

STATEMENT FOR THE RECORD

WORLDWIDE THREAT ASSESSMENT

ARMED SERVICES COMMITTEE

UNITED STATES SENATE



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INTRODUCTION

Chairman McCain, Ranking Member Reed, and members of the committee, thank you for the invitation to provide the Defense Intelligence Agency's assessment of the global security environment and to address the threats facing the Nation. The international order that was established after the Second World War and developed throughout the Cold War largely ensured peace and stability even as it saw new conflicts—large and small—take place in different regions of the world. This post–World War II era, underwritten primarily by the strength of the United States, also gave rise to the greatest period of prosperity in history and witnessed countries rebuild from war or emerge from colonialism to become vibrant and viable nation-states. Following the collapse of the Soviet Union, the United States emerged dominant militarily, economically, and diplomatically, but soon thereafter that dominance was increasingly challenged. Today, the United States faces an increasingly complex array of challenges to our national security. We are faced with the rise of foreign militaries with ever-improving capabilities, threats from cyberactors, highly adaptive terrorist organizations, aggressive nonstate actors, and hostile foreign intelligence services—capabilities and intentions that I will assess here in some detail. These challenges must be seen in the broader context of a highly connected and interdependent strategic environment, characterized by the emergence of new political, military, and economic centers and affected by technology and mass communication, mass migration, and urbanization. The threat environment also serves to highlight the critical need for us to operate in close collaboration with our Five Eyes partners, NATO, and other allies across the globe. This Statement for the Record is organized regionally, followed by transnational issues. Taken together, they reflect the diversity, scope, and complexity of today's challenges to our national security.

The men and women of DIA are stationed around the globe, leading the Intelligence Community in providing strategic, operational, and tactical defense intelligence. They deliver decision advantage to warfighters, defense planners, the defense acquisition community, and policymakers. DIA's men and

women—uniformed and civilian—know they have a unique responsibility to the American people and take great pride in their dedication and analytic integrity. I am privileged to serve with them and present their analysis to you. My hope in this hearing is to help the Nation—through the important oversight role of Congress—to better understand these global challenges and to support this committee in identifying opportunities and possible responses to the threats. On behalf of the entire Defense Intelligence Enterprise, thank you for your continued confidence. Your support is vital to us.

REGIONAL THREATS

EUROPE/EURASIA

RUSSIA

Moscow views military power as critical to achieving key strategic objectives and has devoted significant resources to modernizing its forces. Russian leadership considers a capable, survivable nuclear force as the foundation of its strategic deterrent and modern, agile general purpose forces as vital for power projection in the region and expeditionary deployments far outside its borders. Moscow will continue to aggressively pursue its foreign policy and security objectives by employing the full spectrum of influence and coercion, including cyberoperations. Its powerful military, coupled with the actual or perceived threat of intervention, allows its whole-of-government efforts to resonate widely. We expect 2017 levels of military activity to be similar to those seen in recent years, although Moscow's military modernization efforts will be complicated by economic and demographic challenges.

Vladimir Putin's views drive the policies of a resurgent Russia. Putin has referred to the collapse of the Soviet Union as "a major geopolitical disaster of the (20th) century." Putin views Russia as a global superpower that has been denied its rightful place by an aggressive U.S. and Western policy that aims to keep Russia in a subservient role; protecting Russians has become one pretext for expanding his reach into sovereign states that were part of the former Soviet Union more than 25 years ago. Russia's most

recent National Security Strategy characterizes NATO, further expansion of the alliance to include former Soviet bloc countries, and the location of NATO military infrastructure closer to Russian borders as threats to Russia's national security. Following Russia's occupation and attempt to annex Crimea, Putin characterized the United States by warning "the USA prefers to follow the rule of the strongest and not by international law" and is "convinced that they have been chosen and they are exceptional, that they are allowed to shape the destiny of the world..." The Russian leadership would have the world believe that Russia's actions are a defensive reaction to U.S. aggression, but the truth is that our values do not align, our interests are often at odds, and we will always compete with Russia for influence around the globe.

Since Putin came to power, Russia has repeatedly denied gas supplies to Ukraine and Central Europe, occupied and attempted to annex Crimea, destabilized eastern Ukraine, and deployed its military to Syria to prop up the Asad regime.

In 2016, Moscow improved its mobilization readiness, rehearsing mobilization processes in the KAVKAZ-16 military exercise, the culminating exercise of the training year. This emphasis on preparing the state and society for wartime mobilization probably will continue during 2017. Moscow places a priority on modernizing its strategic forces, precision-strike capabilities, and asymmetric tools because of an enduring concern about the decisive, rapid character of the initial period in modern conflict. In light of perceived external and internal threats to regime stability, President Putin authorized the creation of a new National Guard in 2016, consisting of about 400,000 troops largely drawn from the former Ministry of Internal Affairs Internal Troops. The National Guard is directly subordinate to the president and has broad domestic and external legal authorities.

Russia continues to invest heavily in forcewide modernization efforts, emphasizing joint force interoperability, technologically advanced command and control systems, and defense-industrial

capacity. Russia's ambitious rearmament program will remain challenged by corruption, industrial inefficiency, Western sanctions, and the generally poor state of the Russian economy. Nonetheless, Moscow will press its military modernization efforts forward, giving priority to certain major programs. State deliveries to the Ground Forces in 2015 and 2016 have included modernized T-72B3 tanks, BMP-3 infantry fighting vehicles, and BTR-82A armored personnel carriers. Naval modernization efforts are largely focused on the submarine fleet and equipping surface and subsurface vessels with Kalibr land-attack cruise missile systems. Plans to modernize Russia's aging aircraft include procurement of new Su-34 and Su-35S multirole fighters and unmanned aerial vehicles, as well as upgrades to airframes, technological components, and munitions for the fighter and strategic bomber forces.

Russia is establishing three new motorized rifle divisions near the border with Ukraine. The basing of division-sized formations along Russia's western periphery will reduce the warning time for NATO to respond to Russian incursions into neighboring states, while at the same time providing Russian leaders greater flexibility, political leverage, and combat power for force generation in a crisis.

Over the past 8 years, the Russian military has focused on improving its command and control (C2) structure, systems, and underground facilities to be better suited to confront modern threats. New C2 systems are allowing commanders to access data in real time and to synchronize actions across services and geographically separated elements. The Russian General Staff is able to monitor operations in Syria from its premier national-level headquarters, the National Defense Management Center, via new automated C2 systems. Russia is also pressing ahead with developing larger and more effective unmanned aerial vehicles, which are being used in support of strike missions in Syria. Overall, Russia's reforms are progressing and effectively building a more agile force that is capable of conducting expeditionary operations and providing support to combat operations outside Russia.

Russia's military intervention in Syria, which began in September 2015, has significantly bolstered Syrian President Bashar al-Asad's military position and sought to assert Moscow's status as a regional power broker and capable military force. Russia has used the Syrian intervention to showcase its modern military and expeditionary capabilities, conducting its first deployment outside Russia's immediate neighborhood since the fall of the Soviet Union. In November 2016, Moscow's sole aircraft carrier, the *Admiral Kuznetsov*, launched its first combat operations into Syria. The Russian Navy and Aerospace Forces have conducted long-range cruise missile strikes into Syrian territory. These operations serve strategic messaging purposes, provide combat experience, and allow newer Russian systems to be field-tested. Russia has also deployed advanced area-denial capabilities to Syria, including Bastion coastal defense systems and long-range surface-to-air missiles, strengthening Moscow's ability to complicate U.S. and allied operations in Syria, the eastern Mediterranean, and even NATO's southern flank.

The conflict in eastern Ukraine between Russian-backed separatists and the Ukrainian government is likely to persist throughout the coming year as hopes dim for full implementation of the Minsk Agreements, negotiated by Russia, Ukraine, Germany, and France to provide a roadmap for resolving the situation. Russia is unlikely to abandon its destabilizing actions, short of seeing Ukraine capitulate to Russian demands, because the conflict remains the Kremlin's most effective leverage over Kyiv. Ukraine will not implement controversial elements of the Minsk Agreements, such as granting a special status to certain parts of the Donbas, until Russia follows through with its security commitments. Violence along the Line of Contact probably will remain limited to smaller engagements, although Russia retains a ready capability to escalate the conflict.

Russia continues to place a priority on modernizing its strategic nuclear forces, focusing primarily on land-based intercontinental ballistic missile (ICBM) upgrades, with modest improvements to both strategic air and naval capabilities. Russia has completed more than 50 percent of its planned road-mobile force upgrades, with SS-27 Mod 2 ICBM deliveries to four divisions, and it intends to complete

rearming of its entire ICBM inventory with new systems by 2022. Development of the silo-based RS-28 ICBM continues with engine and warhead tests, and we expect the first test launches by 2018. Moscow is resuming production of the Soviet-era Tu-160M2 strategic bomber to supplement its aging bomber force, and it is modernizing the Tu-95MS bomber to launch Kh-101/102 cruise missiles. Russian strategic naval forces have taken delivery of the third Dolgorukiy class nuclear-powered ballistic missile submarine to replenish the aging fleet. We expect a total of eight Dolgorukiy submarines in the coming years.

Russia has concluded that gaining and maintaining control in space will have a decisive impact on the outcome of future conflicts. Russia assesses that having the military capabilities to counter space operations will deter aggression by space-enabled adversaries. These counterspace capabilities could include strikes against satellites or ground-based infrastructure that supports space operations. Russian government and military officials have publicly stated that Russia is pursuing diverse antisatellite weapons. One of the primary satellite constellations owned and used by Russia is the GLONASS system, the Russian navigational equivalent of GPS. Russia is modernizing the constellation with its GLONASS-K satellites, but Russian officials claim technology sanctions against Russia are delaying the process.

Russia views the Arctic as a future arena of international competition because of increasingly accessible natural resources and shipping routes due to climate change. The Kremlin has pursued its 10-year Arctic development plan by continuing construction of military facilities in the region, and it strengthened its area-denial capability in the Arctic with the deployment of Bastion coastal defense missiles on the Kola Peninsula in 2016.

EAST ASIA

China

In East Asia, China is pursuing a long-term military modernization program. China continues to move forward with reforms aimed at strengthening the Chinese Communist Party's control over the military and enhancing the ability of the People's Liberation Army (PLA) to fight in regional conflicts and operate at greater distances from the Chinese mainland. China's leaders are seeking ways to leverage China's growing military, diplomatic, and economic position to advance the country's international influence.

In 2016, President Xi Jinping stated that it was China's "strategic task" to build a powerful army commensurate with China's international status and "an army that can fight and fight to win."

China is improving the PLA's capability to fight short-duration, high-intensity regional conflicts by undertaking a long-term, comprehensive military modernization program. In 2016, the PLA increased its preparations for contingencies along China's periphery, including conflicts in the East and South China Seas, at the same time that planning for a Taiwan contingency continued to drive military modernization efforts.

The PLA is implementing massive structural reforms designed to improve leadership, administration, and command of joint operations across the force by 2020. Changes include rebalancing the forces to raise the relative importance of the Navy and Air Force and establishing a theater joint command system for the five theaters of operation. Recent military reforms in China created the Strategic Support Force, designed to consolidate the PLA's cyber, space, and electronic warfare capabilities.

We anticipate that China will continue its robust defense spending growth for the foreseeable future. In March 2017, China announced a 7-percent inflation-adjusted increase in the annual military budget, bringing it to \$148.4 billion, continuing more than two decades of annual defense spending increases.

China is developing capabilities to dissuade, deter, or if ordered, defeat possible third-party intervention during a large-scale theater campaign, such as a Taiwan contingency. China's military modernization plan includes the development of capabilities to attack at long ranges adversaries that might deploy or operate within the western Pacific Ocean in the air, maritime, undersea, space, electromagnetic, and information domains. China has fielded CSS-5 antiship ballistic missiles specifically designed to hold adversary aircraft carriers at risk 1,500 kilometers off China's coast. In 2016, Chinese official media confirmed China's intent to go forward with midcourse missile defense capabilities on both land and sea assets, reflecting work on ballistic missile defense dating back several decades.

China has long identified the protection of its sovereignty and territorial integrity as a "core interest." In the South China Sea, China has embarked on a multiyear, whole-of-government approach to securing sovereignty, principally through maritime law enforcement presence and military patrols. In 2016, China rejected the international arbitration ruling on its excessive South China Sea claims, built infrastructure at its manmade outposts on the Spratly Islands, and for the first time, landed civilian aircraft on its airfields at Fiery Cross Reef, Subi Reef, and Mischief Reef. China will be able to use its reclaimed features as persistent civil-military bases, which will enhance its presence and its ability to control the features and nearby maritime space. Beijing recognizes the need to defend these outposts and is prepared to respond to any military operations near them.

A key component of PLA strategy in a regional contingency is planning for potential U.S. intervention. The PLA Rocket Force has given priority to developing and deploying regional ballistic and cruise missiles to expand its conventional strike capabilities against U.S. forces and bases throughout the region. In addition to the Rocket Force's fielding of an antiship ballistic missile, China is fielding an intermediate-range ballistic missile capable of conducting conventional and nuclear strikes against ground targets in the Asia-Pacific region as far away as Guam. China's military capacity is complemented by the use of

underground facilities for warfighting protection and concealment, with particular emphasis on command, control, communications, computer, and intelligence functions as well as missile assets.

China has fielded and is developing numerous cruise missiles for land and maritime targets, to be launched from its most advanced air, ship, and submarine platforms. China is working to upgrade its surface and subsurface naval fleet with advanced longer-range antiship cruise missiles, some of which will reach supersonic speeds and could be fielded on China's most capable surface combatants. The PLA is also upgrading its aircraft with antiship and air-launched cruise missiles for land-attack and surface ship targets, and with two, new air-launched ballistic missiles, one of which may include a nuclear payload.

The PLA is modernizing its nuclear forces by enhancing silo and road-mobile ICBMs and adding other road-mobile systems. The PLA Navy's Jin class nuclear-powered ballistic missile submarine, when armed with the JL-2 submarine-launched ballistic missile, will provide Beijing with its first sea-based nuclear deterrent. China probably continues nuclear R&D, maintenance of existing warheads, and production of new nuclear warheads. The country has the industrial capacity to enrich uranium and process plutonium for military requirements.

China has also invested heavily in improving its space capabilities, with particular emphasis on satellite communications, intelligence, surveillance, reconnaissance, navigation, and meteorology, as well as unmanned, interplanetary space exploration and, most recently, manned spaceflight programs. In addition to on-orbit assets, China's space program has built a vast ground infrastructure supporting spacecraft and space launch vehicle manufacturing, launch, C2, and data downlink. China's space station is likely to achieve a full operational capability by 2022, and it could become the only operational space station if the International Space Station does not receive funding beyond what is currently programmed to end in 2024. In parallel with its space program, China continues to develop a variety of

counterspace capabilities designed to limit or to prevent the use of space-based assets by the PLA's adversaries during a crisis or conflict.

North Korea

North Korea is an antagonistic state actor and remains a critical security challenge for the United States. Pyongyang is committed to developing a long-range, nuclear-armed missile that is capable of posing a direct threat to the United States, as demonstrated by two probable nuclear tests and an unprecedented level of ballistic missile launches in 2016. Last year, the North flight-tested over a dozen theater ballistic missiles as well as its submarine-launched ballistic missile system and launched a satellite into space. It also conducted an unusual number of displays in 2016 of its missile programs—including a reentry vehicle heat shield test and ground-level propulsion tests. Earlier this year, North Korea launched what it claimed to be a land-based variant of its submarine-launched ballistic missile and paraded a variety of missiles, including some new systems. More recently, on 13 May, North Korea tested another ballistic missile—successfully launched from western North Korea and impacting in the Sea of Japan. Taken together, these activities highlight Pyongyang's commitment to diversifying its missile forces and nuclear delivery options while strengthening missile force survivability.

Kim Jong Un views nuclear weapons as the principal tool of regime survival against outside threats—a view underpinned by North Korea's constitution. In 2016, Kim noted that the main mission of North Korea's nuclear force was to deter a nuclear war, adding that “the stronger our nuclear strike capability gets, the more powerful our deterrent to aggression and nuclear war grows.”

North Korea continues efforts to expand its stockpile of weapons-grade fissile material. It claimed that its last nuclear test, in September 2016, was a “standardized” nuclear warhead for a ballistic missile. This test followed its fourth test in early January 2016, after which North Korea issued a statement claiming it had successfully carried out a test of a “hydrogen bomb.” We remain concerned about North Korea's

proliferation activities in contravention of multiple UN Security Council Resolutions including most recently, Resolution 2321 passed in November 2016.

North Korea also maintains a large, conventional, forward-deployed military and continues to improve its ability to launch rapid, small-scale attacks against South Korea, despite UN sanctions, significant resource shortfalls, and aging hardware. Underground facilities support nearly all essential functions, and thousands of them are located throughout the country, intended to protect and conceal key C2, forces, warfighting stores, and other significant infrastructure.

Internally, in the face of deepening political and economic isolation, Kim Jong Un maintains a tight grip on power while giving preferential treatment to the privileged elite in Pyongyang and selected military units, and justifies internal security controls and vast military expenditures through ideological indoctrination and intimidation.

SOUTH ASIA

Afghanistan and the Taliban

In South Asia, over the past year Afghan National Defense and Security Forces (ANDSF) responded to Taliban pressure on population centers, while sustaining operations against al-Qa'ida and ISIS-Khorasan, which helped to restrict ISIS-Khorasan's territory. Despite some improvements to command and control and integration of air capabilities, the ANDSF remains beset by persistent shortfalls in combined arms and intelligence integration, as well as overall force generation and sustainment.

In 2017, we believe the ANDSF will incrementally improve its capabilities to challenge the Taliban, but military operations will not be decisive. We expect the Taliban to further consolidate control mostly in rural terrain and continue to pressure provincial capitals in Helmand, Uruzgan, and Kunduz Provinces.

At the tactical level, we judge the Taliban will keep trying to overrun vulnerable ANDSF positions and

population centers and will conduct intermittent high-profile attacks in key cities to degrade confidence in Afghan government-provided security.

We believe the ANDSF will need to increasingly focus on long-range planning to improve endemic institutional deficiencies in leadership, force generation, and sustainment in order to defeat the Taliban. Coalition train, advise, and assist efforts in 2017 will be critical to improving the ANDSF's ability to forestall Taliban advances beyond rural areas and in improving ministerial planning and development.

Pakistan

In 2017, Islamabad is likely to slowly shift from traditional counterinsurgency operations along Pakistan's western border to more counterterrorism and paramilitary operations throughout the country, which have had some success in reducing violence from militant, sectarian, terrorist, and separatist groups. Anti-Pakistan groups probably will respond to this sustained pressure by focusing their efforts against soft targets. Pakistan's nuclear stockpile continues to grow. We are concerned that this growth, as well as an evolving doctrine and inherent security issues associated with Pakistan's developing tactical nuclear weapons, presents an enduring risk. Islamabad is taking steps to improve its nuclear security and is aware of the extremist threat to its program.

India

India is modernizing its military to better posture itself to defend New Delhi's interests in the broader Indian Ocean region and reinforce its diplomatic and economic outreach across Asia. Bilateral relations between India and Pakistan worsened following several terrorist attacks in India. Continued threat of high level terror attacks in India, violence in Kashmir and bilateral diplomatic recriminations will further strain India-Pakistan ties in 2017. Following a terrorist attack on an Army base in Indian Kashmir last September, New Delhi conducted a highly publicized operation against militants across the Line of Control. In 2016, Indian and Pakistani forces exchanged some of the heaviest fire in years along the Line

of Control in Kashmir, and each expelled a number of the other's diplomats amid growing tension. India has sought and continues to move to isolate Pakistan diplomatically and is considering punitive options to raise the cost to Islamabad for its alleged support to cross-border terrorism.

MIDDLE EAST/NORTH AFRICA

The Middle East faces multiple, simultaneous challenges. Drivers of unrest include authoritarian leaders, civil conflict, ungoverned spaces, displaced populations and refugee flows, insufficient economic opportunity, and corruption. These factors are compounded by growing Iranian involvement, terrorism, and conventional military threats. The self-proclaimed Islamic State of Iraq and ash-Sham (ISIS) has been substantially degraded on numerous battlefields, yet the group remains the most significant terrorist threat to the United States and our allies. My comments on this volatile and important region will focus on Syria and Iraq, related ISIS developments, Iran, Yemen, and North Africa.

Syria

The Syrian regime entered 2017 in its strongest position against the opposition since the war began in 2011. Over the past year, regime forces—with the critical support of Russia, Iran, and Lebanese Hizballah—recaptured strategic areas along Syria's western spine, including Aleppo and most of the Damascus countryside.

The Syrian opposition has lost significant territory as a result of proregime military operations, longstanding divisions and competition among the opposition groups, sporadic infighting, and inadequate access to resources. These deficiencies are driving some opposition groups to merge with terrorist groups, such as the al-Qa'ida affiliate al-Nusrah Front, to survive regime offensives. Despite these losses, most opposition forces will continue to fight against the regime for ideological reasons.

We anticipate that during 2017 the regime's strategy will be to seize more territory and to isolate and contain the opposition, particularly in Idlib Province. In addition, the regime will increasingly conduct counter-ISIS operations, seeking to expand its presence and influence in the eastern part of the country.

We also anticipate that the coalition-backed Syrian Democratic Forces will continue to push toward ISIS's de facto capital of Raqqah but are incapable of capturing it without continued U.S. assistance.

We judge the Syrian regime conducted a sarin weapons attack against the opposition on 4 April 2017 in Idlib Province. The nerve agent probably was delivered by regime Su-22 aircraft that we assess took off from the regime-controlled Shayrat Airfield. We further assess that the Syrian regime has not declared all the elements of its chemical warfare program to the Organizations for the Prohibition of Chemical Weapons (OPCW). Despite the work of the Declaration Assessment Team to address gaps and inconsistencies in Syria's Chemical Weapons Convention declaration, numerous issues remain unresolved, and a recent OPCW Executive Council decision noted that Syria has not submitted an accurate and complete declaration. As of October 2016, the OPCW–United Nations Joint Investigative Mechanism—a joint body charged with determining the individuals or groups responsible for perpetrating chemical attacks in Syria—found that the Syrian Armed Forces were responsible for three chemical attacks in 2014 and 2015. We judge the Syrian regime has used chemicals as a means of warfare every year since acceding to the Chemical Weapons Convention in 2013.

Iraq

In 2016, Iraq's various security forces made significant progress in reclaiming much of Iraq's territory from ISIS control. Baghdad realized these gains, in no small measure, due to substantial external support—most notably U.S.-led coalition airpower and support from Iran. The threat from remaining ISIS elements and a potential renewed Sunni insurgency will continue to require significant foreign assistance to bolster the Iraqi security forces throughout 2017 and beyond. Despite ongoing coalition

efforts to build partner capacity, the Iraqi Army and police forces remain undermanned, undertrained, and underequipped, plagued by a host of institutional deficiencies, including weak leadership, inadequate logistics, poor force-generation capability, and systemic corruption. In addition, the Counterterrorism Service—Iraq’s most professional and capable security force—has experienced heavy losses during the counter-ISIS fight. The Counterterrorism Service’s focus on conventional operations comes with a cost to its precision counterterrorism capability, which will impede the service’s ability to effectively conduct future counterterrorism operations on its own and will necessitate significant retraining and other force-generation efforts.

Iraqi security forces’ shortcomings are likely to prompt a continued security role for the Popular Mobilization Forces (PMF), the umbrella for a diverse array of militias largely dominated by Iranian-aligned Shia militia groups, which have gained popularity and political influence with some officials and probably much of the Shia populace in Iraq as a result of their successes in most counter-ISIS battles in 2016. Iraq’s parliament passed a law in November 2016 that formalized the PMF in Iraq’s security apparatus, enabling these forces to endure as an official arm of the Iraqi security forces even after ISIS is expelled. The presence of the PMF in areas liberated from ISIS would likely increase ethnic tensions with the Kurds and Sunni Arabs and may lead to violent clashes.

The Kurdish security forces are likely to remain effective at defending Kurdish-controlled territory from most insurgent attacks, having built up defenses along their frontlines throughout the counter-ISIS fight. However, financial shortcomings and institutional limitations of the Kurdistan Regional Government will continue to limit Kurdish forces’ military and counterterrorism capabilities. Iraqi Kurds have stated that they intend to seek greater autonomy from Baghdad—up to and including independence. As part of this effort, Kurdish leaders are seeking to hold a nonbinding referendum, which could be held concurrently with Kurdish elections scheduled for fall 2017.

Iraq's security agencies, with support from Iran and the United States, are seeking to reclaim Mosul and its environs. The Iraqi security forces are making slow progress despite casualties to clear Mosul, ISIS's last major stronghold in Iraq; they have cleared the city's eastern half and currently are working to retake the western half containing Mosul's dense old city. Iraqi officials aim to limit the number of militants who escape Mosul and flee to remote pockets of Iraq's Anbar Governorate and across the border into Syria. Once Mosul is captured, Iraqi forces are likely to focus on clearing the remaining ISIS pockets of territory.

ISIS Developments in Syria and Iraq

ISIS has lost more than 60 percent of its territory in Iraq and about 45 percent of its territory in Syria since the group's height in August 2014. In 2016, coalition-backed operations liberated ISIS-held areas in northern Syria along the border with Turkey. In August 2016, Turkey launched Operation EUPHRATES SHIELD to clear ISIS from Turkey's border areas and prevent gains by the Kurdish People's Protection Units, a group affiliated with the Turkey-based Kurdistan Workers' Party, an insurgent group against which Turkey has been fighting for decades. We estimate these efforts substantially degraded ISIS's ability to freely move personnel, foreign fighters, weapons, and equipment into Syria through the cross-border area. Coalition airstrikes in Syria also removed some of ISIS's top leadership figures, including its spokesman, Abu Muhammad al-Adnani.

Coalition airstrikes against ISIS oil assets and a weakened tax base resulting from territorial losses have reduced ISIS's total revenues. Reductions in revenue have been partially offset by falling costs associated with fewer combatant forces and declining territorial control. Despite its loss of terrain and resources, ISIS retains strong military capabilities, leadership, and command and control, and it remains capable of presenting a strong defense against numerically superior forces, even when its opponents are supported by the counter-ISIS coalition and Iran.

ISIS is likely to lose control of Mosul and Raqqah in the coming year, assuming disparate counter-ISIS forces do not allow their differences on other issues to distract from defeating the group. Once ISIS loses these cities, it is likely to revert to a more classic terrorist organization, conducting terrorist attacks globally and insurgent-style attacks in Iraq and Syria aimed at wearing down hold forces. ISIS has demonstrated its ability to adapt and rebound from losses and still retain influence, particularly in undergoverned pockets of western Iraq and eastern Syria. From its stronghold of al-Qaim in Anbar Governorate, ISIS probably will be able to remain a capable threat to the security and stability of Iraq and to U.S. advisers in 2017.

ISIS has prepared for the loss of key territory in Iraq and Syria by publicly deemphasizing the importance of territorial holdings to the caliphate's survivability. How successful this messaging will be is not clear because ISIS built its reputation and realized recruitment growth based on its military success and territorial gain. The group is also moving key leaders and functions out of Mosul and Raqqah, relocating them to safehavens along the Euphrates River in Syria and Iraq. We anticipate that ISIS will attempt to maintain its narrative as the true defender of Muslims around the globe and will continue to plan and execute attacks against the United States and the West.

Iran

Iran remains a significant challenge to the United States within the Middle East and Southwest Asia. Although it continues to implement the Joint Comprehensive Plan of Action (JCPOA), Iran is engaged in the region's conflicts to further its security goals and expand its influence with neighboring countries. To that end, Iran remains committed to modernizing its military; building the capacity of its partners across the region, including designated terrorist organizations; and forging new partnerships, while balancing a desire to gain from its reintegration into the global economic system.

Iran's national security strategy continues to focus on deterring and, if necessary, defending against external threats, undermining the current regional security architecture, seeking new partnerships, and expanding its efforts to complicate U.S. actions. Competition with other regional powers, such as Saudi Arabia, could exacerbate sectarian tensions in the region beyond those already fueled by ISIS.

Iran also faces several significant domestic political and economic challenges, such as government and financial sector inefficiencies and state involvement in the private sector, that have consequences for Tehran's security policies. Internal political debates between pragmatic conservatives led by President Ruhani and traditional conservatives, including several leaders in the Islamic Revolutionary Guard Corps (IRGC), will shape the outcome of Iran's presidential election in 2017 and influence the degree of Iran's integration into the global economic system.

The JCPOA has curtailed Iran's nuclear program and has established benchmarks for the lifting of UN restrictions on the import and export of certain advanced conventional weapons and ballistic missiles through 2020 and 2023, respectively—pending Iran's continued compliance. If the International Atomic Energy Agency (IAEA) reaches the "broader conclusion" that Iran's nuclear program is peaceful before those dates, these restrictions will end. Since implementation of the JCPOA, the IAEA has been monitoring Iran's nuclear-related obligations under the agreement. The agency continues to verify and report that Iran has not enriched uranium above allowable levels, maintains limits on centrifuge numbers, allows the IAEA to monitor nuclear fuel and heavy water stocks, and has been conducting enrichment R&D within JCPOA-prescribed limits.

Iran will look to the UNSCR 2231 and JCPOA dates as benchmarks to expand its military modernization. The regime will also seek to distribute some financial gains from the JCPOA to its security forces, although we believe domestic social and economic expenditures will remain the priority for Tehran in the near term.

Iran's conventional military doctrine is designed to protect Iran from the consequences of its assertive regional policy, spearheaded by the Islamic Revolutionary Guards Corps—Qods Force. Iran employs a complex set of military and national security capabilities, including unconventional military forces and cyber capabilities, which serve as force multipliers. Iran also dedicates elements of its military to counter localized insurgencies among its minority groups, particularly against the Kurdish and Baloch elements.

Iran continues to pursue new military capabilities and enhance existing weapon systems. In 2016, Supreme Leader Ayatollah Khamenei stated that Iran needed to enhance its defensive and offensive power, and he asked senior military officials to push forward the country's arms development programs. We expect Iran to give priority to improving its ballistic missile, air and air defense, and maritime forces.

Iran has the region's largest ballistic missile arsenal, consisting of at least five different systems. Tehran has claimed its missiles can strike targets throughout the region, up to 2,000 kilometers from Iran's border. Iran will continue to improve the range, lethality, and accuracy of some of those systems and will pursue the development of new systems, despite restrictions placed on development of nuclear capable ballistic missiles by UNSCR 2231. Tehran has claimed it is also pursuing long-range, precision cruise missiles, which will present an increased threat in the region. In addition, Iran maintains the largest underground facility program in the Middle East and primarily uses this capability to protect and conceal many aspects of its missile program. In 2016, Iran publicly unveiled two new short-range ballistic missiles, which Tehran claims are capable of striking targets in a 500-km and 700-km range. Iran will continue to develop space launch vehicles—boosters that are capable of ICBM ranges if configured for that purpose.

We expect Iran to integrate the recently delivered Russian S-300 air defense systems into its network as part of an effort to strengthen its defenses against air and standoff munition attacks. Iran aspires to purchase an array of advanced conventional weapon systems, but we have no indication that any major

purchases are imminent. Both the Iranian Navy and the IRGC Navy will field increasingly lethal weapons, including more advanced mines, small submarines, armed unmanned aerial vehicles, attack craft, and ship- and shore-based antiship cruise missiles.

Led by the IRGC–Qods Force, Iran’s regional efforts remain focused on operations in Syria and Iraq. We anticipate that large numbers of Iranian troops and Shia foreign fighters will remain engaged in proregime operations in Syria and that Tehran’s cooperation with Damascus and Moscow will deepen. Iran continues to support Shia militia forces in Iraq and provide training and equipment to the Iraqi government. Although the long-term nature of Iran’s relationships remains unclear, Iran has expanded its influence through the Shia militias in Iraq, and we expect that it will seek lasting influence in Syria.

The IRGC–Qods Force also is likely to maintain support to the Huthis in Yemen. Several coalition interdictions of Iranian shipments during the past year demonstrated Iran’s persistent efforts to support the Huthis, probably as a counter to Saudi Arabia and to expand Tehran’s overall regional influence.

Yemen

Fighting in Yemen almost certainly will persist despite international attempts to forge cease-fires between Huthi-aligned forces, backed by Iran, and the Yemeni government, backed by a Saudi-led coalition. Neither the alliance between the Huthis and former Yemeni President Ali Abdallah Salih nor the exiled government of Yemeni President Abd Rabuh Mansur Hadi has been able to achieve decisive results through military force, despite prominent international backers. Efforts at peace talks are stalled, and both sides remain wary of the other’s intentions.

In 2016, the Huthis began launching ballistic missiles into Saudi Arabia, impacting near key cities such as Taif and possibly Riyadh. In August, the Huthis unveiled the Burkan (Volcano) missile, probably a Scud variant with an 800-km range, and earlier in 2016, displayed the Qahir, a modified SA-2 surface-to-air missile designed to strike military and infrastructure targets at a range of up to 350 kilometers.

The fighting has displaced more than 2 million people and has left over 80 percent of Yemen's population in need of humanitarian aid, but relief operations are hindered by insecurity, bureaucratic constraints, and funding shortages. More than half the population is experiencing crisis or emergency levels of food insecurity. Temporary cease-fires allow for delivery of some humanitarian assistance, but fundamental economic problems will persist, even in postconflict Yemen.

Al-Qa'ida in the Arabian Peninsula and ISIS affiliates in Yemen have exploited the conflict and the collapse of government authority to gain new recruits and allies and to expand their territorial control. Both groups threaten Western interests in Yemen and have conducted attacks on Huthi, Yemeni government, and Saudi-led coalition targets. Spillover from the conflict poses a threat to vital international shipping lanes through the Red Sea.

North Africa

Libya's ongoing civil war, coupled with the active extremist presence in the country, poses the greatest security challenge to the North African region and has contributed to historic levels of migration to Europe. The UN-backed Government of National Accord is struggling to gain legitimacy and has been unable to unite rival political and military factions. A Government of National Accord-aligned military offensive dealt a strategic setback to the ISIS branch in Libya by defeating the group in its Surt stronghold. Al-Qa'ida and its extremist allies also remain active in Libya. Prospects for developing an effective national unity government with capable security institutions remain poor.

In August 2016, Libya sent its remaining chemical warfare agent precursors to Germany for elimination, completing a dismantlement program begun in 2004.

Libya's terrorist groups are particularly troubling for the stability of Tunisia's fledgling democracy. Neighboring Algeria warrants close monitoring as it confronts an eventual political transition and reduced hydrocarbon revenues.

AFRICA SUBCONTINENT

The governments of Africa are struggling to respond to an array of internal and external threats, including armed conflicts, insurgencies, civil disorder, humanitarian crises, and transnational criminal and terrorist networks. The relatively low price of global commodities has persisted, forcing African economies that depend on extractive industries to make deeper cuts to services, increasing socioeconomic stressors. Support to regional security organizations has been particularly affected; governments have had to choose between countering proximate internal security threats and sustaining their commitments to African Union and UN missions.

West Africa and the Sahel

West African and Sahelian countries face an evolving extremist landscape with very limited resources. In Mali, renewed competition between rival northern militias and the southward expansion of terrorist and criminal groups have exacerbated instability despite the presence of French forces and UN peacekeepers. Partner nations are working with Bamako and its neighbors to help reform and improve military capacity, but much work remains to be done. West African security services are struggling to prevent attacks from ISIS–West Africa and Boko Haram in the Lake Chad region and in northeastern Nigeria following the terrorist groups’ organizational split. These attacks are likely to continue despite the combined military efforts of Nigeria, Niger, Cameroon, and Chad. The results of recent counterterrorism victories have been limited, and efforts to address the sociopolitical drivers of ISIS–West Africa’s and Boko Haram’s success have lagged.

East Africa

East Africa is at risk of increasing instability over the next year as enduring conflicts, persistent extremism, and growing population displacement strain an already fragile security environment. Violence in South Sudan and refugee flows into neighboring states will continue as the government

attempts to quell the proliferation of opposition groups. Kenya plans to close its largest refugee camp and repatriate the inhabitants to Somalia, which is ill-prepared to receive such an influx. Uneven counterterrorism pressure in Somalia has yielded limited gains against al-Qa'ida affiliate al-Shabaab, which retains its strongholds in southern Somalia, while ISIS has claimed a foothold in the country's north.

Central Africa

The risk of episodic violence in Central Africa is likely to persist despite peace and stability efforts. In the Democratic Republic of the Congo, President Kabila's delay of elections to at least 2018, which has allowed him to remain in power past his constitutionally mandated term, will probably trigger protests in major cities later this year. In Burundi, opposition to President Nkurunziza's third term probably will further jeopardize internal stability, with potentially destabilizing regional implications. Armed groups remain active in the Democratic Republic of the Congo and the Central African Republic, posing a persistent threat to national sovereignty and security in the region.

Southern Africa

The sudden death or incapacitation of Zimbabwe's President Mugabe could spark a succession struggle that would risk destabilizing the region. In addition, ongoing political conflict and the economic crisis pose further risks to regime stability.

LATIN AMERICA

Countries throughout Latin America and the Caribbean remain challenged by drug production and trafficking, human and weapon smuggling operations, and the resilient networks that enable these flows. Security and stability in the region remain vulnerable to these illicit networks as well as to

extraregional state actors seeking to gain military and political influence. The region has also produced a small but concerning number of ISIS supporters who have traveled to fight in the Middle East.

Mexico

Violent trafficking organizations continue to exploit Mexico, making the country the principal vector for U.S.-bound cocaine and the primary source of methamphetamine, heroin, and marijuana. In the past few years, Mexican production of heroin has been on the rise, correlating with increases in U.S. deaths attributable to heroin abuse.

Central America

Competition between drug trafficking groups as well as intragang rivalries have made El Salvador, Guatemala, and Honduras three of the most violent countries in the world.

Colombia

Colombia signed a historic peace accord with the Revolutionary Armed Forces of Colombia (FARC) last year, but implementation will take time, and broader, countrywide peace will be difficult to obtain because the FARC, the National Liberation Army, and criminal gangs continue their involvement and competition in the violent drug trade. As the peace accord is implemented, Colombia is likely to remain a strong U.S. partner in exporting security assistance to Central American partner nations to counter our collective security threats.

Venezuela

Tensions are rising in Venezuela, as evidenced by more than a month of violent antigovernment protests. The country's polarization and deteriorating economy—marked by continued shortages of food and medicine and by triple-digit inflation—are fueling sustained protests for the first time in 3 years. Venezuela's security services have responded aggressively to the protests, leading to hundreds of

injuries and some deaths. President Maduro's recent decree to modify the country's constitution is indicative of his unwillingness to work with the opposition. Russia continues to seek security-related influence in the region, particularly with Venezuela, but also with Cuba and Nicaragua.

Trinidad and Tobago

At least 120 individuals from Trinidad have traveled to fight with ISIS. This is the highest total of ISIS volunteers from any country in the region. We remain concerned that these individuals will return with operational experience, ties to global terrorist networks, and an intent to harm Western interests. Likewise, we remain concerned about other individuals who wish to join ISIS but are unable to do so.

TRANSNATIONAL THREATS

CYBER

In the coming year, we will need to consider the global cyberthreat within an increasingly complex digital environment. Our networks, systems, and information are at risk from a wide array of malicious cyberactivities. Cyberespionage is a persistent threat, from efforts focused on compromising potential U.S. military technological superiority in fields such as precision guidance and autonomous systems to the targeting of U.S. military personnel on social media to gain insight into the disposition and movement of our forces. The cyberthreat to operational systems delivering critical public services, such as electricity, water, communications, and transportation, remains a major concern because many of these systems are connected directly or indirectly to the Internet. Common techniques, from spear phishing to gain network access to distributed denial-of-service attacks, enable the majority of malicious cyberactivities. Distributed denial-of-service attacks, such as the high-volume October 2016 attack on a domain name system provider that made dozens of popular websites unavailable, highlight the need to be continually vigilant.

We face a wide range of potential cyber adversaries with varying capabilities. Our adversaries use both sophisticated state resources and deniable proxies to achieve their goals, challenging our ability to trace and attribute their activities with confidence. Nations such as Russia and China will increasingly integrate cyberattack capabilities into their militaries, seeking to deny or disrupt our networked forces and infrastructure. Lesser state cyberactors, such as Iran and North Korea, are capable of conducting disruptive cyberattacks against regional adversaries or of using their cyber capabilities as asymmetric responses to perceived challenges in political, military, or economic domains. Continuing to partner with our allies to help them improve cyberdefenses could limit this threat in those regions. Globally, terrorist organizations continue to effectively use the cyber domain to enable recruitment and disseminate propaganda. Attributing malicious cyberactivities is an enduring challenge, and the potential for unintended escalatory consequences from a cyberattack remains a concern.

TERRORISM

Over the past year, the terrorism landscape has experienced significant changes. ISIS has been degraded on numerous battlefields, losing territory and senior leaders to U.S. and allied operations in Iraq, Syria, Libya, Afghanistan, and Egypt. Yet the group remains the most significant terrorist threat to the United States and our allies, as demonstrated by high-profile attacks and plots this past year, including terrorist attacks in Florida, Belgium, Bangladesh, France, Turkey, Sweden, and Germany. All eight official ISIS branches remain a threat to local and regional Western interests, and the group continues to support terrorist networks in Africa, Asia, and Europe.

In his November 2016 speech, ISIS leader Abu Bakr al-Baghdadi reinforced previous statements of waging “grand jihad” against adversaries and encouraged followers to conduct attacks at home if unable to travel to Iraq and Syria. This kind of rhetoric and ISIS’s anti-Western propaganda continue to resonate

with lone attackers, who in 2016 carried out some of the group's most lethal attacks in Europe and the U.S. homeland.

We anticipate that ISIS will be in transition over the coming year, shifting toward more traditional terrorist operations rather than conventional military engagement in Iraq and Syria. ISIS will continue to lead, enable, and inspire terrorist attacks, both unilaterally and with the assistance of its formal branches and networks, and will try to attack the United States and U.S. interests globally, although its ability to maintain the current high tempo of external attacks will be challenged as it loses key urban terrain and direct access to the Turkish border. Removing territory from ISIS control is only one step in permanently degrading the group and its global network. The ISIS narrative will continue to inspire lone actors, making homegrown violent extremist attacks and propaganda an enduring threat. Lone actors will continue to maximize impact with low-budget attacks that do not require significant resources or outside training. European tourist sites, such as cultural monuments, transportation hubs, shopping malls, and restaurants will almost certainly continue to be targeted because they are easily accessible. In the past year, ISIS use of unmanned aerial systems (drones) for surveillance and delivery of explosives has increased, posing a new threat to civilian infrastructure and military installations.

Al-Qa'ida remains a serious and persistent threat to U.S. interests worldwide. In particular, the group's relatively robust presence in Syria and Yemen is cause for concern because it offers opportunities for a reconstituted al-Qa'ida external attack capability. Al-Qa'ida leader Ayman al Zawahiri's 2013 guidelines for jihad, intended to "exhaust America and bleed her to death," still resonate with the group. Al-Qa'ida's additional affiliates in Somalia, North Africa, the Sahel, and South Asia also present threats to local stability and regional security and have the potential to support or sponsor attacks against U.S. interests.

International focus on ISIS may allow al-Qa'ida to recover from its degraded state, even as it continues to lose veteran leaders as a result of coalition and allied efforts. Al-Qa'ida and ISIS share the same underlying ideology, which has traction with populations made vulnerable by deep-rooted socioeconomic issues.

FOREIGN INTELLIGENCE THREAT

Finally, foreign intelligence services present a grave threat to DoD's ability to plan and execute strategic operations across the globe. Russia and China are preeminent among the foreign intelligence threats to DoD and U.S. national security through their robust use of traditional and nontraditional collection efforts against U.S. personnel, operations, and capabilities. Iran and Cuba also pose persistent foreign intelligence threats to the United States. Cuba's intelligence apparatus, for example, maintains a robust capability and an intent to give priority to collection on the United States.

These threats are more diverse and complex than at any time in history. Avenues for traditional and nontraditional espionage are expanding, creating challenges to DoD supply chains, critical infrastructure, and emerging technologies that will support current and future DoD activities. Our adversaries are seeking advantage in these areas by leveraging the openness of the U.S. system to identify legal loopholes affording them access to sensitive information. Smaller nations and nonstate actors are acquiring commercial, off-the-shelf technology to quickly develop means to target the United States. DoD continues to aggressively develop programs to identify insider threats in order to protect intelligence and other assets from compromise.

In conclusion, the future threat environment will be shaped by competing, and often antagonistic, forces. The continued rise of powerful competitor states will take place against a backdrop of the weakening or dissolution of state structures in regions with longstanding ethnic and sectarian divisions. The vacuum created by weakening state security mechanisms across much of the world will be filled by

groups competing to defend their equities or to advance their ethnic, political, or sectarian positions—further increasing political and social instability. Greater access to mass communications, hidden encrypted tools for communication and data sharing, and biotechnology will render nonstate entities and individuals increasingly capable of generating highly disruptive global effects.

The military environment has shifted away from the existence of the United States as the single “hyperpower” to a situation in which foreign militaries are emerging with near-peer and, in some areas, peer capabilities. Adversaries have studied the American way of conflict and have developed, and will continue to develop, capabilities to mitigate or directly challenge longstanding U.S. military dominance in all warfighting domains—terrestrial, maritime, air, space, and cyber—and to raise the level of complexity and risk to the United States for intervention in conflict. Competitor states will employ all diplomatic, economic, political, and covert mechanisms of influence and coercion available to them in advancing regional agendas, with the implied or actual use of military force acting as the amplifier that allows these whole-of-state efforts to resonate. Finally, nuclear weapons will continue to be viewed by many states as both the guarantor of regime survival and as a critical capability in a conflict with a conventionally superior adversary.