HEARING OF THE SENATE SELECT COMMITTEE ON INTELLIGENCE

SUBJECT: "THE WORLDWIDE THREAT"

CHAIRED BY: SENATOR DIANNE FEINSTEIN (D-CA)

WITNESSES:

DIRECTOR OF NATIONAL INTELLIGENCE JAMES CLAPPER;

FBI DIRECTOR ROBERT MUELLER;

CIA DIRECTOR LEON PANETTA;

LT GEN RONALD BURGESS JR., DIRECTOR OF THE DEFENSE INTELLIGENCE AGENCY;

ASSISTANT SECRETARY OF STATE FOR INTELLIGENCE AND RESEARCH PHILIP GOLDBERG;

MICHAEL LEITER, DIRECTOR OF THE NATIONAL COUNTERTERRORISM CENTER

216 HART SENATE OFFICE BUILDING, WASHINGTON, D.C.

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SEN. FEINSTEIN: Good morning, everyone. This hearing will come to order.

This committee meets today in open session to hear testimony from the leaders of the intelligence community on the threats facing the United States. The committee has been holding worldwide threat hearings since 1994 as a way to focus the committee and the Senate on the national security challenges and opportunities that we face as a nation and to allow the American public a view into the assessments of the United States intelligence agencies about the dangerous worlds -- world in which we live.

Yesterday the Senate passed overwhelmingly at least a temporary extension, to the end of May, of three very vital sections of the United States Patriot Act. And I have been surprised about how much misunderstanding they have caused. I've always -- I've also been surprised at how short memories are.

Explosives today are much more sophisticated. They are undetectable. Just a very short time ago in Dubai, printer cartridges were found with an undetectable explosive in them. And if it hadn't been for good intelligence that brought the inspectors back a second time and said, "You've got to open these things up and look," two bombs would have left Dubai, headed for the United States, theoretically to Chicago -- I don't know whether this is actually fact, but to a synagogue in Chicago -- and likely would have exploded either over Canada or part of the United States.

So this, to me, is eloquent testimony of the need to provide the opportunities for intelligence. This nation does still remain in jeopardy. Just a short time ago you had both Director Clapper as well as Secretary Napolitano testify in the House about the level of concern, threat and potential jeopardy to our country.

So I think these tools are very important. And I am always surprised at the opposition, because I would have thought somebody, if they had a problem, would have called me and said, "Look, this is being done wrong. Please take a look at it," because previously, from time to time, the Judiciary Committee and the Intelligence Committee does just that.

But providing the intelligence community with the tools they need, with proper due process -- and we do have such a thing as a Foreign Intelligence Surveillance Court that meets 24/7, that gives what is essentially like a warrant, so the roving wiretap is all done in a legal way, and the only difference is that the individual is the target, not the specific telephone, because they change telephones so quickly. So the technology that improves also means that intelligence techniques have to improve.

I'm going to skip most of this, but let me just say that it is my hope in the coming months that we will be able to prepare the American public to work with the public media and set expectations that make clear that in the event of an attack we hope won't come, the fault lies with those who commit those acts, not with those who go to work every day to prevent these attacks.

I think, for those of us that read the intelligence on a regular basis, we know that there is jeopardy out there. And we know that if something were to happen in this country, that everyone sitting at this table would be asked, "Why didn't you know?" And they have to have the tools to find out. And we have to see that the due process is provided in that process.

So I think we've come a very long way since 9/11. I truly believe our country is much safer than it was prior to 9/11. And a great deal of it really is due to the people testifying here today and to the agencies that they so well run. I deeply believe that.

And so let me introduce the witnesses. They are the Director of National Intelligence James Clapper, who will deliver the opening statement following the comments of the vice chairman; the director of the Central Intelligence Agency, whom I've happened to have known for a very long time, Leon Panetta; the director of the Defense Intelligence Agency, General Ronald Burgess; the director of the Federal Bureau of Investigation, also whom I've known for a long time, Bob Mueller; and the director of the National Counterterrorism Center, Michael Leiter; Assistant Secretary of State for Intelligence and Research Philip Goldberg.

So I would like to note that this will be Director Mueller's final appearance at a worldwide threat hearing, as he is now nine and a half years into his 10-year term as FBI director. But we have another half year with you, Director Mueller, so I don't want to engage in goodbyes at this time. And who knows, maybe there's a way that won't happen.

So now, if I may, I'd like to turn to the distinguished vice chairman of this committee, with whom it is a pleasure for me to work, Senator Chambliss.

<u>SEN. SAXBY CHAMBLISS (R-GA):</u> Well, thanks, Madame Chairman. And again, it's a privilege for me to have the opportunity to continue to work with you on this particular issue that's of such vital importance.

And maybe we ought to start that chant, "Ten more years." (Laughter.) I'd be in favor of that.

Gentlemen -- and this is a very impressive lineup we have this morning -- thanks for being here. Thanks for your willingness to serve our country in the respective capacities that each of you do. Together you represent the men and women of the intelligence community who work quietly behind the scenes, often in dangerous locations, to ensure our nation's safety. And our thanks goes out to each and every one of those folks that work for you and put their life in harm's way every single day, and we appreciate them very much.

Recent events in the Middle East and North Africa remind us how rapidly the world can change. The Internet and social network media play a key role in this evolving landscape and can complicate our ability to understand and keep pace with unfolding events. We saw it in Tunisia and in Egypt; may be watching it soon elsewhere.

Staying ahead of the curve means that the IC must be inside the networks to collect not only on high-level decision makers, but all those who are positioned to affect the status quo. This is as true in the context of international leadership and regional stability as it is in terrorist networks and insurgencies.

We look to the IC to tell us of impending threats. This is not easy, but it is your job and you must be organized, resourced and equipped to do it. Congress must help equip you by ensuring you have the tools and appropriate authorities to do this job.

Three important tools in the Foreign Intelligence Surveillance Act expire soon. Each one of those -- lone wolf, roving wiretaps and business records -- is an essential authority and we must make sure that they remain in force. Obviously, the Senate acted last night on a short-term extension of these, and we hope that we're able to get a more lengthy extension in the very near future.

And again, to General Clapper and Director Mueller and General Alexander, who is not here, thank you for coming over the other night and visiting with our folks and providing some very valuable answers to questions.

Another area where Congress must help is in interrogation and detention policy. Two years after the president's executive orders on interrogation and detention, we still do not have an adequate system in place for detaining captured terrorists, collecting intelligence from them, and holding them until they can no longer do us harm. We cannot keep letting dangerous detainees go free. It's time for Congress to provide a framework for detention and interrogation wherever detainees are captured.

Congress can and must help in these and other areas, like cyber. But in these difficult economic times, resources are certainly a challenge. Resources are not infinite and must be prioritized. I caution the IC to not spread itself too thin in trying to respond to every potential national security issue without an honest assessment of your capabilities to add value.

In my opinion, assessments produced in the past year -- such as the technology on fresh water availability in 2040 and "The Devil in the Corner: Cookstoves and the Developing World" -- have no place in the IC. This is more true at a time when you are facing severe budget constraints and priorities like terrorism, detainee recidivism, the proliferation of weapons of mass destruction, the cyberthreat, two wars and unstable countries throughout the Middle East. You must focus on the greatest threats and leave issues that have little intelligence value or that can be better analyzed elsewhere to others in the government or, more importantly, the private sector.

Today is your opportunity to tell us how you have ranked the biggest threats we face and where you think your resources should be focused. It is imperative that the \$55 billion in taxpayer money you have requested will be spent wisely.

Again, I thank you for your service to our country. Thanks for being here today.

And Madame Chair, I look forward to their testimony.

SEN. FEINSTEIN: Thank you very much, Mr. Vice Chairman.

Before turning to Director Clapper, the rounds will be five minutes and we'll use the early-bird rule, so that everybody knows.

Director Clapper, welcome.

MR. CLAPPER: Thank you, Madame Chairman, Vice Chairman Chambliss, distinguished members of the committee, for inviting us to present the 2011 Worldwide Threat Assessment, and I'm very pleased and proud to be joined by my intelligence community colleagues. The intelligence community is indeed a team, and it's a community I'm very proud to be associated with.

Represented at the witness table today, as you alluded, are hundreds of years of experience and dedicated public servants -- service. I'd like to especially commend Director Bob Mueller for his superb service, as you have recognized him as the FBI director for nearly a decade -- he's been an outstanding participant, partner and leader in the intelligence community -- and my good friend, CIA Director Panetta, whose years of public service and wisdom have been so helpful to me. And the two organizations they head are two of the crown jewels of the intelligence community and they and the nation are fortunate to have such magnificent leaders.

I want to express my appreciation to this committee as well, first to publicly acknowledge your unanimous vote in support of the president's nominee as my principal deputy -- my gain, Leon's loss -- Ms. Stephanie O'Sullivan, to be the principal deputy DNI. As was shown by this vote to get our team in place, your support and partnership are essential.

And secondly and more broadly, the intelligence community needs your oversight. 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 to the intelligence community. Subject to your concurrence, I've submitted a longer statement for the record that reflects the collective insights of the extraordinary men and women of this community.

First and foremost is terrorism. Counterterrorism is our top priority because job one for the intelligence community 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 that you alluded to, this past October. We've apprehended many bad actors throughout the world and greatly weakened much of al-Qaida's core capabilities, including operations training and propaganda. We're especially focused on al-Qaida's resolve to recruit Americans and to spawn affiliate groups, most notably its chapter in the Arabian Peninsula.

We also see disturbing instances of self-radicalization among our citizens. 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-Qaida is hard-won, we have seen and I believe 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-Qaida allies.

Although U.S. combat operations have come to an official close in Iraq, bombings by terrorists -- specifically al-Qaida -- mean that our work to help solidify the security gains we've made there thus far remain a high priority.

Another major concern is 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, importantly, 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 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, and today we are seeing similar unrest, although so far on a much smaller scale than was the case in 2009, and a similarly harsh crackdown by the regime.

We look forward to discussing Iran further with you in closed session, particularly its nuclear posture. But suffice it 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 toward 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 reengage 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'd also want to highlight another major challenge for the intelligence community, the reality that we live in an interconnected, interdependent world where instability can arise and spread quickly beyond the borders. Of course, vivid examples of this include the sudden fall of the Ben Ali regime in Tunisia and the contagious mass uprisings in Egypt which led to the departure of former president Mubarak and demonstrations elsewhere. The intelligence community is following these fast-moving events closely.

I'd like to take a moment here to address some recent questions that 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 some time the intelligence community has been assessing the political and socioeconomic drivers of instability in the region, including analyses of historical transitions of power to understand future risks to regime stability.

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 such cases is reduce, but certainly not completely eliminate uncertainty for decision-makers, whether in the White House, the Congress, the embassy or the foxhole, as we did in this instance. But we are not clairvoyant.

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

In addition to our classified sources in the analysis, from mid- December to mid-February, we produced some 15,000 open-source products on the region providing insights from traditional local media -- both print and electronic -- to include social media. In this regard, I'd like to clarify a less-than-precise turn of phrase I used last week during a hearing with the House Intelligence Committee where I characterized the Muslim Brotherhood as largely secular.

In my attempt to shorthand my description of the Muslim Brotherhood, my message was lost and that's regrettable. The Muslim Brotherhood is obviously not secular. What I had hoped to convey and would like to clearly state here is that the Muslim Brotherhood in Egypt tries to work through a political system that has been largely secular in its orientation.

The Muslim Brotherhood is a large, heterogeneous global organization whose agenda and impact differ from country to country. In Egypt, it has gained much of its support through both grassroots outreach and nonreligious functions like providing health clinics and daycare centers. It also has different factions, including a conservative wing whose interpretation of Islam runs counter to broad electoral participation, and a younger, more liberal wing who are more inclined to work through a secular, political process.

In any event, I expect the Muslim Brotherhood will likely be a part of the political process in Egypt, as will other opposition groups. What we saw in Egypt was far broader than the Muslim Brotherhood and included people of different faiths, ages and walks of life.

What's happening in the Mideast is yet another manifestation of the fact that economic challenges have become paramount in our interdependent world and cannot be underestimated from increasing debt to fluctuating growth to China's economic rise.

Another example of such interdependent challenges are cyberthreats and their impacts on our national security and economic prosperity. This threat is increasing in scope and scale. Industry estimates that the production of malicious software has reached its highest level yet with an average of 60,000 new programs or variations identified every day.

Moreover, we're seeing a rise in intellectual property theft. Industry has estimated that the loss of intellectual property worldwide to cybercrime continues to increase with the most recent 2008 annual figures approach \$1 trillion in losses. While costs are extremely difficult to pinpoint, we believe this trend is only getting worse.

Last year, some of our largest information technology companies discovered that throughout much of 2009, they had been the targets of systematic efforts 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 secret sauce, if you will, of most of these companies.

Along with following current cyberthreats, the intelligence community is analyzing the interconnected implications of energy security, drug trafficking, emerging diseases, water availability, international organized crime, climate change, 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 I consider it imperative that we must sustain a robust, balanced array of intelligence capabilities.

Fourth: Counterintelligence is another area of great concern to me. We face a wide range of foreign intelligence threats to our economic, political and military interests at home and abroad. In addition, 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 prominent example recently is the unauthorized downloading of classified documents, subsequently released by WikiLeaks. From an intelligence perspective, these disclosures have been very damaging.

I want to assure the committee that as part of a 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 will respond to the problems of intrusions and leaks, but we must do without degrading essential intelligence integration and information sharing.

In sum, the intelligence community is better able to understand the vast array of interlocking concerns and trends, anticipate developments and stay ahead of adversaries, precisely because we operate as an integrated community. And our presence here today, I like to think, is a manifestation of that.

This is a segue for me to say a few words about the value and size of the Office of the Director of National Intelligence, as that too has been a subject of extensive debate.

Shortly after I became the DNI six months ago, I commissioned a thorough review of the organization in the context of the Intelligence Reform Law, other statutes and executive orders and what they direct the DNI to do. I decided we could reduce or eliminate some functions not required by law or executive order that are not core missions.

I also identified elements that should transfer out of the ODNI to another agency that would carry out these services of common concern on behalf of the DNI -- or said another way, we don't have to do everything on the DNI staff. Based on this efficiencies review, the Office of the DNI is being reduced in size and budget. And I look forward, at a separate time, to presenting our plans in detail to the committee.

I think the value added by the ODNI is the integration of intelligence efforts and activities -- in particular, the harmonization of collection and analysis to ensure that the community is acquiring the best possible intelligence and providing the best possible analysis on the difficult issues that the nation faces.

I thank you and the distinguished members of the committee for your support to the intelligence community and your dedication to the security of the nation. My colleagues and I look forward to your questions and our discussion.

SEN. FEINSTEIN: And yours is the only statement?

MR. CLAPPER: Yes, ma'am.

SEN. FEINSTEIN: All right. I'll begin the questions.

I wanted to ask you a couple of questions about the Muslim Brotherhood. How committed is it to the Egyptian-Israeli peace agreement?

MR. CLAPPER: That's a hard question to answer, Madame Chairman, because of the factors I outlined about the heterogeneity, if you will, of the Muslim Brotherhood.

I would assess that they're probably not in favor of the treaty. That I think, though, will be one voice in the emerging political milieu in Egypt, since they have indicated they want to form a political party and that will be one voice.

I think it is also worthy to note that the SCAF -- the Supreme Council of the Armed Forces -- has reaffirmed its commitment to, actually, all treaty commitments, and particularly the Egypt-Israel peace treaty.

SEN. FEINSTEIN: What to the best of the intelligence community's knowledge is the position of the Muslim Brotherhood on stopping weapons smuggling into Gaza?

MR. CLAPPER: Again, I don't know that there is a stated position of the Muslim Brotherhood on this issue. I would surmise they're probably supportive of that. But again, it's hard to, at this point, point to a specific agenda of the Muslim Brotherhood as a group.

SEN. FEINSTEIN: What is its position with respect or relationship with respect to Iran?

MR. CLAPPER: That too remains to be seen. I think Iran, of course, would like to exploit the situation -- not only in Egypt, but elsewhere in the region which are undergoing some upheavals. And I think what that relationship would turn out to be -- again, it remains to be seen and we're certainly going to watch for that.

<u>SEN. FEINSTEIN:</u> The reason I asked these questions is because, you know, in the various television coverage there's been a lot of commentary to the fact, well, the Muslim Brotherhood really only represents about a third of the people.

Well, when you don't have a wide spectrum of political parties, a third of the people is a lot of people -- any of us could tell you that. You really take seriously any opponent that represents a third of the constituency.

And I think it's been passed off as, well, it's secular and it wants a secular government. And I think from an intelligence perspective, it is critical that we know what is that position and what is apt to happen. Egypt is the key country in the Middle East and I worry about that.

MR. CLAPPER: Well, we share your concern, Madame Chairman, and this is obviously something we're going to watch. We're going to have to step up our observation. We're going to have to see how the constitutional reform effort unfolds. One of the -- at least one of the members of the constitutional reform committee does represent the Muslim Brotherhood, so they will be participating in that process. So as that unfolds, obviously we're going to be watching that very carefully to determine just what the agenda will be of the Muslim Brotherhood.

SEN. FEINSTEIN: One other question. In the week leading up to the major protests in Egypt, on January 25th, after Tunisia's protests were in full force, how many warning products did the IC write on Egypt?

MR. CLAPPER: The key event, at least from my vantage, was the sudden, snap decision made by President Ben Ali in Tunisia about the 14th or 15th of January. I am convinced that the day he drove to work when that happened he wasn't planning on doing that. That was a very quick decision on his part. When that happened we, I think, upped the game there on describing the general conditions elsewhere in the region and what the potential would be for the "contagion" -- to use the now-popular term -- as that might affect Egypt. And so we track that very carefully.

We can certainly provide you an accounting of specifically I think -- and in fact --

SEN. FEINSTEIN: You have, and I've been through it.

MR. CLAPPER: Stephanie Sullivan did in her follow-up to a question that came up during her hearing.

SEN. FEINSTEIN: Yeah. I believe that most of it came from CENTCOM, where there was some, as opposed to the IC. And the reason I bring that up is I think that's lacking on our part. Really not to include this kind of open source -- I mean, I'm not a big computer person but I looked at Facebook -- and I'm not a member of Facebook -- and you could get right in and you could see everything about it and all the comments of people. And it seems to me that this ought to be watched very carefully to be able to give our policymakers and our leadership some advance notice. And I think we were at fault in that regard.

MR. CLAPPER: Well, we can always do better. And not -- there's always room for improvement here, but we -- the Open Source Center, which I think has done some marvelous work -- and it might be worth a separate session on their observation of the media in all of these countries -- the classical print media; electronic, to include radio and television; and social media -- and the analysis they've done -- they were doing on that. And as you've seen and as you've observed, correctly so, this is a huge area that we need to watch. I have to also say, though, that social media does not represent a command-and- control network. So the fact that there's a lot of activity certainly is an indicator, but it doesn't necessarily give you the specific time and circumstance of the events that occurred both in Tunisia and Egypt.

SEN. FEINSTEIN: Mr. Panetta, you wanted to respond?

MR. PANETTA: Yeah. If I could just add to that -- since -- we've been watching this since 2007, looking at social networks and what's going on there. It is a huge -- it is a huge responsibility because of the tremendous growth in information. Just to give you an idea, there's 600 million Facebook accounts out there. There's something like 190 million Twitter accounts. There's 35,000 hours of YouTube that is upgraded (sic) every day. So there's a massive amount of data out there, and the real challenge is how to be able to -- going through the diversity of languages, going through the different sites that are out there, how do we look at the relevant websites to be able to draw from them the kind of information that will help us? So this involves a tremendous amount of analysis.

I think the Open Source Center has done tremendous work at trying to monitor these areas. I mean, the fact that you're on a website or a social network is not necessarily predictive of what will take place. Having said that, it's really important for us to monitor these areas and try to get the best sense of what networks, what websites are having the largest impact.

SEN. FEINSTEIN: Thank you.

Mr. Vice Chairman? Sorry, I took --

SEN. CHAMBLISS: No problem.

Director Clapper, it's unfortunate that the press tended to misconstrue what you had to say with respect to the Muslim Brotherhood. Those that know you and know the community knew exactly what you meant. And I just have one other follow-up on that particular issue -- and Director Panetta, if you have any comment on this also, I'd appreciate it. Do you consider the Muslim

Brotherhood an extremist Islamic organization or is it an Islamic organization that certainly has some members who may be extremists?

MR. CLAPPER: I would probably go for the latter characterization. There are clearly other places -- there are extremists, no question about it, in the Muslim Brotherhood, and it -- again, its agenda varies from country to country. There is an umbrella organization -- international organization which really doesn't specifically direct the individual chapters or franchises.

SEN. CHAMBLISS: Okay.

Director Panetta, any comment?

MR. PANETTA: I think I'm -- the director of DNI has stressed this but it's important to make the point: This is not a monolithic organization. It's an organization that goes back to the 1920s, and it varies from area to area. I mean, if you look at different countries and different versions of the Muslim Brotherhood, they have different characteristics, they have different approaches. There are groups of extremists that are part of some of these areas. There are lawyers and professionals that are part of the Muslim Brotherhood, for example, in Egypt. And so it's very difficult to kind of say, okay, they are extremist. It is clear that within the Muslim Brotherhood there are extremist elements that we have to pay attention to, and that's something we watch very closely to make sure that they are not able to exert their influence on the directions of governments in that region.

SEN. CHAMBLISS: Director Mueller, I talked in my opening statement about the extension of the three Patriot Act provisions on "lone wolf," roving wiretaps, and access to business records. There's been a lot of I think misinformation put out in the media particularly over the last several days with respect to these three provisions. I'd like for you to address those three provisions and to particularly address these four questions: One, why are they important and necessary authorities; do you support making those three provisions permanent; what are the operational problems caused by sunsetting those provisions; and do you have the authority under these provisions currently in law to access information without a court order?

MR. MUELLER: Sir, let me start with the three provisions as you pointed out. Let me start with the business records provision, which allows us to go to the FISA court and obtain an order to produce records that may be relevant to, say, a foreign intelligence investigation relating to somebody who's trying to steal our secrets or a terrorist. Upon us showing that, the records sought are relevant to this particular investigation -- specifics showing it is, the FISA court would issue an order allowing us to get those records. It's been used over 380 times since 2001. It provides us the ability to get records other than telephone toll records, which we can get through another provision of the statutes, but allows us to get records such as FedEx or UPS records, if you had something along the lines of what the chairperson indicated, the recent attacks, or records relating to the purchase of hydrogen peroxide or license records. Records that we would get automatically with a grand jury subpoena on the criminal side, the 215 process allows us to get on the national security side.

If we did not have that capability we would be exceptionally limited to the records that we can get, and the foundation for the continuation of an investigation where we may want to get a wire

intercept, for instance, would be undercut by our inability to get the base records that would be necessary to pursue the investigation.

One thing -- one point I'll make with each of these three provisions is that we have to go and make a showing to the FISA court in order to get the order directing the production of those records.

The second provision is the roving wiretap provision which enables us, when we make a showing that the target of our surveillance is attempting to thwart that surveillance -- when we make that showing to the FISA court, the FISA court will issue an order allowing us to focus on that individual, as opposed to each particular telephone that individual may be using.

If we go and make a showing that a -- an intelligence officer from some other country is changing his telephone number daily or weekly, rather than having to go back to the FISA court each time he changes that number, the FISA court order allows us to stay on that individual regardless of the change of telephone number, having made a showing that he is trying to thwart surveillance. Again, this goes through the FISA court.

If we did not have that provision, it would make it exceptionally difficult in situations where there are so many means of communications now which -- and this order, this particular order enables us to focus on the person without going back daily, not weekly, to get a change of order from the FISA court.

The last provision is called the lone wolf provision. It indicates that an individual, non-U.S. citizen whom we have reason to be -- believe involved with terrorists, we can use the FISA authorities by going to the FISA court and showing that this individual is involved in terrorist activities, but do not have to make the additional showing that he is an associate of a particularized terrorist group.

Back in 2001 with Moussaoui, who was here in the United States taking flight lessons, the issue was whether or not he was tied into a particular terrorist group. If you could not make that tie, we could not use the FISA authorities, and this particular provision was put into the law to avoid that particular circumstance happening again and allowing us to go up on a non-U.S. citizen who was involved in terrorist activities with the approval and the order of a court.

And while we have not used this provision yet, we can anticipate the circumstances in the future where we would have to utilize that provision.

SEN. CHAMBLISS: And making them permanent and problems with sunsets --

MR. MUELLER: Yes. I recommend doing it permanently. I believe that the procedure is in place with the FISA court, the court -- the due process required. And every time we come up to a day in which it is going to lapse or sunset, we are in a degree of uncertainty as to what's going to happen after that.

If there is not the continuation of it, we then have to go back and go through thousands of investigations to look at what impact the lapsing of these provisions will have in our ability to

pursue those investigations down the road, and what tools we might have to further those investigations.

And so each time it comes up it -- we're in a period of uncertainty until it is reauthorized for a particular period of time. And quite obviously I would be -- I would suggest that, given the threats we face, the provisions of these particular rules, that it would be appropriate to permanently reauthorize these three provisions.

SEN. CHAMBLISS: Thank you.

SEN. FEINSTEIN: Thank you, Mr. Vice Chairman.

Senator Wyden?

SENATOR RON WYDEN (D-OR): Thank you, Madame Chair, and thanks to all of you for the service that you are rendering our country.

Gentlemen, I don't take a back seat to anyone when it comes to protecting intelligence sources, operations and methods. That is absolutely crucial to the security and well-being of our country.

But I will tell you I am increasingly troubled about the intelligence community's reliance on secret law. And this is the legal interpretations of the key laws, instances where government agencies are relying on a secret interpretation of what the law says without telling the public what the interpretations are. And to me, if there is a gap between what the public believes the law is and what the government secretly thinks the law is, I think we've got a problem on our hands.

So let me start with you, Director Clapper, with a question that gets into the Patriot Act, because that's obviously a key one we're going to have to deal with in the days ahead.

Director Clapper, do you believe that members of the American public now have enough access to key information to figure out how our government is interpreting the Patriot Act?

MR. CLAPPER: Sir, I do believe there is a wealth of information there. I would refer to the Department of Justice or FBI Web pages on this subject as a source of public information. There are -- there is in the case of the Patriot Act potentially, you know, a -- what I think is a fairly small segment of that which is secret, much -- for much of the reason you outlined. That's why these activities are overseen by a court and as well overseen by the intelligence committees on behalf of the American public.

I think it's our objective to make this as transparent and explainable to the American public as possible, and minimize as much as we can that which is secret.

Bob, do you want to add to that?

MR. MUELLER: I think what I would say is I do believe that the legal opinions of the Department of Justice are made available appropriately; that is not to say that an opinion that is classified, that is widely distributed. But I know that there is a distribution discussion with

Congress even in those areas in which there is substantial classification. But again, I'd have to defer to the Office of Legal Counsel in Justice to determine how that process goes forward.

SEN. WYDEN: I'm talking, Mr. Mueller, about the American people. And I believe that the American people would be absolutely stunned -- I think members of Congress, many of them, would be stunned if they knew how the Patriot Act was being interpreted and applied in practice.

Now, I voted last night for the short-term extension. I'd rather deal with this now and permanently, rather than kicking the can down the road. But I'm going to insist on significant reforms in this area.

We're not talking about operations and methods. Those have got to be protected for the security of the public. But there is a huge gap today between how you all are interpreting the Patriot -- you know, Act, and what the American people think the Patriot Act is all about, and it's going to need to be resolved.

So let me follow up with the second question for you, Mr. Clapper, again in this regard. And this deals with your authority to take action against Americans who've taken up arms against the United States.

A year ago your predecessor, Director Blair, said, and I quote, "We take direct actions against terrorists in the intelligence community. If we think that direct action will involve killing an American, we get specific permission to do that." Now, that is obviously a statement with great consequence, and it certainly raises a lot of important issues.

In my experience, you don't see a government official making a statement like that without an extensive amount of legal analysis. I've asked for that legal analysis; nothing has been handed over yet, which again drives home the point that when we're talking about operations and methods, absolutely, we have to protect the men and women in the field.

But we ought to have these legal interpretations, and I'd like to know your answer to my question in this regard, with respect to getting that interpretation in our hands.

MR. CLAPPER: Well, I -- I think I speak for all of us -- are committed to ensuring that the Congress understands the legal basis for intelligence activities, any intelligence activity. In fact, this is a requirement of the Intelligence Authorization Act for FY '10. And it's my understanding that the members of the committee have been briefed on these and other authorities.

I think the issue that you get to, and at the root of your question, is what Director Mueller alluded to, which is the actual provision of the formal written Office of Legal Counsel opinions at the Department of Justice and whether or not they, in their entirety, can be provided to Congress, which is kind of not our -- at least not my -- call to make. But I will assure you I am committed to ensuring that Congress understands the legal basis for any and all intelligence activities.

SEN. WYDEN: Well, right now, with respect to the executive branch's official interpretation of what the law means, we're not getting it. And I think that's an issue -- well, my round has expired, so we can continue this -- that I'm going to insist on reforms here. I want to see us come

up with a bipartisan set of reforms for the Patriot Act; we're not there yet. And I'll look forward to continuing this conversation.

Madame Chair, thank you.

SEN. FEINSTEIN: Thank you very much, Senator.

Senator Udall, you are up next.

SENATOR MARK UDALL (D-CO): Thank you, Madame Chair.

Good morning, gentlemen.

Maybe I could turn to cyber. I serve on the Armed Services Committee as well as the Intelligence Committee and this is of increasing interest in both sectors. Could you all respond to how much that our security posture has improved and how do you measure such progress? For instance, intrusion rates -- are they dropping for .mil or .gov systems and how have our cyber defenses forced our adversaries to change their tactics and, if you will, up their game to penetrate our networks? I'm not quite sure who to start with but would welcome -- maybe General Clapper, if you'd -- (inaudible).

MR. CLAPPER: Well, let me start, sir. I think at this -- in this setting I can say that certainly the threat has increased and, you know, I've tried to outline some of the manifestations of that in my opening statement. But I also think we're making progress in defending our cyber, particularly in -- at least in the government- military realm and I would ask your forbearance in going into specifics, statistics and where are the sources of the attacks and et cetera in a -- in a closed session.

SEN. UDALL: Thank you for that appropriate response. Other members of the panel? Director Panetta.

MR. PANETTA: Well, Senator, I said this the other day and I'll repeat it -- that I really do think that the cyber area is the battleground of the future -- that we are talking about increasing capabilities, increasing imaginative uses of cyber that I think hold the potential for basically being able to paralyze and cripple a country if it's -- if it's used to bring down a grid system or the financial systems or the government systems of the country.

So it concerns us a great deal. We're seeing more attacks out there. We've got to -- I think we have successfully defended against many of those attacks but at the same time I think we've got to be aggressive at making sure we know how these attacks are coming.

SEN. UDALL: Director --

MR. MUELLER: Mueller.

SEN. UDALL: -- Mueller.

MR. MUELLER: Yeah. Yes, sir. I think all of us believe that each of our entities is -- has got to grow substantially over the forthcoming years to address cyber attacks in all of their -- in all of the -- their iterations. One of the problems we have is at the outset of an attack you do not know whether it is a foreign country, foreign government, somebody affiliated with a foreign government, a group of hackers or the high school student across the way, and we are all aligned in our particular specialties -- counter intelligence if it's a foreign government, criminal if it's somebody who is intruding for criminal purposes.

One of the entities we've established which is very helpful is called the National Cyber Investigative Joint Task Force where representatives of all of us sit together so that if there is an intrusion we have all of our areas of expertise including NSA, quite obviously, to try to identify that intrusion and then determine how we best follow and track that intrusion. And so while I think all of us would agree that cyber threats are increasing dramatically -- daily, monthly, weekly -- we understand that we have to come together and work very closely together in order to attribute those attacks and then pursue and deter those attacks in the future.

SEN. UDALL: Others who wish to comment on the panel? I would note that the chairwoman led a delegation of senators to China last year and we had a series of conversations with Chinese leaders about working together in this area. It strikes me that nation-states, multinational corporations, institutions of all types have an interest in working together. It may be more the insurgent kinds of groups that are the -- that are the threat here.

We clearly know more about how to go on offense than to play defense. But I appreciate the attention all of you are paying to this important area and I know the committee will continue to learn more at closed briefings and work to see if we can't understand better how we meet this threat. So thanks again for your service and for being here today.

SEN. FEINSTEIN: Thank you, Senator Udall. Senator Coats.

SENATOR DANIEL COATS (R-IN): Thank you, Madame Chairman. First of all, I want to thank everyone at the --

SEN.: Mike's -- (inaudible).

SEN. COATS: Thought I had it on. First of all, I want to thank everyone at the table here. Your job is immensely complex and the multiplicity of threats that you have to deal with is such that it's -- you're on call 24/7. So I hope we can provide you with coffee sometime during this hearing. (Chuckles.) But I just appreciate the hard work all of you are putting in in trying to provide security for our country in a really, really complex difficult time.

Director Clapper, I also appreciate your clarification of your statement on Muslim Brotherhood. All of us who stood for election understand how sometimes given a second chance we would have elaborated or not said anything. Wasn't it Will Rogers who said never pass up an opportunity to shut up? I've faced that situation a number of times and should have used his advice.

I do want to ask you, however, about another statement that you made. It's on Page 4 of your statement and I'll quote it and I think you even mentioned it in your opening statement: "We

continue to assess Iran is keeping the option open to develop nuclear weapons in part by developing various nuclear capabilities that better position it to produce such weapons should it choose to do so. We do not know, however, if Iran will eventually decide to build nuclear weapons."

I've got three things that bother me or concern me about that statement. Number one, if we look at what has happened over the past several years with Iran's extravagant and continuing efforts to defy U.N. Security Council resolutions -- if we look at its abrogation of its safeguards agreement, the regime's toleration of broad international condemnation, the ever-ratcheting sanctions that we're imposing against it, to me it's hard to -- I mean, even in the face of domestic unrest the defiance seems to be extraordinarily strong and unremitting and it's hard to conclude, I think, that Iran isn't pursuing that. If they're not they're playing a -- quite a game of bluff.

Secondly, I'm concerned that such a statement might undermine the resolve to go forward and apply even stronger sanctions. I think that's been suggested by some in the administration that even the current level of sanctions doesn't seem to be having the desired effect. Some effect, perhaps -- hopefully better. But there is some serious thought by a number of the leaders within the administration saying even this is not enough and we may need to do more.

And then thirdly, I think my concern with the statement is that even if they have not taken the enriched uranium to the point of constructing a nuclear weapon isn't it just a short matter of time delay between having the capabilities all in place and actually developing the weapon? I'm just concerned about waking up some morning and you'd have been waken up at 3:00 a.m. and I would turn on CNN and hear that Iran has successfully tested a nuclear weapon capability. I just wonder if you want to elaborate on that statement a little bit because -- for the reasons that I suggested.

MR. CLAPPER: Senator Coats, it's obviously a great question and as you may have heard or seen we have completed a -- what's called a memorandum to holders which is an update of the 2007 National Intelligence Estimate that was done on this very issue which is scheduled to be briefed to the committee staff this afternoon and right now scheduled to be briefed to members the week of 14th of March. I have the National Intelligence officer who led that update present here today should you want to get briefed. I think, though, the direct and fulsome answers to your very relevant and pertinent questions would be best addressed in a closed session.

SEN. COATS: All right. Well, I'll assume -- I'll tell you what I'll do. I'll set aside my reaction to your statement assuming that perhaps there's more to be learned about this that might better clarify that statement.

MR. CLAPPER: Yes, sir. That's -- the statement represents what, you know, we judge we could say publicly. There obviously is much more detail that underlies that statement and I think that you should hear that -- (inaudible).

SEN. FEINSTEIN: Senator, the briefing --

SEN. COATS: Madame Chairman, I don't think I should go any further down this road.

SEN. FEINSTEIN: The briefing will be classified --

SEN. COATS: I understand.

SEN. FEINSTEIN: -- so you will get everything you need.

SEN. COATS: I understand. I just, for the record, wanted to clarify your current thinking on the public statement that was made.

And I thank the chairman.

SEN. FEINSTEIN: Thank you very much, Senator.

Senator Conrad, next.

SENATOR KENT CONRAD (D-ND): Thank you, Madame Chairman.

And I'm new to the Intelligence Committee and I just want to say how impressed I am by your leadership --

SEN. FEINSTEIN: Oh!

SEN. CONRAD: -- and by the way you and the ranking member work together on this committee. This is the way it should be. And I'm delighted by what I've seen already.

I also want to say to the gentlemen here testifying how deeply impressed I've been by what I've learned about the operations that you have under way -- things that we cannot talk about.

I have been so struck by criticisms in the press directed at you that you can't respond to. But the American people should know what I've learned here tells me you have had remarkable success. I am so impressed by information that was provided specifically on Egypt. Truly, you know, at some point in the history, there will be a chance for the stories to be told of what you've done and it's really remarkable.

I want to go back to the question of cyber, because as I look across the broad front of threats to this country, I think it's a place that's getting too little attention. Senator Whitehouse -- who served on the committee; who was very involved in these issues -- had a chance to brief me. He talked about the very good work Senator Mikulski and Senator Snowe have done with him on a major report on the cyber threats.

General Clapper, I picked up on your statement about \$1 trillion in costs of cyber attacks. Can you clarify: Is that a cumulative total? Is that private sector losses? Can you give us some sense of --

MR. CLAPPER: It's a cumulative total based on private sector estimates of what they believe has been lost because of cyber intrusions -- primarily from criminals, hackers and the like.

SEN. CONRAD: You know, if we put that in perspective, I mean, this is a staggering, staggering number. A trillion dollars in losses because of cyber attacks.

And if we look at 2010, we had Google reporting their announcement on penetration of their systems. We had disclosure of the compromise of classified DOD networks; we had the Stuxnet virus discovery. We had the report on NASDAQ systems being attacked.

I'm not certain that there is a public recognition of how significant these cyber attacks are and the threat they pose to our country.

I would ask this, because I know it's very difficult in this open session for us to have a full conversation, but I'd like to hear from you how you would characterize -- witnesses who are here today -- characterize our efforts on the cyber front.

MR. CLAPPER: Well, it's like many things we do: Good, but could be better. I think there is realization -- at least among myself and my colleagues here -- of what the threat is. I think Leon has characterized it very well. And there is more to be done.

Obviously, the Congress is very involved in this. There are multiple legislative proposals that have been made on how to do this, so we await the outcome of that.

One thing you alluded to, Senator Conrad, which I think is right on the money -- and Senator Whitehouse, former member of this committee, spoke to this, as has Senator Mikulski -- and that is the need -- and we have a responsibility here to do better in attempting to educate the public at large about the magnitude of this threat.

In my former capacity as undersecretary of Defense for Intelligence in DOD, I was party to a number of industry fora that the department led -- first by Gordon England and carried by Bill Lynn, the current deputy secretary -- who, by the way, has been a tremendous proponent for doing this -- just focusing on the Defense industrial sector.

And I believe there is a growing awareness -- certainly among the principle -- the leaders of the principal industries affected of what needs to be done. And there is an emerging partnership here that's gotten better and better. But I think a point that you alluded to, which I think is right on the money, and that is the need for us to be more forthcoming with the magnitude of the threat -- I mean, with obvious due deference to security and sources and methods.

<u>SEN. CONRAD:</u> You know, one thing I've noticed is the private sector -- they're very reluctant to have any publicity about successful attacks on them. And so that means the public is not fully aware of how successful some of these attacks have been.

And my time is expired, but I'm very interested in following up in terms of what we can do on this committee, and more broadly, in Congress to help respond to what I think is a growing threat that is extremely serious to the national security.

I thank the chair.

SEN. FEINSTEIN: And I thank you, Senator Conrad.

Senator Warner is not here.

Senator Blunt, you're up. Oh, he is not here.

Senator Snowe.

SENATOR OLYMPIA SNOWE (R-ME): Thank you. Good timing.

SEN. FEINSTEIN: Yes, excellent.

SEN. SNOWE: Thank you, Madame Chair.

Director Clapper, I wanted to follow up on some of the issues that were raised by my colleague Senator Kent Conrad about the issue of cybersecurity, because there are multiple facets to this issue that, you know, exposes our vulnerability and so obviously, one of our greatest threats. And that's why I've been working on, you know, this initiative with Senator Whitehouse, as well as Senator Rockefeller and Senator Mikulski.

On one dimension of that that has, I think, gotten attention this week -- and I wanted to ask you about it -- and I know that you have mentioned in your testimony in the past about the degree to which, you know, we're seeing more malicious cyber activity targeting U.S. companies, that almost two-thirds of U.S. firms have reported that they've been the victim of cybersecurity incidents or information breaches, which is more than tripled from 2009, according to what you've indicated.

Now, you're a member of the Committee on Foreign Investment in the United States. And as I understand it, CFIUS -- as it's known -- informed Huawei that they should divest themselves of the 3Leaf Systems, which is a California-based server company. They have rejected that and I gather they're waiting as to whether or not the president would make a determination, take any action. And he has 15 days in which to do it.

I'd like to get your comments on your view of this company. But it does present a serious problem, because obviously, a lot of American companies are going to be purchasing this technology. They have no guidance, no understanding. We haven't obviously, yet the policy to understand the manner to which -- the degree to which that they can penetrate our systems. You know, we understand the serious vulnerabilities involved and the threats that are involved. And so this is a good example of one of the problems that we are facing in this country.

In addition to that Huawei -- you know, there's the U.S.-China Economic and Security Review Commission issued a report in January that talks about how Huawei maintains a cooperative agreement with the China Development Bank worth \$30 billion. And as you know, Huawei has been subject to numerous questions in terms of its association with respect to its management and close ties to the Chinese military -- not to mention the billions of dollars of potential subsidies that makes our countries -- companies vulnerable here in the United States to that as well.

So can you comment on, you know, your views on that and where do we go from here?

MR. CLAPPER: Well, I probably shouldn't get into the specifics of Huawei, since this is a matter of some -- of litigation within the government.

I would say, though, that what this highlights is the importance of understanding supply chains. And this is one of the -- well, the two-edged sword of globalization has been the interdependence of the industries -- and particularly in the telecommunications business where there's been a collapsing of these large companies as they've merged.

And so the whole issue of -- rather than singling out Huawei, which is just one example -- there are others -- of ensuring that our -- our industry is aware of, in a very specific way, of the supply chain implications and what the security threats that are posed when we depend on foreign concerns for key components in any of our telecommunications network. --

<u>SEN. SNOWE:</u> Well, you know, I see in the report of the commission that it not only identifies - (word inaudible) -- but I think also another company, DTE. So obviously, these are major global manufacturers. So they obviously have enormous implications.

Now, there's a company in Maine, for example, that I gather was approached, Director Mueller, by the FBI with respect to their purchase of -- (word inaudible) -- equipment and was asked not to use that equipment.

So this is the problem here as we go on down the line for a company -- you know, obviously, they chose to go forward with it. But, you know, these companies don't have any direction. They don't have, really, the benefit until it's too late of any information.

But this is going on exponentially especially with companies the size of -- (word inaudible). And so, Director Mueller, I don't know if you can comment on this particular case or not. It doesn't identify the company. But nevertheless to say that they were, you know, approached by the FBI because they had used them to purchase their equipment and had, obviously, had made a significant investment already.

MR. MUELLER: I don't think I can speak to the particular case but would be happy to get you the information and discuss it in another forum.

SEN. SNOWE: I thank you. I guess it points to the issue as to how we're going to review this whole process. Do we think it's working right currently, General Clapper?

MR. CLAPPER: Well, this is related to a previous response about better outreach, better education. If we become aware of pending tractions -- and I'm not singling out -- (word inaudible) -- but any of these where there is a national security implication. I have been working this with the office of the national counterintelligence executive which is embedded in the DNI staff on this very issue.

How can we do broader outreach to ensure that, if we learn of them, that there are such pending transactions which could have -- again, dependent on foreign supply chain -- which could have national security implications? I think we need to do better at our outreach. But one of our problems is finding out about these transactions that are pending right at the eleventh hour.

SEN. SNOWE: Well, I think that that's the point. I mean, is the current CFIUS process working? I mean, do we need to do something differently? And I think that is something

that, Madame Chair, that we need to be working on with you regarding this issue because it could get beyond us.

MR. CLAPPER: I'm not really in a position to comment on how -- (inaudible) -- effect in the CFIUS process. I do think, though, that once it reaches a CFIUS transaction, that the intelligence community's views are made known.

SEN. SNOWE: You're a member, though. You're a non-voting member. Is that right?

MR. CLAPPER: I think that's my status, yes.

SEN. SNOWE: Okay. But there are seven agencies -- seven departments that are involved.

MR. CLAPPER: Right.

SEN. SNOWE: Clearly, something -- I'm wondering if it is too late by the time it gets to the attention of this committee. That's something we need to look at.

Thank you.

SEN. FEINSTEIN: Thank you very much, Senator Snowe.

Senator Rubio?

SENATOR MARCO RUBIO (R-FL): Thank you.

This question's for Director Mueller. I want to talk a little bit --

SEN. FEINSTEIN: I beg your pardon. If you could hold up, I missed a very important member, Senator Mikulski, who was next.

SENATOR BARBARA MIKULSKI (D-MD): Madame Chair, I'm the longest woman serving. Thank you for helping me not to be the longest waiting.

SEN. FEINSTEIN: Yes. (Laughter.)

SEN. MIKULSKI: First of all, General Clapper and to all at the table, we really do want to thank you for your service. The fact is Senator Conrad said the enormous successes that we've had, the fact that there's not been another major attack on the United States of America, says something's got to be working and working pretty well. So we want to thank you for that.

Also, General Clapper, I want to thank you for bringing the array of your intel team to speak here. Usually, it's only the DNI, and I think it adds to a very robust way to have all of you here.

I want to focus, if I could, on Director Mueller. First of all, Director Mueller, we've been together for 10 years. You came to the FBI just a few weeks before the horrific attack on the United States and the terrible events at the World Trade Center. Your term expires in September.

So one of my questions will be: As we look at every issue of the day, whether it's a Twitter revolution, Wikipedia (sic) leaks, whatever, in your decade now as you are looking at it, what would you say and advise the committee are the top issues that we need to maintain an enduring vigilance over as we respond to fast-breaking, late-breaking events of the du jour? Because the committee has to be in it for what are with the enduring threats and what do we really need to stand sentry with from your perspective at the FBI.

MR. MUELLER: Well, if you look at --

SEN. MIKULSKI: Well, in your collaboration with the intel community.

MR. MUELLER: If you look at the array of threats that we face and you prioritize them, quite obviously, it's the threats from terrorism coming out of the FATA, Pakistan, Afghanistan, given Shahzad, Zazi, the cases that we've had where either TTP or al-Qaida have contributed to the ability of persons to try to undertake attacks in the United States; Yemen, with the printer bombs as an example as well as the Christmas Day attacks, with the ability of individuals to come up with ingenious ways of constructing IEDs to get through our various checkpoints; Somalia.

But then also we cannot forget domestic terrorism in the sense that militias, white supremacists --continually in the back of our mind, there is the Oklahoma City and the McVey that we have to be alert to.

And so the array of terrorist threats are not going to go away in the near future.

Second to that, which is as important, is the threat of spies. And we go to the cyber, and this will lead into the cyber arena. In the days of old, intelligence officers would operate out of embassies or what have you and you'd have a way of addressing them. Today, it's as easy, if not easier, to insert or intrude into various systems and exfiltrate the information you need and with far less risk to the individuals.

And then the third area, which has been alluded to here, is the growth of cyber and all of its iterations. And by that I mean a criminal robbing banks, the theft of intellectual property, exfiltration of information from DOD or others. It is not lost upon us that several years ago, a group of individuals brought Estonia to its knees as a result of a displeasure at actions that the Estonian government had undertaken. And, more recently, in Georgia, before the Russians attacked Georgia, it's no secret that they went a far ways to dismantling the command-and-control capabilities of the Georgian authorities.

And so in terms of terrorism, that would be a high priority, but also protecting our secrets from those governments and other individuals who want to steal them and then preparing -- particularly NSA and others -- the cyber -- I don't want to call it a battlefield -- but the cyber arena which has both offensive as well as defensive responsibilities.

SEN. MIKULSKI: Which takes me to something unique to the FBI, which is the role of organized crime. Often in the old days of either the CIA agent with the tan raincoat running down alleys or trying to turn people or the old gumshoe days of the FBI, you now have essentially non-nation-state actors in the field of organized -- we're talking about organized international crime.

Do you see that as a threat to our critical infrastructure where organized crime through, particularly in the area of financial services -- the NASDAQ intrusion, for example, where they could have done flash trades or any number of things that could have had a devastating effect. It would have been another attack on Wall Street, far less visible, but even more as -- equally as devastating.

Would you comment on the role of organized crime and the world of cyber? And is this another area where we need to be -- stay right on the edge of our chair?

MR. MUELLER: It's an area that we are focusing on.

I testified, I think, a couple of weeks ago -- I can't remember which panel -- but we focused on recent arrests we've made in eastern -- with the assistance of our Eastern European counterparts.

Inasmuch as there is a triangle of individuals in certain governments associated with organized criminal groups, as well as with businesses, that can obtain a stranglehold on a particular supply and utilize that stranglehold to extort monies or businesses, it's the evolution of organized crime from where we knew it in our cities with the traditional organized-criminal groups we went after to criminal groups throughout the world who have much more power, much more access to governmental authority, and much more access to the capabilities of utilizing cyber capabilities to attack and obtain the funds that ordinarily they would get by the payoff in a bar.

SEN. MIKULSKI: Got it.

Thank you, Madame Chair. I know my time has expired.

SEN. FEINSTEIN: Thank you very much, Senator.

Senator Rubio.

SENATOR MARCO RUBIO (R-FL): Thank you. Thank you very much.

First of all, let me begin by thanking all of you for your service to our country. This is, I guess, my first meeting on this committee. I'm new to all of this. And I beg your indulgence if I ask you questions that may have been established in previous hearings or what have you. But thank you again for your service. You have a very difficult job.

That being said, Director Mueller, what I wanted to ask was about high-value detainees. In particular, what is the primary mandate of the FBI when it interrogates high-value detainees? Is it to gather information for criminal prosecution, or is it to gather information so we can disrupt and prevent attacks?

MR. MUELLER: Obtain intelligence. Number one is to obtain intelligence.

SEN. RUBIO: In that light, then, the current interrogation techniques that are in place, are they sufficient to accomplish that goal, or do we need techniques to go outside the Army Field Manual?

MR. MUELLER: The techniques that we use and have been approved for use over a number of years are not necessarily co-extensive with the Army Field -- Army Field Manual. But our -- we continue to use them both domestically and internationally because they've been tried and tested over years. And they are sufficient, I believe, to obtain the information that we need.

SEN. RUBIO: Are they -- so it's your testimony that the techniques that we have in place today get us all the information we need from the high-value detainees that we are --

MR. MUELLER: I believe that to be the case.

SEN. RUBIO: Okay. And Director Panetta, the question -- my understanding, from the reading materials that I've been (checking?), is that the CIA provides backup on high-value detainees. Is that correct?

MR. PANETTA: That's correct. We usually are there, provide support, provide questions, and will work with the FBI to try to achieve the information that we are seeking.

<u>SEN. RUBIO</u>: I'm not here to trigger a turf war, but my question is, is that the highest and best use of the Central Intelligence Agency on these issues, or would we gather more intelligence if the CIA were empowered to do more?

MR. PANETTA: Look, the name of the game is to get the best intelligence we can to try to protect this country. And I think right now the process that we have in place to deploy these teams of interrogators -- CIA, FBI, the DIA -- is part of that process as well.

When we deploy those teams of interrogators to go after a high- value target, it brings together the best resources that we have in order to try to get the information we need. So it works pretty well.

SEN. RUBIO: Your testimony is that it's the highest and best use of the CIA, our current (policy ?)?

MR. PANETTA: I think that kind of partnership is the best way to use the resources from all three in order to get the information we need.

SEN. RUBIO: Now, and I don't -- maybe this is for everyone, or maybe you'll decide among yourselves who answers this. I'm interested in Afghan detainees in particular. Do we have the authority we need to hold and interrogate detainees outside of -- that are obtained in Afghanistan, outside of Afghanistan?

MR. PANETTA: With regards to --

SEN. RUBIO: Let me make this question simpler. I apologize. Maybe I didn't ask it right. The uncertainty over where to hold detainees outside of Afghanistan, is that impeding our intelligence- gathering efforts?

MR. PANETTA: No, it isn't, because, you know, any individual that we're after either comes under the jurisdiction of the country that they're in or, in cases of Afghanistan, they're usually put into a military facility. And that gives us the opportunity to go after and interrogate them there.

SEN. RUBIO: So the existing detention capabilities that we have in place today are optimizing our intelligence-gathering capabilities? Is that the testimony?

MR. PANETTA: The ability to detain them in a place where we can then interrogate them, that process works very well.

SEN. RUBIO: Okay. Rising recidivism from former GITMO detainees, how are we tracking that? I'm not sure what efforts are being taken to keep an eye on that. I know that's in essence -- what's the latest and greatest on --

GEN. CLAPPER: I think General Burgess, director of Defense Intelligence Agency, would be the best to answer that question, sir.

<u>GEN. BURGESS</u>: Sir, we have a system that has been in place now for a few years where we track the recidivism rate, and we put a report out quarterly dealing with that. And I think the report is fairly self-explanatory. It is a classified report, and it is provided to the committee and to the others.

But I think the process that we have in place is a good one. The concern is always confirmed, is one of those things that's a pretty set piece, suspected is -- you know, the devil is in the details, as I would say, where there is always some discussion on that as we come to our figures on recidivism.

SEN. RUBIO: And again, if we can't answer here, I understand. I'm not asking for numbers or figures that would compromise any information. I guess the general gist of it, is this an area of growing concern? Because I didn't see it mentioned in any of the statements, the recidivism rate from Guantanamo. Is that an area of concern for the intelligence community?

<u>GEN. BURGESS</u>: Well, yes, sir, it is. I mean, if we had one recidivist, that's one too many. So we are concerned about this, and we do track it. And that effort is a focus of the Defense Intelligence Agency. So, yes, sir, we are concerned about it.

SEN. RUBIO: Thank you.

SEN. FEINSTEIN: Thank you, Senator.

Senator Risch.

SENATOR JAMES RISCH (R-ID): I'm going to pass.

SEN. FEINSTEIN: Okay. I think we'll have one more round, and I'll begin.

Mr. Panetta and Mr. Leiter, I'd like to turn to Pakistan. I've become more and more concerned. It appears the ISI walks both sides of the street. The failure of the country to turn over two leading

-- one operator, one leader -- from the Mumbai attack to India; the reluctance to go into North Waziristan; the development of a safe harbor; the concentration of a number of terrorist groups in that safe harbor; the fact that Pakistan has major flood issues and yet has chosen to build another nuclear weapon, which to some, I think, seems a very bad choice at this time.

So I'd like to have comments from both of you on -- and Mr. Panetta in particular; you go there very often. I think we ought to really understand where we are with this country. And I won't go into the, you know, failings of a government, but I think there's every reason to believe that concern is rising over what the future is going to be.

MR. PANETTA: Madame Chairman, this is one of the most complicated relationships that I've seen in a long time in this town. On the one hand, obviously we are involved at targeting the leadership of al Qaeda there in the FATA. And we do get the cooperation of the Pakistanis in that effort in trying to target those individuals that concern us and that threaten this country, and threaten their country as well.

In addition to that, you know, we have gotten their cooperation on a military basis, being able to go into places like South Waziristan and have a military presence there, moving some troops from the Indian border for the purposes of doing that. And that has been appreciated as well.

At the same time, obviously they look at issues related to their national interest and take steps that further complicate our relationship and create tensions between our country and theirs. And that happens a great deal. And our effort is to try to work through those, because, in the end, what I try to convince the Pakistanis of is that we have a common enemy and we have common issues that require the cooperation and partnership of both countries in order to be able to deal with those threats.

But I have to tell you that it is very complicated and it does involve oftentimes conflicting viewpoints of how we deal with issues.

MR. LEITER: Madame Chairman, I think first I would say that your citation of points are fair and accurate ones of the challenges we face.

With respect to the terrorism situation in Pakistan, first I would note, we still see al Qaeda in Pakistan being at its weakest point since 9/11. Some of that has to do with what the Pakistanis have done with us; some of that is what they allow us to do. But it is critical that we have really hurt al Qaeda core in a very meaningful way. That being said, there are certainly weaknesses in that cooperation at times, and in particular I think the ongoing dispute that you note about the Mumbai attackers, feeds into the tension between the two nations and can also undermine some of our counterterrorism efforts, not just at al Qaeda but also Lashkar-e- Taiba.

SEN. FEINSTEIN: You, Mr. Leiter, made a comment at the House hearing about Lashkar-e-Taiba having the ability to strike the United States and Europe. Could you expand on that?

MR. LEITER: I can to some degree in this setting, Madame Chairman. What we have not yet seen is a history of them doing so. We are certainly concerned by some indicators we see of them expanding their horizons beyond the region. Certainly they have the capacity -- it's a large organization. What they did in India could theoretically be launched elsewhere. But we have not

yet seen those steps occur. I think the additional point that I would stress is they can still be a very destabilizing factor in the region. So even without striking in the U.S. or Europe, a further attack by Lashkar-e-Taiba in India would very much hurt our national security and our counterterrorism interests in Pakistan.

SEN. FEINSTEIN: What is -- Mr. Panetta, you mentioned trying to work through these issues. I just wonder how effective a position that is. Can you --

MR. PANETTA: Sure. Madame Chairman, because we are involved in obviously very important efforts to deal with an enemy that threatens this country and we're doing it in their nation, in the FATA and the tribal areas, it does require that we have to go out of our way to do everything possible to get their cooperation. And for that reason I spend an awful lot of time talking with my counterpart, both in Pakistan and here as well to try to see if we can focus on some common issues. We have some common areas that we can work on. We work with them; we work with our Afghan counterparts, as well, to try to develop a coordinated approach to dealing with this. At the same time, there are issues that we have with regards to how they operate, the ties they have to certain groups that concern us, that we try to work through in these discussions. I have to be part director of the CIA and part diplomat in order to get this job done.

SEN. FEINSTEIN: Could you speak to what the rationale is for the building of another nuclear weapon?

MR. PANETTA: I think --

SEN. FEINSTEIN: How much of the country has been underwater and really in difficult, difficult circumstances?

MR. PANETTA: Well, again, one of those other complicating issues is the fact that they're a nuclear power. They have a number of nuclear sites throughout their country, and they have proceeded to keep up development of their nuclear weapons. As far as the broad policy implications of the economy, the politics, the stability of that country dealing with the flood damage, you need to ask them why they're not paying attention to those other problems.

SEN. FEINSTEIN: Thank you very much.

Mr. Vice Chairman?

SEN. CHAMBLISS: Thanks, Madame Chairman.

General Burgess, going back to this Guantanamo detainee issue, the recidivism rate as I understand it is in excess of 25 percent today. That means one out of every four that have been let go, turned over to another country has engaged on the battlefield against American or maybe Afghan troops.

Now, that's what we know. I suspect the number is probably higher than that because we don't know all of the individuals who have gone back to the battlefield. We've -- our policy that's in place today has even allowed some of those prisoners to be returned to places like Yemen where we have very little control, and my understanding on a visit to Yemen is that they basically were

sent back to their tribal region and they have a personal obligation on themselves to support back -- to report back to us. Nobody believes and certainly they haven't on their own initiative come and told us where they are and what they're doing, so they are -- basically have no supervision.

We are now down to probably the real hardcore in Guantanamo. Do you see any further revisions in our policy with respect to those individuals, and what -- with what's happening in the Middle East today, particularly Tunisia, Egypt, a number of other countries -- Bahrain, I noticed this morning, is the latest to have protests -- has this had an impact and reflected upon our decisions with respect to release of those individuals to any particular country?

<u>GEN. BURGESS</u>: Sir, in regards to the first part of your question, the 25 percent figure that you mention is a combination of both confirmed and suspected. So the whole 25 percent would not be confirmed by the Defense Intelligence Agency in terms of having returned to the fight or reengaged.

The intelligence people in DIA -- I would say in the community, though I'm reticent to speak on behalf of the community -- would not push back on your statement in terms of there is concern out there as we return some to certain countries that the following mechanisms are not totally in place that would make us comfortable in that, but that is more of a policy call.

And then to the last part of your question, sir, I would defer because I don't think it's appropriate for me to be commenting on policy as the director of the Defense Intelligence Agency.

MR. CLAPPER: Sir, if I might add, one important factor I think -- should mention is that the president suspended any further repatriations to Yemen precisely because of -- they don't have the apparatus there to either monitor or rehabilitate. And with the new processes that are -- have been instituted, that 25 percent recidivism rate -- in the last two years or so I think there are now five -- two confirmed and three suspected -- that are recidivists.

Now, the counter to that of course is that you need more time -- more time would elapse, you would discover these people. So it remains to be seen. There are about I think 172 detainees remaining at Gitmo, and as you correctly point out, these -- and the bulk of those, from a single nationality standpoint, I think are Yemeni. And right now I don't think here's much likelihood of our returning anyone to Yemen, particularly in light of, as you point out, the upheavals that are going on there. And that certainly would bear on any of the other countries that are affected that we might consider for repatriation.

<u>SEN. CHAMBLISS:</u> Well, we've got a problem in this area that the chairman and I have already have some initial conversation about, and Senator Graham and I have been working on a piece of legislation that's going to be forthcoming. And the problem is, General Burgess or Director Panetta, let's say your folks were successful in capturing bin Laden, Zawahiri, any other HVT, tomorrow -- what you going to do with him?

MR.: The process would obviously involve, especially with the two targets you just described -- we would probably move them quickly into military jurisdiction at Bagram for questioning, and then eventually move them probably to Guantanamo.

SEN. CHAMBLISS: We haven't moved anybody to Guantanamo in years now. And, obviously, the -- there's been a move towards closure of that facility, and I would tend to agree with you that's probably the best place for anybody to go right now, the safest place from a national security standpoint. Politically, it may not be popular, but certainly it is. I appreciate your honesty and straightforwardness about what you would do.

MR. CLAPPER: If we were to capture either one of those two luminaries -- if I can use that term -- I think that that would probably be a matter of some interagency discussions as to, you know, what their ultimate disposition would be and whether they would be tried or not. That would -- I'm sure, if we did capture them, would be subject to some discussion.

SEN. FEINSTEIN: Thank you, Mr. Vice Chairman.

Senator Wyden?

SEN. WYDEN: Thank you, Madame Chair.

And Director Clapper, I think you know that I'm going to ask a follow-up question about Stephanie O'Sullivan. I think we've communicated it to your staff.

And let me approach it this way. You know, this, to me, is not about finger-points. I mean, this is about the American people see \$50 billion going out the door in terms of intelligence, and they want to see particularly how information is made available to policymakers in a timely kind of fashion.

And we got a classified response to the questions that I asked Ms. O'Sullivan at her hearing, and voted for her, and I think she's going to be a good person in your operation. But I want to go further and see what we can get on the public record with respect to this area.

Now, I come to this almost by way of saying that nobody ought to think that the intelligence community should have predicted that a street vendor in Tunisia was going to go light themselves on fire and trigger these protests all around the world. But at some point, Mr. Director, after that young man's self-immolation and the events of that period, it must have been clear to intelligence community analysts that this wave of protests was going to threaten President Mubarak's hold on power.

And at some point, analysts must have communicated this to policymakers. When did that happen?

GEN. CLAPPER: Sir, if you're looking for a date, I would pick January 14th when Ben Ali, in what I thought was a surprising snap decision, he dismissed the government. He called for new parliamentary elections within six months, declared a state of emergency, announced he was stepping down temporarily and then fled to Saudi Arabia.

That, I think, was the tipping point, if you will. And we saw the community, I think, pretty clearly saw what the contagion effect was going to be. And those states throughout the Mideast that would be most susceptible to that contagion, prominently among whom was Egypt.

SEN. WYDEN: Are you satisfied with the way in which the intelligence community handled it? And do you, looking back now -- always easy to come back in hindsight -- are you looking at any improvements or adjustments given what you've seen --

<u>GEN. CLAPPER:</u> Well, I think the first comment I would make, sir, is that we're not like Sherwin Williams paint. We don't cover the Earth equally. And so, frankly, Tunisia was probably not up there on our top 10 countries we were watching closely.

So there is the aspect of, you know, the spread, the balance of our collection --

SEN. WYDEN: Priorities.

GEN. CLAPPER: Priorities, exactly. So, obviously, we're going to work on that. I think the notion of -- as the chairman correctly observed -- is, you know, we're going to pay a lot more attention to social media and what else -- you know, what else could we do there to extract a warning from this.

But, to me, this is -- a good friend of mine wrote a piece on this. This is somewhat like an 85-year-old man who's overweight, has high cholesterol, diabetes, heart disease, doesn't eat well, doesn't sleep well and you know their life expectancy is not very good. Very difficult to foretell exactly when he'll expire, but you know the conditions are there. And that's a rough analogy, I think, to what we're facing here in predicting these exact tipping points, having insight into the dynamics of crowd psychology.

The fact that the movement in Egypt had no defined leader or leaders, this was a spontaneous thing fed, no question, you know, by social media. So this is a new phenomenon, frankly, and I think we do need to improve our attention to that.

Another interesting aspect is the extent to which governments permit access to the Internet or participation in Facebook. And so we've done a lot of work on that since then. But to me, again, the tipping point -- and personally, it surprised me when Ben Ali made a very -- a snap decision and left.

SEN. WYDEN: Madame Chair, Director Panetta wants to respond.

I did want to ask one question about Iran before we wrap up because I don't think we've asked the question.

Can Director Panetta respond and I ask one last question?

MR. PANETTA: If I could, because, I mean, it's an important question. And you know, our job is to provide the very best, the most timely, the most relevant intelligence we can to the president and to policymakers here.

We have, over the years, long warned about the dangers in this region. I think last year alone we had about 450 intelligence reports that talked about the factors that were dangerous in the region; factors like regressive regimes, economic and political stagnation, the lack of freedoms, the lack of reforms.

And yet at the same time, it is difficult to predict the future. It's difficult -- I mean, the most difficult thing is to get into the head of somebody and try to figure out what that person is going to decide. We have that problem with the leaders in Iran, in Korea -- North Korea -- and clearly, with Ben Ali the same issue. How do you get into someone's head when they make the decision to get out of the country?

What we do need to do -- I mean, so I think we do a pretty good job of teeing up the dangers in the area. What we do need to do is to have a better understanding and better collection on these triggers. What triggers these events? And there it's the unmet expectations. It's the large increase in numbers of youth, educated, out-of-work, the play on the Internet. What is the role of the Internet and the social network, and how does that play into demonstrations? The military's role - generally, we would all say, after 20 or 30 years, you know, of someone in government, that the military going to be loyal that that individual and basically support establishing security. That did not happen. In Tunisia and in Egypt, they were working both sides.

And so understanding that is really important. What I've done is -- we've formed a 35-member task force in the directorate of intelligence to basically collect on these issues. What's the popular sentiment? What's the loyalty of the military? What's the strength of the opposition? What's the role of the Internet?

We have got to do a better job at collecting in those areas so that we can have a better sense of what might tip off these kinds of changes.

SEN. CHAMBLISS: Before we leave that and you ask the Iranian question, let me make a comment and have your reaction, Director Panetta.

I'm the first to criticize the community when I think we've screwed up or made a mistake. But here, as we do look back on it now, is it not a fair statement to say that your station chiefs really did have a feeling of the uneasiness in this region of the world in virtually every country, but certainly they didn't -- they weren't on the Twitter list of the individuals in Egypt who sent this around. They weren't on the Facebook account. They had no idea that this individual in the marketplace was going to set himself on fire.

And I think that's what we missed, but gee whiz, I don't know how we do otherwise. But my feeling from having talked to your station chiefs -- in not every country -- but that there was a feeling on their part, and they had communicated that back to you in headquarters, that there are powder kegs in that part of the world.

MR. PANETTA: Absolutely. Absolutely, your point is correct. Our COSs, for a period of time, have been indicating the various factors that they were concerned about that we now see playing out in the demonstrations that are taking place throughout that region.

SEN. WYDEN: Thank you both. And I appreciate your fleshing out the information that we have now, because obviously people are going to look at this as an important case for quite some time to come with respect to how the community reacts to a surprising set of events. And this is helpful to have it fleshed out.

I just don't want to wrap up, Director Clapper, without getting into Iran at least to some extent.

Your testimony said that the IC, the intelligence community, continues to judge that Iran's nuclear decision making is guided by a cost-benefit approach rather than a determination to pursue nuclear weapons at all cost.

Now, last year, the administration succeeded in convincing the international community to impose new and tougher sanctions on the Iranian regime. In your view, what impact have these sanctions had on the Iranian regime today?

MR. CLAPPER: Well, they clearly have had impact on the Iranian economy which I think is increasingly affecting the average citizen. I'm not sure the average citizen in Iran sees it that way, but that is the effect.

And so, obviously, the point here is to induce a change in behavior on the part of the Iranians.

SEN. WYDEN: How seriously do you think the regime is taking the sanctions?

MR. CLAPPER: I think -- and I'll ask others if you want to contribute to this -- but I think it is clearly a factor on their mind. As the screws have gotten tighter, I think they clearly are seeing the effect. I can't say, frankly, that that has had effect on their nuclear program at this point.

MR. MUELLER (?): I would add that, in areas like insurance, banking, shipping, gasoline, clearly, in refining, that it's had quite an impact and that that's had an impact on the population as well.

But the last point that Director Clapper made about the direct impact is one that maybe we could discuss in another setting.

SEN. WYDEN: Yeah. I'm interested in a classified forum to know more about the effect it's had on the regime.

And one last point that I think we can get into in public here. Your testimony touches, Director Clapper, on the fact that the Iranian regime is expected to contain threats to its stability from the Iranian opposition but that its actions have opened up a rift between traditional conservatives and what are, in effect, the hard-line conservatives.

So if this rift were to continue, are the traditional conservatives likely to start coming over to the opposition side, the opposition movement?

MR. CLAPPER: Well, at this point, I'm not real sanguine that's going to happen, and I base that on the most recent round of demonstrations on Monday which the Iranian government managed to suppress. And, by the way, included in that suppression is suppressing access to the Internet and the social media at all.

So, again, these regimes are very -- have gotten very sensitive, as we have, about the importance. I think another thing I'd cite is executions have spiked at an all-time high in Iran. And so that has a chilling effect, I think, on the opposition. The two opposition leaders for this movement -- there was a vote by the Majlis, over 200 of which voted to execute them.

So, clearly -- and, of course, you have the irony, as the president cited, of the Iranian regime praising the demonstrations in the streets of Cairo and other places. It's fine elsewhere but not here.

SEN. WYDEN: Not in our neighborhood.

MR. CLAPPER: Right.

<u>SEN. WYDEN:</u> All right. Thank you all and, again, thank you for your service. And it's been a helpful hearing this morning.

Thank you, Madame Chair.

SEN. FEINSTEIN: Thank you very much, Senator Wyden.

Gentlemen, thank you so much. The hearing is adjourned.

END.