Remarks as delivered by
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MR. CLAPPER: Thank you, Chairman Rogers, Ranking Member Ruppersberger and distinguished members of the Committee, for inviting us to present the 2011 Annual Threat Assessment.

I'm very pleased and very proud to be joined by my Intelligence Community colleagues that Ranking Member Ruppersberger introduced. And the reason we're all here together is important both for the optic and the substance. The Intelligence Community is a team. It is a community. And I'm very proud to be associated with my colleagues here today, who represent literally, *in toto*, hundreds of years of public service and involvement in the intelligence profession.

I want particularly to comment, though, on two of the organizations. First, Bob Mueller, who for my money is the best FBI Director ever, has led a remarkable transformation of the FBI into an intelligence-driven organization. And to my left, Leon Panetta, I'm very proud to say, is a tremendous colleague and friend. And I think we're doing a lot to kind of change the paradigm about what has been a historically strained relationship between the offices of DNI and CIA. CIA is a crown jewel in the Intelligence Community and a national treasure. And I'm very pleased and proud to be associated with the agency in this capacity and with Leon.

Before I get into my prepared remarks, I'd just like to say on behalf of all of us that we appreciate your support. We welcome, in fact need, your oversight, support and engagement and your partnership. In various past capacities, I've been associated with the two oversight committees since they were stood up. And what I see happening here is a reversion, if you will, to the original spirit of the way of what was intended for these committees to be. So we're all very heartened and encouraged by the way you've approached this.

Particularly, we want to endorse something, Chairman Rogers, you said about the importance of the PATRIOT Act extension, which, as you know, expires the end of this month. This is critically important to all of us. And of course, we know this is a matter of discussion and debate in both houses. We would certainly favor at least a three-year extension to coincide with extension of the FISA amendment, as you discussed.

As I know you understand, it's not possible to cover the full scope of worldwide threats in brief oral remarks, so I'd like to take this opportunity to highlight four broad areas of significant concern, focus and attention for U.S. national security and for the Intelligence Community.

Subject to your concurrence, we've submitted a longer Statement for the Record that reflects the collective insights of the extraordinary men and women of the Intelligence Community. They're deeply committed to gathering intelligence and delivering analytical judgments to help the president, policymaker -- which very much includes the Congress -- our warfighters, first-responders and our allies to understand the threats facing us and combat those who wish to harm our great nation.

First and foremost of these concerns is terrorism. Counterterrorism is our top priority because job-one for the Intelligence Community, mind you, is to keep Americans safe and the homeland secure. The Intelligence Community has helped thwart many potentially devastating attacks. One of the most recent was the cargo bomb plot this past October that you alluded to.

We've apprehended numerous dangerous actors throughout the world and weakened much of al-Qa'ida's core capabilities, including its operations, training, and its propaganda. We're deeply engaged with our foreign partners to detect and prevent terrorist actions, and we remain vigilant, despite the degradation of the organization against al-Qa'ida's continued desire to attack the West.

We're especially focused on al-Qa'ida's resolve to target Americans for recruitment, and to spawn affiliate groups around the world. We also see disturbing instances of self-radicalization among our own citizens. Last year, the Intelligence Community helped disrupt plots and provide information that led to the arrest of homegrown violent extremists here in the United States. While homegrown terrorists are numerically a small part of the global threat, they have a disproportionate impact -- because they understand our homeland, have connections here, and have easier access to U.S. facilities.

Counterterrorism is central to our overseas operations, notably in Afghanistan. And while progress in our efforts to disrupt, dismantle and defeat al-Qa'ida is often hard-won, we have seen -- and we will continue to see -- success in governance, security and economic development that will erode the willingness of the Afghan people to support the Taliban and their al-Qa'ida allies.

But there's no question that the people of Afghanistan are up against a determined insurgency. There's troubling attrition within their security forces, and corruption, including extortion, land seizures and drug trafficking, feed the insurgency.

Pakistan also confronts terrorists who threaten to destabilize the government, attack its citizens and plot against our forces in Afghanistan and other nations.

And although U.S. combat operations have come to an official close in Iraq, bombings by terrorists mean that our work to help solidify the security gains we've made thus far remains a high priority.

Another major concern is the proliferation of weapons of mass destruction. The proliferation threat environment is a fluid, borderless arena that reflects the broader global reality of an increasingly free movement of people, goods and information. While this environment is critical for peaceful scientific and economic advances, it also allows the materials, technologies and know-how -- related to chemical, biological, radiological and nuclear weapons, as well as missile delivery systems -- to be shared with ease and speed.

Iran is, of course, a key challenge. In the months following the 2009 Iranian elections, we saw a popular movement challenge the authority of its government. We also saw the Iranian government crack down with harsher authoritarian control.

We look forward to discussing Iran further with you in closed session, particular its nuclear posture. But suffice to say here, we see a disturbing confluence of events: An Iran that is increasingly rigid, autocratic, dependent on coercion to maintain control, and defiant towards the West, and an Iran that continues to advance its uranium-enrichment capabilities; along with what appears to be the scientific, technical and industrial capacity to produce nuclear weapons if its leaders choose to do so.

North Korea's nuclear weapons and missile programs also pose a serious threat, both regionally and beyond. Pyongyang has signaled a willingness to re-engage in dialogue, but it also craves international recognition as a nuclear-weapons power. And it has shown troubling willingness to sell nuclear technologies.

Third, I want to highlight a major aspect of the work of the Intelligence Community; namely, the reality that we live in an interconnected, interdependent world, where instability can arise and spread quickly beyond borders, as we've so recently and graphically seen.

Of course, examples of this include the sudden fall of the Ben Ali regime in Tunisia and the contagious mass uprisings in Egypt and lesser demonstrations elsewhere. The Intelligence Community is following these events, obviously, very closely. Recently, questions have been raised as to whether the Intelligence Community has been tracking and reporting on these events effectively. The answer, I believe, in short, is yes.

For many years, the Intelligence Community has been aware of tensions and instability in the Middle East and North Africa, and has consistently reported on those tensions and their implications. Specific triggers for how and when instability would lead to the collapse of various regimes cannot always be known or predicted. What intelligence can do in most cases is reduce the uncertainty for decision makers but not necessarily eliminate it, whether those decision makers are in the White House, the Congress, the embassy or the fox hole. But we are not clairvoyant.

The Intelligence Community has provided critical intelligence throughout this crisis and has been reporting on unrest, demographic changes, economic uncertainty and the lack of political expression for these frustrations for decades.

With that said, I also want to highlight that in our interdependent world, economic challenges have become paramount and cannot be underestimated: from increasing debt to fluctuating growth, to China's economic and military rise.

As well, we're also extremely focused on cyberthreats, as you are, and their impacts on our national security and economic prosperity. This threat is increasing in scope and scale, and its impact is difficult to overstate. Industry estimates the production of malicious software has reached its highest level yet, with an average of 60,000 new programs or variations identified each day. Some of these are what we define as "advanced, persistent threats," which are difficult to detect and counter.

Additionally, we're seeing a rise in intellectual property theft. Industry has estimated that the loss of intellectual property worldwide to cyber crime in 2008 alone cost businesses approximate $1 trillion.

We believe this trend has only gotten worse. Last year, some of our largest information technology companies discovered that throughout much of 2009, they'd been the targets of systematic effort to penetrate their networks and acquire proprietary data. The intrusions attempted to gain access to repositories of source code, the underlying software that comprises the intellectual crown jewels of many of these companies.

Along with following current cyber threats, the Intelligence Community has analyzed the interconnected implications of energy security, drug trafficking, emerging diseases, water availability, international organized crime, humanitarian disasters and other global issues.

In the face of these challenges, we in the Intelligence Community must always remain attentive to developments in all parts of the globe and in many spheres of activity. And that is why, in my view, we must sustain a robust, balanced array of intelligence capabilities to cope with the wide variety and scope of potential threats.

Fourth, I'd like also to take a moment to emphasize that counterintelligence concerns will continue to worry me. We face a wide range of foreign intelligence threats to our economic, political and military interests at home and abroad. In addition to cyber and other threats clearly tied to foreign intelligence services, unauthorized disclosures of sensitive and classified U.S. government information also pose substantial challenges. Perhaps the most blatant example, of course, is the unauthorized downloading of classified documents subsequently released by WikiLeaks, which you've already addressed.

From an intelligence perspective, these disclosures have clearly been very damaging. I've dedicated my career to protecting secure information. And I want to assure the committee that as part of the broader whole-of-government effort, we in the Intelligence Community are working to better protect our information networks by improving audit and access controls, increasing our ability to detect and deter insider threats and expanding awareness of foreign intelligence threats across the U.S. government. I believe we can and we will respond to the problems of intrusions

and leaks, but we must do it without degrading essential intelligence integration and information sharing.

To conclude, Mr. Chairman, in a world that is ever more interconnected, our intelligence capabilities are as well. The Intelligence Community is better able to understand the vast array of interlocking concerns and trends, anticipate developments to stay ahead of adversaries precisely because we operate as a community -- as an integrated community.

Before we move to your questions, I want to say a few words about the value and the size of the Office of the Director of National Intelligence, which has been the subject of extensive debate and discussion and again this morning. Shortly after I became DNI, exactly six months ago today, I began a thorough review of the organization. I examined the Intelligence Reform law, other statutes and executive orders and the activities that they direct the DNI to execute. On review, I decided to reduce or eliminate functions not required by law or executive order that are not core missions of the DNI. I also identified elements that should transfer out of the ODNI to another agency who would serve as the executive agent on my behalf and carry out these services of common concern on behalf of the ODNI. In other words, we don't need to do everything on the DNI staff itself.

Based on this efficiencies review, the Office of the DNI is being reduced in size and budget. As you alluded, sir, I've already discussed these plans with you and I've asked for your support. And I look forward to presenting this in greater detail to the rest of the committee, and seek your support as well.

I believe where the Office of the DNI can provide true value added to the Intelligence Community is to ensure that intelligence is integrated across the disciplines and agencies before being presented to our customers. That is where I personally feel that, as DNI, I can make a difference on a daily basis. We thank you and the distinguished members of the committee for your support to the community, and your dedication to the security of the nation. My colleagues and I look forward to your questions and our discussion. Thank you very much.

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