and the workload
8 continues to grow. We did 174 CFIUS cases last year. We
9 are on a pace for 250 this year and no growth built in. So
10 this is going to get harder, more demanding, and we are
11 going to lose opportunities if we do not review the
12 authorization.

13 Senator Peters: Right. Thank you, gentlemen.

14 Senator Reed: Thank you.

15 On behalf of the chairman, Senator Perdue, please.

16 Senator Perdue: Thank you both for being here.

17 General Stewart, you said in your opening remarks that
18 we have gone from a one plus one strategy in our military to
19 today we have four plus one. You just mentioned five:
20 North Korea, Russia, China, Iran, extremists. On top of
21 that we have cyber and space.

22 The question I have -- I am sort of a bottom line guy.
23 I want to talk about China and Russia, our two symmetric
24 contrarian threats I believe. China is spending -- right
25 now this year it is projected in real equivalent purchasing

1 power parity terms, they will spend \$826 billion on their
2 military. We will spend directionally \$600 million. And I
3 would argue that today we have the smallest Army since World
4 War II, the smallest Navy since World War I, and the
5 smallest and oldest Air Force ever.

6 Sir, in your mind, what is China's purpose in this
7 massive buildup that they are in the midst of right now?

8 General Stewart: Purpose number one, to be able to
9 fight and win in the Pacific.

10 Senator Perdue: Would you say they are on parity with
11 us in the Pacific today? Does your intelligence reveal
12 that?

13 General Stewart: In some aspects -- and I will not
14 talk about them here -- there is parity, but in some areas
15 we are still far superior. And we look at them in all
16 domains, space, cyberspace, air, land, sea, and surface. So
17 we are competing in all those domains.

18 Primary objective, fight and win in the Pacific. Be
19 prepared if the United States entered a conflict in the
20 Pacific and increase the cost of any of our actions in the
21 Pacific.

22 Senator Perdue: Are you concerned about the PLA
23 reorganization in China? And what effect does our
24 intelligence say it will have on our ability to stand up to
25 them?

1 General Stewart: So they not only continue to
2 reorganize, they continue to refine tactics, they continue
3 to refine doctrine. We have not seen them do the major end-
4 to-end full-scale rehearsal that says all of those pieces
5 are stitched together in a real warfighting capability.
6 They are building pieces but it is not fully integrated.

7 Senator Perdue: Director -- it is hard to call you
8 "Director" but I am glad I can. Thank you.

9 Today Africa is a major involvement for China
10 economically, militarily. They are building a base right
11 now in Djibouti just miles away from our base at Lemonnier.
12 What is the purpose of that base, and are you concerned?
13 What does our intelligence say that their objective is in
14 Africa?

15 Mr. Coats: Well, the Chinese are expanding their
16 influence globally. They are looking at areas of the world
17 that you would not necessarily think a regional power like
18 China would want to be engaged in, but whether it is Africa,
19 whether it is Latin America, whether it is any number of
20 places, the Chinese are making substantial investments and
21 sometimes linking that, as you mentioned, with Djibouti and
22 building a base there. But I think they view that as part
23 of their long-term strategy to become a global power, not
24 just a regional power. And they are spending an
25 extraordinary amount of effort and investment. That One

1 Belt road situation gives them expedited access to Europe
2 but access also to the Indian Ocean region and the Middle
3 East. So they have been very aggressive in pursuing those
4 types of initiatives I think with a long-term strategy in
5 mind of being a global power.

6 Senator Perdue: General, Russia --

7 General Stewart: Can I answer, if I could?

8 Senator Perdue: Yes, sir.

9 General Stewart: One Belt, One Road is about getting
10 access to resources and access to markets. And if you have
11 access to resources, access to markets, you got to build
12 infrastructure to defend your economic lifeline.

13 Senator Perdue: I want to get to Russia, but history
14 says that the country with the largest and strongest economy
15 will have the largest and strongest military. Today China's
16 economy is on parity with the U.S. when adjusted for
17 purchasing power parity. They have a much stronger growth
18 rate, and I think that is one of the things we have to deal
19 with.

20 I want to move to Russia very quickly. I only have a
21 minute left. General, Russia in the last 5 years has
22 dramatically changed their global footprint. They have
23 Murmansk, Kaliningrad, Crimea now, and now Tartus and
24 Latakia on the coast of Syria.

25 In your mind, what does our intelligence say that

1 Russia intends to do with that encircling of that part of
2 the world with those major bases, now warm water and cold
3 water?

4 General Stewart: The encirclement, as you describe it,
5 the Western anti-access barrier, runs from the Arctic
6 through Murmansk, through Kaliningrad, Crimea, and down is
7 to break out of the encirclement -- their words -- caused by
8 NATO countries in their near abroad. So, again, the anti-
9 access/anti-denial capability is to increase the cost of any
10 U.S.-NATO action against Russia and to protect to give them
11 buffer space. I do not think they are done. I think they
12 would like to extend that barrier down through the
13 Mediterranean. I am worried about actions that they might
14 take in Libya to increase that barrier. But that is about
15 breaking out of the NATO encirclement.

16 Senator Perdue: Thank you, sir.

17 Thank you.

18 Senator Reed: On behalf of Chairman McCain, Senator
19 McCaskill, please.

20 Senator McCaskill: Thank you, Mr. Chairman.

21 I was pleased that the President went to an Arab
22 nation, a Muslim country, as his first visit, signaling to
23 the world that we want to have allies in the Muslim world,
24 that this is very important.

25 My question to the two of you is, are we sending enough

1 signals like that to the American Muslim community? I think
2 I have you all and others that have jobs like yours in our
3 government say that the biggest threat is the radicalization
4 of people that are legally in this country, not Syrian
5 refugees, not people traveling here from other countries,
6 but what we have seen is the radicalization of people that
7 either are American citizens or are legally in the country
8 and have been for some time.

9 So do you all feel comfortable that we are doing enough
10 to reach out to the American Muslim community, especially
11 the personnel that we can use as maybe our most valuable
12 assets in terms of what you all need to do within the
13 intelligence community?

14 Mr. Coats: I do not have an assessment of how we are
15 reaching out to the American Muslim community. In general,
16 I can say, relative to our intelligence community, we
17 realize that the diversity of ethnic, cultural, any number
18 of ways is important for us to understand the world that we
19 live in and get a better understanding from people who bring
20 different assessments in different cultures and give us the
21 diversity we need to fully understand what is going on.
22 That is very much a part of our recruiting process.

23 Senator McCaskill: What worries me is that in America,
24 there are too many people I have talked to, wonderful
25 American Muslims, who feel very disconnected right now, and

1 there is a tendency when that happens to internalize and not
2 come forward and especially if they have some concerns about
3 somebody being radicalized. Do you all share that concern
4 and are you all taking steps with the intelligence community
5 to deal with that concern?

6 Mr. Coats: Well, we do not see that as the role of the
7 intelligence community except in the area of, as I
8 described, how we hire, promote, train, and incorporate
9 people from different cultures, different ethnic
10 backgrounds.

11 Senator McCaskill: Let me interrupt you just for a
12 second, Director. But when you see evidence that someone
13 might be radicalized through the gathering of intelligence
14 here in America, do you hand that intelligence off to
15 someone who could then circle around to people within that
16 Muslim community in that geographical area to try to get
17 confirmation or additional evidence that would allow us to
18 put people in prison like we did Nassir when we thwarted his
19 effort on the New York subway system? And he is in our
20 prisons now for 40 years.

21 Mr. Coats: Well, the FBI is a part of the intelligence
22 system, but there is the division between the investigatory
23 and potential criminal activity that the FBI has control
24 over relative to the intelligence aspect of the FBI. So
25 that is something that if information is garnered, it is

1 passed on to the FBI to determine whether or not there is an
2 investigation or potential criminal element in play.

3 Senator McCaskill: Okay.

4 Let me briefly because I only have a minute left. I am
5 worried about chemical weapons in North Korea. Open source
6 reporting has indicated that Kim Jung-un's half brother may
7 have been assassinated with VX gas. There are those who
8 have -- the Nuclear Threat Initiative has indicated they
9 have 5,000 metric tons of chemical weapons in North Korea.
10 Can you confirm that VX was used to kill Kim Jong-un's half
11 brother?

12 Mr. Coats: That is something that I would have to get
13 back to you with.

14 Senator McCaskill: We train on chemical weapons
15 defenses at Fort Leonard Wood, and I know obviously with the
16 proximity of so many millions of people in South Korea and
17 the delivering especially of VX could be in such a way that
18 it would be devastating. And I am wondering if we have
19 enough assets. Admiral Harris is trying to check to see if
20 we have enough assets on the ground as it relates to
21 chemical weapons.

22 General Stewart: Chemical weapons is assessed to be
23 part of the North Korean arsenal.

24 Senator McCaskill: If there is any other information
25 you all can provide me on that in terms of our capabilities

1 in terms of defense of that, I would be very appreciative.

2 Thank you both for your service to our country.

3 Senator Reed: Thank you very much.

4 Because of the pending vote, I must depart. Let me
5 recognize Senator Sullivan and ask him to further recognize
6 members in order of their appearance, if the chairman does
7 not return. We expect he will return shortly.

8 Senator Sullivan: Okay, Mr. Chair. I am going to go
9 vote myself after these questions.

10 Senator Reed: Okay. Then let me go ahead and
11 recognize Senator Sullivan, then Senator King, then Senator
12 Kaine, unless a Republican member intervenes, and then that
13 person will be recognized. Senator Blumenthal also. And I
14 will try to get back here as quickly as I can. Senator
15 Sullivan, please.

16 Senator Sullivan: Thank you, Mr. Chair.

17 Gentlemen, thank you for your testimony.

18 Director Coats, great to see you.

19 I appreciate your focus in your written statement on
20 the North Korean ICBM threat with regard to nuclear weapons.
21 It is obviously a new direct threat to the United States.
22 There has been testimony across the board in terms of our
23 military and intelligence officials' public testimony that
24 it is no longer a matter of if but when Kim Jong-un is going
25 to have the capability to hit not just a State like mine

1 Alaska or Hawaii, which are much closer in range, but the
2 lower 48, the continental United States with an
3 intercontinental ballistic nuclear missile at some point.

4 So I and a number of members of this committee,
5 bipartisan, have introduced a bill yesterday. It is looking
6 at significantly enhancing and advancing our homeland
7 missile defense.

8 But I would like to get your sense in terms of the
9 estimates. What do you think the estimates are with regard
10 to when Kim Jong-un will be able to have this capability? I
11 think it is a very important question. I know that you do
12 not have a precise date, but I think that the American
13 people need to know it is probably a lot sooner than most
14 people anticipate. Can you give us a range of -- you know,
15 a window on when you think that capability is going to exist
16 for this very unstable leader who has threatened to shoot
17 nuclear missiles at our homeland?

18 Mr. Coats: I would like to be able -- I will turn to
19 General Stewart, but I think we would both like to be able
20 to talk to you about that in a classified manner, session.

21 I would say this. I mean, we certainly assess that
22 this is the intent of North Korea and Kim Jong-un. It has
23 been publicly stated that they would like to have
24 intercontinental ballistic missile capability -- nuclear
25 capability that could reach the United States, and they are

1 on that goal. But relative to exactly where we are and what
2 and when, of course, is dependent on their testing and
3 ability. As I testified in my opening statement here, they
4 have not reached that capability yet.

5 Senator Sullivan: All right. But there has been
6 public testimony from military leaders, intel leaders that
7 they are going to get it, not if but when. So I know that
8 we have estimates. I know that some of them are classified.
9 I actually just think it is very useful to let the American
10 people know. This is not 15 years off. This is not 10
11 years off.

12 General, can you give us an estimate just, you know,
13 within a couple years? I mean, it is actually a really
14 important issue. People are going to wake up to it some day
15 relatively soon. And this is an enormous threat, and I
16 think the more we are able to be public about it, the
17 better.

18 So let me just repeat it has been stated in open
19 testimony a number of times before this committee it is
20 going to happen. It is going to happen. He is going to
21 have that capability. Can you just give us a window of what
22 the best estimates are on that intel?

23 General Stewart: As I said earlier, left unchecked, it
24 is going to happen.

25 Senator Sullivan: How about a window?

1 General Stewart: If I gave you a window, it would be a
2 potential to reveal the insights that we have on the
3 capability. So we will not do that here. But it is
4 inevitable if left unchecked.

5 Senator Sullivan: Let me turn to Iran. You know,
6 under the Iran nuclear agreement, Iran is restricted to 130
7 metric tons of heavy water. However, in 2016, the IAEA
8 reported that they had in fact -- they, Iran -- surpassed
9 that threshold twice. So do you believe that Iran is in
10 violation of the agreement right now?

11 Mr. Coats: The intelligence assessment relative to the
12 certification that was signed perhaps, I think, 3 or 4 weeks
13 ago --

14 Senator Sullivan: And that was the certification by
15 the IAEA. Correct?

16 Mr. Coats: That is the certification that we have to
17 provide to the Congress every 90 days.

18 Senator Sullivan: But is that not based on IAEA's
19 assessment?

20 Mr. Coats: It is based on IAEA assessments, as well as
21 our own assessments.

22 Senator Sullivan: Well, how much confidence do we have
23 in that assessment that said Iran was in full compliance
24 when in 2016, the IAEA said that they violated the heavy
25 water provisions twice. It is something that I think is a

1 real disconnect between what the facts seem to be and what
2 Secretary Tillerson stated and what our intel community is
3 saying. How can you say they are in compliance --

4 The Chairman: I apologize to the Senator, but we
5 agreed at the beginning that Director Coats and General
6 Stewart would be out of here in 5 minutes, and we have --

7 Senator Sullivan: Mr. Chairman, can I just get an
8 answer to that question?

9 The Chairman: No. We have got three people to be in 5
10 minutes. I apologize.

11 Senator Blumenthal, would you do me the favor of asking
12 one question and allowing the other two to ask a question?
13 would that be agreeable to you, Director Coats? One
14 question each.

15 Mr. Coats: I appreciate that, Mr. Chairman. And I
16 apologize -- I mean, I do not apologize, but I have an event
17 at the Supreme Court with the Chief Justice. And we want to
18 not be late on that.

19 The Chairman: I understand.

20 Would that be agreeable to the members to have a
21 question each?

22 Senator Blumenthal?

23 Senator Blumenthal: Director Coats, thank you very
24 much for being here, and I know that given the oath that you
25 have taken and your long record of public service, you would

1 never allow anyone, including the President of the United
2 States, to discourage or deter you from a lawful
3 investigation. And your non-denial of the "Washington Post"
4 report I think should lead to even more intensive
5 investigation of the alleged effort by the President to
6 enlist you in shutting down or stifling that investigation.
7 This evidence, if true, goes to criminal intent and
8 constitutes mounting evidence of obstruction of justice.
9 And you are aware that obstruction is a crime, and I am sure
10 that you will cooperate in an investigation of that crime.
11 And I presume that you would not agree with the President of
12 the United States that this investigation of Russian
13 meddling and possible collusion by the Trump campaign in
14 that interference in our election is a witch hunt.

15 And therefore, I want to ask you whether you have
16 discussed efforts by the President to stifle or stop the
17 investigation or enlist you or Admiral Rogers in denying
18 that such an investigation of collusion focused on him,
19 whether you have ever discussed these reports with anyone,
20 including Admiral Rogers.

21 Mr. Coats: Well, Senator, as I said in my opening
22 statement, I am not going to characterize my conversations
23 that I have had with the President.

24 Senator Blumenthal: I am not asking about your
25 conversation with the President. I do not mean to be

1 misunderstood. Have you talked about this issue with
2 Admiral Rogers?

3 Mr. Coats: That is something that I would like to
4 withhold that question at this particular point in time.

5 Senator Blumenthal: I am going to assume that in
6 withholding the question, the implicit answer is that, yes,
7 you have. And I would like to know in another setting, if
8 necessary, what the substance of that conversation was.

9 The Chairman: Let me just say for the record, Director
10 Coats, your response to my question in no means meant yes or
11 no. It meant that your conversations with the President are
12 private. And so Senator Blumenthal can have his
13 interpretation. My interpretation of your answer to my
14 question was that it is privileged conversations between the
15 President and members of his team.

16 Senator King?

17 So I in no way interpret your response to my question
18 as inferring anything except that you are keeping with the
19 tradition of privacy of conversations between members of the
20 President's national security team and the President.

21 Senator Blumenthal: And, Mr. Chairman, I respect that
22 point. Thank you.

23 The Chairman: Senator King?

24 Senator Blumenthal: Thank you.

25 The Chairman: Thank you.

1 Senator King?

2 Senator King: Is the intelligence community, Director
3 Coats, doing an assessment of the nature and impact of the
4 information revealed to the Russian Ambassador and Russian
5 Foreign Minister by the President?

6 Mr. Coats: I am sorry. Would you --

7 Senator King: Is there an assessment being done or
8 that has been done of the significance and impact of the
9 release of that information?

10 Mr. Coats: We have not initiated an assessment of
11 that. There are procedures that we go through to determine
12 when assessments have been made or need to be made. There
13 is a process that we go through. It is my understanding we
14 have not initiated that.

15 Senator King: Has there been any reaction from other
16 countries to the intelligence community about the revealing
17 of this information to the Russians and a reaction from
18 other countries to the intelligence community?

19 Mr. Coats: I do not -- of course, I am just back from
20 some of those countries. The issue was not raised during my
21 time there on that specific question.

22 Senator King: The intelligence communities of other
23 countries did not raise this issue with you at all on your
24 trip?

25 Mr. Coats: They did not raise that specific question.

1 Senator King: Thank you, Mr. Chairman.

2 The Chairman: And Senator Kaine?

3 Senator Kaine: Thank you to the witnesses.

4 The Chairman: I thank the members' indulgence.

5 Senator Kaine?

6 Senator Kaine: Thank you, Mr. Chair.

7 In the aftermath of the recent budget deal that was
8 reached here in Congress in late April, the President
9 tweeted out something that it might be time for a, quote,
10 good shutdown, close quote, in September. With respect to
11 the missions of both of your agencies, the DIA and then the
12 Director of National Intelligence, in terms of dealing with
13 worldwide threats, the topic of today's hearing, would there
14 be anything good about a shutdown of the government of the
15 United States?

16 Mr. Coats: Well, there might be some good and some
17 bad. I mean, if the shutdown involved functions that were
18 not producing or essential, but if you are talking about an
19 across-the-board shutdown, I have never believed that that
20 is the way we ought to handle our business here and that
21 definitely it could potentially have an impact on our
22 ability in collection.

23 Senator Kaine: General Stewart?

24 General Stewart: Not only would it impact our
25 operations, but it has a debilitating effect on the

1 workforce every time we talk about shutting down and they
2 have uncertainty as to how they are going to get paid the
3 next payday. A debilitating effect.

4 Senator Kaine: Thank you.

5 Thanks, Mr. Chair.

6 The Chairman: I thank you, Director Coats and General
7 Stewart. And I know this is a very difficult time, and I
8 appreciate your candor. And I also know that the committee
9 understands there are areas that simply are protected by the
10 relationship that the President has with his team and the
11 people he relies on.

12 And I would like to repeat again that there is a lot
13 more to be found out, but also these leaks are not good for
14 your business. Is that not correct?

15 Mr. Coats: That is absolutely correct. They are
16 devastating. And as I have said, disclosing methods and
17 sources put our patriot people who are doing great service
18 for this country -- it puts their lives at risk and it puts
19 the lives of Americans at risk because it details the
20 methods with which we have gained information that has
21 prevented attacks against the United States.

22 The Chairman: So do you believe that there are lives
23 at risk because of these leaks?

24 Mr. Coats: Potentially yes.

25 The Chairman: I thank you.

1 Did you want to say anything else?

2 Senator King: Well, I wanted to ask the witness in
3 follow-up to your question. Which would you consider worse?
4 A leak to the American people or a leak to the Russian
5 Foreign Minister?

6 The Chairman: This hearing is adjourned.

7 Senator Blumenthal: Mr. Chairman, can I ask one quick
8 question?

9 The Chairman: No.

10 Senator Blumenthal: That is all right. Thank you.

11 The Chairman: I did assure. We will be seeing him
12 again, unfortunately for him.

13 [Whereupon, at 11:34 a.m., the hearing was adjourned.]

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