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Worldwide Threats

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Statement for the Record

**Worldwide Threat Assessment
of the
US Intelligence Community**

Senate Armed Services Committee



Daniel R. Coats

Director of National Intelligence

May 23, 2017

STATEMENT FOR THE RECORD
WORLDWIDE THREAT ASSESSMENT
of the
US INTELLIGENCE COMMUNITY

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INTRODUCTION

Chairman McCain, Ranking Member Reed, Members of the Committee, thank you for the invitation to offer the United States Intelligence Community's 2017 assessment of threats to US national security. My statement reflects the collective insights of the Intelligence Community's extraordinary men and women, whom I am privileged and honored to lead. We in the Intelligence Community are committed every day to provide the nuanced, multidisciplinary intelligence that policymakers, warfighters, and domestic law enforcement personnel need to protect American lives and America's interests anywhere in the world.

The order of the topics presented in this statement does not necessarily indicate the relative importance or magnitude of the threat in the view of the Intelligence Community.

Information available as of April 24, 2017 was used in the preparation of this assessment.

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GLOBAL THREATS

CYBER THREAT

Our adversaries are becoming more adept at using cyberspace to threaten our interests and advance their own, and despite improving cyber defenses, nearly all information, communication networks, and systems will be at risk for years.

Cyber threats are already challenging public trust and confidence in global institutions, governance, and norms, while imposing costs on the US and global economies. Cyber threats also pose an increasing risk to public health, safety, and prosperity as cyber technologies are integrated with critical infrastructure in key sectors. These threats are amplified by our ongoing delegation of decisionmaking, sensing, and authentication roles to potentially vulnerable automated systems. This delegation increases the likely physical, economic, and psychological consequences of cyber attack and exploitation events when they do occur. Many countries view cyber capabilities as a viable tool for projecting their influence and will continue developing cyber capabilities. Some adversaries also remain undeterred from conducting reconnaissance, espionage, influence, and even attacks in cyberspace.

Cyber Threat Actors

Russia. Russia is a full-scope cyber actor that will remain a major threat to US Government, military, diplomatic, commercial, and critical infrastructure. Moscow has a highly advanced offensive cyber program, and in recent years, the Kremlin has assumed a more aggressive cyber posture. This aggressiveness was evident in Russia's efforts to influence the 2016 US election, and we assess that only Russia's senior-most officials could have authorized the 2016 US election-focused data thefts and disclosures, based on the scope and sensitivity of the targets. Outside the United States, Russian actors have conducted damaging and disruptive cyber attacks, including on critical infrastructure networks. In some cases, Russian intelligence actors have masqueraded as third parties, hiding behind false online personas designed to cause the victim to misattribute the source of the attack. Russia has also leveraged cyberspace to seek to influence public opinion across Europe and Eurasia. We assess that Russian cyber operations will continue to target the United States and its allies to gather intelligence, support Russian decisionmaking, conduct influence operations to support Russian military and political objectives, and prepare the cyber environment for future contingencies.

China. We assess that Beijing will continue actively targeting the US Government, its allies, and US companies for cyber espionage. Private-sector security experts continue to identify ongoing cyber activity from China, although at volumes significantly lower than before the bilateral Chinese-US cyber commitments of September 2015. Beijing has also selectively used offensive cyber operations against foreign targets that it probably believes threaten Chinese domestic stability or regime legitimacy.

Iran. Tehran continues to leverage cyber espionage, propaganda, and attacks to support its security priorities, influence events and foreign perceptions, and counter threats—including against US allies in the region. Iran has also used its cyber capabilities directly against the United States. For example, in

2013, an Iranian hacker conducted an intrusion into the industrial control system of a US dam, and in 2014, Iranian actors conducted a data deletion attack against the network of a US-based casino.

North Korea. Pyongyang has previously conducted cyber-attacks against US commercial entities—specifically, Sony Pictures Entertainment in 2014—and remains capable of launching disruptive or destructive cyber attacks to support its political objectives. Pyongyang also poses a cyber threat to US allies. South Korean officials have suggested that North Korea was probably responsible for the compromise and disclosure of data in 2014 from a South Korean nuclear plant.

Terrorists. Terrorists—to include the Islamic State of Iraq and ash-Sham (ISIS)—will also continue to use the Internet to organize, recruit, spread propaganda, raise funds, collect intelligence, inspire action by followers, and coordinate operations. Hizballah and HAMAS will continue to build on their cyber accomplishments inside and outside the Middle East. ISIS will continue to seek opportunities to target and release sensitive information about US citizens, similar to their operations in 2015 disclosing information about US military personnel, in an effort to inspire attacks.

Criminals. Criminals are also developing and using sophisticated cyber tools for a variety of purposes including theft, extortion, and facilitation of other criminal activities. “Ransomware,” malware that employs deception and encryption to block users from accessing their own data, has become a particularly popular tool of extortion. In 2016, criminals employing ransomware turned their focus to the medical sector, disrupting patient care and undermining public confidence in some medical institutions.

Physical Consequences

Our adversaries are likely to seek capabilities to hold at risk US critical infrastructure as well as the broader ecosystem of connected consumer and industrial devices known as the “Internet of Things” (IoT). Security researchers continue to discover vulnerabilities in consumer products including automobiles and medical devices. If adversaries gain the ability to create significant physical effects in the United States via cyber means, they will have gained new avenues for coercion and deterrence. For example, a cyber attack on a Ukrainian power network in 2015 caused power outages for several hours.

Economic and Security Consequences

Adversaries will continue to use cyber operations to undermine US military and commercial advantage by hacking into US defense industry and commercial enterprises in pursuit of scientific, technical, and business information. Examples include theft of data on the F-35 Joint Strike Fighter, the F-22 Raptor fighter jet, and the MV-22 Osprey. In addition, adversaries often target personal accounts of government officials and their private-sector counterparts. This espionage reduces cost and accelerates the development of foreign weapon systems, enables foreign reverse-engineering and countermeasures development, and undermines US military, technological, and commercial advantage.

Psychological Consequences

The impact of cyber threats extends beyond the physical and commercial realms. Online threats—from both states and non-state actors—distort the perceptions and decisionmaking processes of the target, whether they are countries or individuals, in ways that are both obvious and insidious. Information from

cyber espionage can be leaked indiscriminately or selectively to shape perceptions. Furthermore, even a technically secure Internet can serve as a platform for the delivery of manipulative content crafted by foes seeking to gain influence or foment distrust.

Global Security, Diplomacy, and Norms

We assess that as foreign countries seek to balance security, economic growth, and interoperability objectives, many will implement new laws and technical changes to monitor and control access to information within and across their borders. Some states will continue to seek to control user access through means such as restrictions on encryption and steps to reduce anonymity online. However, these states will probably not significantly erode the overall global connectivity of the Internet. Furthermore, some state information control efforts will almost certainly be challenged by a broad coalition of states and non-state cyber stakeholders, including innovative technologists, industry leaders, privacy advocates, “hackers,” and others with an interest in opposing censorship or government control of cyberspace.

Although recognition is widespread that existing international law applies to states’ conduct in cyberspace, how that law applies to states’ use of information and communication technologies (ICT) remains a subject of significant international discussion. In addition, although efforts are ongoing to gain adherence to certain voluntary, non-binding norms of responsible state behavior in cyberspace, they have not gained universal acceptance, and efforts to promote them are increasingly polarized. Despite the existence and widespread ratification of the Budapest Convention—the treaty on cybercrime of the Council of Europe—some states have called for the drafting of new international treaties to regulate cybercrime and other cyber-related issues. Moreover, although some countries might be willing to explore limits on cyber operations against certain targets, few would likely support a ban on offensive capabilities.

EMERGING AND DISRUPTIVE TECHNOLOGIES

Strategic Outlook

Continued rapid technological progress remains central to economic prosperity and social well-being, but it is also introducing potential new threats. Artificial intelligence (AI) is advancing computational capabilities that benefit the economy, yet those advances also enable new military capabilities for our adversaries. Genome editing has the potential to cure diseases and modify human performance, which presents new ethical and security issues. The Internet of Things (IoT) is connecting billions of new devices to the Internet, but it also broadens the attack potential of cyber actors against networks and information. Semiconductors remain core to the economy and the military, yet new national security risks might arise from next-generation chips because of technology plateaus and investments by other states.

Artificial Intelligence

A surge of commercial and government research is improving AI capabilities while raising national security issues. Semi-autonomous cars, the victory of an AI-based system over the world champion in the game Go, and devices with AI-enabled personal assistants have drawn global attention to the field.

Corporations around the globe are investing in a range of AI applications including marketing, crime detection, health, and autonomous vehicles. Although the United States leads AI research globally, foreign state research in AI is growing. Foreign governments cite AI in their science and technology strategies or have planned specific efforts to enhance their AI capabilities. The implications of our adversaries' abilities to use AI are potentially profound and broad. They include an increased vulnerability to cyber attack, difficulty in ascertaining attribution, facilitation of advances in foreign weapon and intelligence systems, the risk of accidents and related liability issues, and unemployment.

Genome Editing

The development of genome-editing technologies is accelerating the rate at which we can develop new approaches to address medical, health, industrial, environmental, and agricultural challenges and revolutionize biological research. However, the fast pace of development and broad range of applications are likely to challenge governments and scientific communities alike to develop regulatory and ethical frameworks or norms to govern the responsible application of the technology.

Internet of Things

The widespread incorporation of “smart” devices into everyday objects is changing how people and machines interact with each other and the world around them, often improving efficiency, convenience, and quality of life. Their deployment has also introduced vulnerabilities into both the infrastructure that they support and on which they rely, as well as the processes they guide. Cyber actors have already used IoT devices for distributed denial-of-service (DDoS) attacks, and we assess they will continue. In the future, state and non-state actors will likely use IoT devices to support intelligence operations or domestic security or to access or attack targeted computer networks.

Next-Generation Semiconductors

Continual advancement of semiconductor technologies during the past 50 years in accordance with Moore's Law—which posits that the overall processing power of computers will double every two years—has been a key driver of the information technology revolution that underpins many US economic and security advantages. Industry experts, however, are concerned that Moore's Law might no longer apply by the mid-2020s as the fundamental limits of physics to further miniaturize transistors are reached, potentially eroding US national security advantages. Meanwhile, China is increasing its efforts to improve its domestic technological and production capabilities through mergers and acquisitions to reduce its dependence on foreign semiconductor technology, according to Western experts and business analysts.

TERRORISM

The worldwide threat from terrorism will remain geographically diverse and multifaceted—a continuing challenge for the United States, our allies, and partners who seek to counter it. Sunni violent extremists will remain the primary terrorist threat. These extremists will continue to embroil conflict zones in the Middle East, Africa, and South Asia. Some will also seek to attempt attacks outside their operating areas.

- Iran continues to be the foremost state sponsor of terrorism and, with its primary terrorism partner, Lebanese Hizballah, will pose a continuing threat to US interests and partners worldwide. The Syrian, Iraqi, and Yemeni conflicts will continue to aggravate the rising Sunni-Shia sectarian conflict, threatening regional stability.

Terrorist Threat to the United States

US-based homegrown violent extremists (HVEs) will remain the most frequent and unpredictable Sunni violent extremist threat to the US homeland. They will be spurred on by terrorist groups' public calls to carry out attacks in the West. The threat of HVE attacks will persist, and some attacks will probably occur with little or no warning. In 2016, 16 HVEs were arrested, and three died in attacks against civilian soft targets. Those detained were arrested for a variety of reasons, including attempting travel overseas for jihad and plotting attacks in the United States. In addition to the HVE threat, a small number of foreign-based Sunni violent extremist groups will also pose a threat to the US homeland and continue publishing multilingual propaganda that calls for attacks against US and Western interests in the US homeland and abroad.

Dynamic Overseas Threat Environment

The **Islamic State of Iraq and ash-Sham (ISIS)** continues to pose an active terrorist threat to the United States and its allies because of its ideological appeal, media presence, control of territory in Iraq and Syria, its branches and networks in other countries, and its proven ability to direct and inspire attacks against a wide range of targets around the world. However, territorial losses in Iraq and Syria and persistent counterterrorism operations against parts of its global network are degrading its strength and ability to exploit instability and societal discontent. ISIS is unlikely to announce that it is ending its self-declared caliphate even if it loses overt control of its de facto capitals in Mosul, Iraq and Ar Raqqa, Syria and the majority of the populated areas it once controlled in Iraq and Syria.

Outside Iraq and Syria, ISIS is seeking to foster interconnectedness among its global branches and networks, align their efforts to ISIS's strategy, and withstand counter-ISIS efforts. We assess that ISIS maintains the intent and capability to direct, enable, assist, and inspire transnational attacks. The number of foreign fighters traveling to join ISIS in Iraq and Syria will probably continue to decline as potential recruits face increasing difficulties attempting to travel there. The number of ISIS foreign fighters leaving Iraq and Syria might increase. Increasing departures would very likely prompt additional would-be fighters to look for new battlefields or return to their home countries to conduct or support external operations.

During the past 16 years, US and global counterterrorism (CT) partners have significantly reduced **al-Qa'ida's** ability to carry out large-scale, mass casualty attacks, particularly against the US homeland. However, al-Qa'ida and its affiliates remain a significant CT threat overseas as they remain focused on exploiting local and regional conflicts. In 2016, **al-Nusrah Front and al-Qa'ida in the Arabian Peninsula (AQAP)** faced CT pressure in Syria and Yemen, respectively, but have preserved the resources, manpower, safe haven, local influence, and operational capabilities to continue to pose a threat. In Somalia, **al-Shabaab** sustained a high pace of attacks in Somalia and continued to threaten the northeast and coastal areas of Kenya. Its operations elsewhere in East Africa have diminished after the deaths of many external plotters since 2015, but al-Shabaab retains the resources, manpower,

influence, and operational capabilities to pose a real threat to the region, especially Kenya. In North and West Africa, **al-Qa'ida in the Lands of the Islamic Maghreb (AQIM)** escalated its attacks on Westerners in 2016 with two high-profile attacks in Burkina Faso and Cote d'Ivoire. It merged with allies in 2017 to form a new group intended to promote unity among Mali-based jihadists, extend the jihad beyond the Sahara and Sahel region, increase military action, and speed up recruitment of fighters. In Afghanistan and Pakistan, remaining members of al-Qa'ida and its regional affiliate, **al-Qa'ida in the Indian Subcontinent (AQIS)**, continued to suffer personnel losses and disruptions to safe havens in 2016 due to CT operations. However, both groups maintain the intent to conduct attacks against the United States and the West.

WEAPONS OF MASS DESTRUCTION AND PROLIFERATION

State efforts to modernize, develop, or acquire weapons of mass destruction (WMD), their delivery systems, or their underlying technologies constitute a major threat to the security of the United States, its deployed troops, and allies. Both state and non-state actors have already demonstrated the use of chemical weapons in the Levant. Biological and chemical materials and technologies—almost always dual use—move easily in the globalized economy, as do personnel with the scientific expertise to design and use them for legitimate and illegitimate purposes. Information about the latest discoveries in the life sciences also diffuses rapidly around the globe, widening the accessibility of knowledge and tools for beneficial purposes and for potentially nefarious applications.

Russia Pressing Forward With Cruise Missile That Violates the INF Treaty

Russia has developed a ground-launched cruise missile (GLCM) that the United States has declared is in violation of the Intermediate-Range Nuclear Forces (INF) Treaty. Despite Russia's ongoing development of other Treaty-compliant missiles with intermediate ranges, Moscow probably believes that the new GLCM provides sufficient military advantages that make it worth risking the political repercussions of violating the INF Treaty. In 2013, a senior Russian administration official stated publicly that the world had changed since the INF Treaty was signed in 1987. Other Russian officials have made statements in the past complaining that the Treaty prohibits Russia, but not some of its neighbors, from developing and possessing ground-launched missiles with ranges between 500 to 5,500 kilometers.

China Modernizing its Nuclear Forces

The Chinese People's Liberation Army (PLA) has established a Rocket Force—replacing the longstanding Second Artillery Corps—and continues to modernize its nuclear missile force by adding more survivable road-mobile systems and enhancing its silo-based systems. This new generation of missiles is intended to ensure the viability of China's strategic deterrent by providing a second-strike capability. In addition, the PLA Navy continues to develop the JL-2 submarine-launched ballistic missile (SLBM) and might produce additional JIN-class nuclear-powered ballistic missile submarines. The JIN-class submarines—armed with JL-2 SLBMs—will give the PLA Navy its first long-range, sea-based nuclear capability.

Iran and JCPOA

Tehran's public statements suggest that it wants to preserve the Joint Comprehensive Plan of Action (JCPOA)—because it views the JCPOA as a means to remove sanctions while preserving some nuclear capabilities. It expects the P5+1 members to adhere to their obligations, although Iran clearly recognizes the new US Administration is concerned with the deal. Iran's implementation of the JCPOA has extended the amount of time Iran would need to produce enough fissile material for a nuclear weapon from a few months to about a year. The JCPOA has also enhanced the transparency of Iran's nuclear activities, mainly through improved access by the International Atomic Energy Agency (IAEA) and its investigative authorities under the Additional Protocol to its Comprehensive Safeguards Agreement.

Iran is pursuing capabilities to meet its nuclear energy and technology goals and to give it the capability to build missile-deliverable nuclear weapons, if it chooses to do so. Its pursuit of these goals will influence its level of adherence to the JCPOA. We do not know whether Iran will eventually decide to build nuclear weapons.

We judge that Tehran would choose ballistic missiles as its preferred method of delivering nuclear weapons, if it builds them. Iran's ballistic missiles are inherently capable of delivering WMD, and Tehran already has the largest inventory of ballistic missiles in the Middle East. Tehran's desire to deter the United States might drive it to field an intercontinental ballistic missile (ICBM). Progress on Iran's space program could shorten a pathway to an ICBM because space launch vehicles use similar technologies.

North Korea Continues To Expand WMD-Applicable Capabilities

North Korea's nuclear weapons and missile programs will continue to pose a serious threat to US interests and to the security environment in East Asia in 2017. North Korea's export of ballistic missiles and associated materials to several countries, including Iran and Syria, and its assistance to Syria's construction of a nuclear reactor, destroyed in 2007, illustrate its willingness to proliferate dangerous technologies.

North Korea has also expanded the size and sophistication of its ballistic missile forces—from close-range ballistic missiles (CRBMs) to ICBMs—and continues to conduct test launches. In 2016, North Korea conducted an unprecedented number of ballistic missile tests. Pyongyang is committed to developing a long-range, nuclear-armed missile that is capable of posing a direct threat to the United States; it has publicly displayed its road-mobile ICBMs on multiple occasions. We assess that North Korea has taken steps toward fielding an ICBM but has not flight-tested it.

We have long assessed that Pyongyang's nuclear capabilities are intended for deterrence, international prestige, and coercive diplomacy.

Chemical Weapons in Iraq and Syria

We assess the Syrian regime used the nerve agent sarin in an attack against the opposition in Khan Shaykhun on 4 April 2017 in what is probably the largest chemical weapons attack since August 2013. We continue to assess that Syria has not declared all the elements of its chemical weapons program to the Chemical Weapons Convention (CWC) and has the capability to conduct further attacks. Despite the

creation of a specialized team and years of work by the Organization for the Prohibition of Chemical Weapons (OPCW) to address gaps and inconsistencies in Syria's declaration, numerous issues remain unresolved. The OPCW-UN Joint Investigative Mechanism (JIM) attributed three chlorine attacks in 2014 and 2015 to the Syrian regime.

We assess that non-state actors in the region are also using chemicals as a means of warfare. The OPCW-UN JIM concluded that ISIS used sulfur mustard in an attack in 2015. ISIS has allegedly used chemicals in attacks in Iraq and Syria, suggesting that attacks might be widespread.

SPACE AND COUNTERSPACE

Space

Global Trends. Continued global space industry expansion will further extend space-enabled capabilities and space situational awareness to nation-state, non-state, and commercial space actors in the coming years, enabled by increased availability of technology, private-sector investment, falling launch service costs, and growing international partnerships for shared production and operation. Government and commercial organizations will increasingly have access to space-derived information services such as imagery, weather, Internet, communications, and positioning, navigation, and timing (PNT) for intelligence, military, scientific, or business purposes. For instance, China aims to become a world leader in PNT as it completes its dual-use global satellite navigation system by 2020.

Military and Intelligence. Russia aims to improve intelligence collection, missile warning, and military communications systems to better support situational awareness and tactical weapons targeting. Russian plans to expand its imagery constellation and double or possibly triple the number of satellites by 2025. China intends to continue increasing its space-based military and intelligence capabilities to improve global situational awareness and support complex military operations. Many countries in the Middle East, Southeast Asia, and South America are purchasing dual-use imaging satellites to support strategic military activities, some as joint development projects.

Counterspace

Space Warfare. We assess that Russia and China perceive a need to offset any US military advantage derived from military, civil, or commercial space systems and are increasingly considering attacks against satellite systems as part of their future warfare doctrine. Both will continue to pursue a full range of anti-satellite (ASAT) weapons as a means to reduce US military effectiveness. In late 2015, China established a new service—the PLA Strategic Support Force—probably to improve oversight and command of Beijing's growing military interests in space and cyberspace. Russia and China remain committed to developing capabilities to challenge perceived adversaries in space, especially the United States, while publicly and diplomatically promoting nonweaponization of space and “no first placement” of weapons in space. Such commitment continues despite ongoing US and allied diplomatic efforts to dissuade expansion of threats to the peaceful use of space, including international engagements through the UN.

Counterspace Weapons. The global threat of electronic warfare (EW) attacks against space systems will expand in the coming years in both number and types of weapons. Development will very likely focus on jamming capabilities against dedicated military satellite communications (SATCOM), Synthetic Aperture Radar (SAR) imaging satellites, and enhanced capabilities against Global Navigation Satellite Systems (GNSS), such as the US Global Positioning System (GPS). Blending of EW and cyber-attack capabilities will likely expand in pursuit of sophisticated means to deny and degrade information networks. Chinese researchers have discussed methods to enhance robust jamming capabilities with new systems to jam commonly used frequencies. Russia intends to modernize its EW forces and field a new generation of EW weapons by 2020. Iran and North Korea are also enhancing their abilities to disrupt military communications and navigation.

Some new Russian and Chinese ASAT weapons, including destructive systems, will probably complete development in the next several years. Russian military strategists likely view counterspace weapons as an integral part of broader aerospace defense rearmament and are very likely pursuing a diverse suite of capabilities to affect satellites in all orbital regimes. Russian lawmakers have promoted military pursuit of ASAT missiles to strike low-Earth orbiting satellites, and Russia is testing such a weapon for eventual deployment. A Russian official also acknowledged development of an aircraft-launched missile capable of destroying satellites in low-Earth orbit. Ten years after China intercepted one of its own satellites in low-Earth orbit, its ground-launched ASAT missiles might be nearing operational service within the PLA. Both countries are advancing directed energy weapons technologies for the purpose of fielding ASAT systems that could blind or damage sensitive space-based optical sensors. Russia is developing an airborne laser weapon for use against US satellites. Russia and China continue to conduct sophisticated on-orbit satellite activities, such as rendezvous and proximity operations, at least some of which are likely intended to test dual-use technologies with inherent counterspace functionality. For instance, space robotic technology research for satellite servicing and debris-removal might be used to damage satellites. Such missions will pose a particular challenge in the future, complicating the US ability to characterize the space environment, decipher intent of space activity, and provide advance threat warning.

COUNTERINTELLIGENCE

The United States will face a complex global foreign intelligence threat environment in 2017. We assess that the leading state intelligence threats to US interests will continue to be Russia and China, based on their services' capabilities, intent, and broad operational scope. Other states in South Asia, the Near East, East Asia, and Latin America will pose local and regional intelligence threats to US interests. For example, Iranian and Cuban intelligence and security services continue to view the United States as a primary threat.

Penetrating the US national decisionmaking apparatus and the Intelligence Community will remain primary objectives for numerous foreign intelligence entities. Additionally, the targeting of national security information and proprietary information from US companies and research institutions involved with defense, energy, finance, dual-use technology, and other areas will remain a persistent threat to US interests.

Non-state entities, including international terrorists and transnational organized crime groups, are likely to continue to employ and improve their intelligence capabilities including by human, technical, and cyber means. As with state intelligence services, these non-state entities recruit sources and perform physical and technical surveillance to facilitate their illicit activities and avoid detection and capture.

Trusted insiders who disclose sensitive or classified US Government information without authorization will remain a significant threat in 2017 and beyond. The sophistication and availability of information technology that increases the scope and impact of unauthorized disclosures exacerbate this threat.

TRANSNATIONAL ORGANIZED CRIME

Rising US Drug Threat

The illicit drug threat the United States is intensifying, as indicated by soaring US drug deaths, foreign drug production, and drug seizures.

- Deaths from synthetic opioids—including fentanyl and its analogues—increased 73 percent in 2015 compared to 2014, and mortality from all other illicit drugs increased 36 percent for the same period, according to the US Centers for Disease Control and Prevention (CDC). Preliminary data for 2016 from some states suggest that deaths have continued to increase.
- Seizures of cocaine and methamphetamine increased along the US southwest border in 2016 over 2015.

Rising foreign drug production, the staying power of Mexican trafficking networks, and strong demand are driving the US drug threat.

- In Mexico, the dominant source of US heroin, potential heroin production doubled from 2014 to 2016, according to the US Government estimates.
- Production of cocaine reached the highest levels on record for Colombia in 2016 and for Peru and Bolivia in 2015—the last years for which estimates are available—driven in part by a decline in coca eradication efforts.

Synthetic drugs from Asia—including synthetic opioids, cannabinoids, and cathinones—pose a strong and probably growing threat and have the potential to displace some traditional drugs produced from plants. Such drugs are often traded via the Internet or—in the case of cannabinoids and cathinones—sold over the counter in products marked “not intended for human consumption.” Counterfeit and substandard pharmaceutical trafficking is also on the rise, with the Internet being the primary means by which transnational criminal organizations target US citizens.

- Approximately 18-20 new illegal online pharmacy domain names are registered every day, according to estimates of the Food and Drug Administration, adding to the tens of thousands of existing illegal online pharmacies in operation.

Crime Enables Other Nefarious Actors

Transnational Organized Crime (TOC) will pose a continuing threat to the United States and its allies through close relationships with foreign states and non-state actors. Some states use TOC networks as proxies to engage in activities from which the states wish to distance themselves. TOC networks also have the ability to capture territory in states or portions of states and control it with violence and corruption of public officials. They often receive sanctuary as a result of providing social services, incorporating corruptive methods, and creating dependencies. TOC networks facilitate terrorism by providing money and services, such as selling weapons. They also engage in cyber-based theft and extortion and offer their capabilities to other cyber actors.

- Hong Kong police arrested six individuals with suspected Chinese organized crime links in connection with death threats to a lawmaker elected in September 2016 who advocated for greater autonomy from China.
- In 2015, MS-13 gang members in San Pedro Sula, Honduras provided meals to children and the elderly, shielded residents from rival criminals, meted out justice for unauthorized crimes, and halted criminals from unofficially taxing residents and small businesses. Such support to local communities undermines government legitimacy and engenders public support for the criminal groups.

Global Human Trafficking Risks Rising

The number of individuals at risk of human trafficking will almost certainly rise in 2017 because internal conflict, societal violence, and environmental crises are increasing the populations of refugees and Internally Displaced Persons (IDP). Risks of human trafficking vulnerability intensify during crisis situations when individuals often lose their support networks and sources of livelihood. In addition to crisis-induced displacement, entrenched structural factors—including political instability, government corruption, weak rule of law, soft economies, low levels of democracy, and discrimination toward women, children, and minorities—will very likely continue to increase potential victims' vulnerability to human trafficking worldwide.

Wildlife Trafficking and Illegal Fishing

Wildlife trafficking and poaching are widespread in many countries, especially those grappling with corruption, weak judiciaries, and scarce state resources. Some wildlife traffickers also move other contraband, such as drugs and weapons, at times relying on the same corrupt protectors. Awareness of wildlife crime and its impact is growing among source and demand countries, and regional leaders in Africa increasingly acknowledge the links among poaching, wildlife trafficking, instability, corruption, crime, and challenges to the rule of law.

Global fisheries face an existential threat in the decades ahead from surging worldwide demand, declining ocean health, and continued illegal, unreported, and unregulated (IUU) fishing. IUU fishing also harms legitimate fishing activities and livelihoods, jeopardizes food and economic security, benefits transnational crime, distorts markets, contributes to human trafficking, and undermines ongoing efforts to implement sustainable fisheries policies. It can also heighten tensions within and between countries and encourage piracy and frequently involves forced labor, a form of human trafficking.

ECONOMICS AND NATURAL RESOURCES

Global growth is likely to remain subdued in 2017 amid growing headwinds in China's economy and tepid growth in advanced economies. Worldwide gross domestic product (GDP) growth was virtually unchanged in 2016 from the previous year at 3.1 percent and is forecast to grow 3.5 percent in 2017, according to the International Monetary Fund (IMF). Improving growth in commodity-dependent economies is likely to boost global economic activity beyond 2017. Adverse shocks, however, such as a greater slowdown in China than the IMF projects or capital outflows from emerging markets stemming from rising US interest rates, would put the modest global economic recovery at risk.

Macroeconomic Stability

The outlook for emerging markets and developing countries is improving, primarily because of stabilizing commodity prices and increased capital inflows. The IMF forecasts that growth in emerging economies will accelerate to 4.5 percent in 2017 as recoveries start to take hold in several countries. However, rising non-performing loans in China could reinforce the deceleration in Chinese economic growth, weighing on global economic and financial conditions and dampening global demand, particularly for commodities. Moreover, the prospect of higher interest rates in the United States and a strengthening dollar might lead to sustained capital outflows again from emerging markets.

Continued solid performance by the United States and increasingly stable conditions in many European states will probably help to support growth in developed economies. Many European countries and Japan, however, continue to rely on low interest rates and accommodative monetary policies to counter weak demand. Policy uncertainty also poses risks to the global economy.

Energy and Commodities

Subdued growth, particularly in the industrialized economies, had a negative impact on commodity prices in recent years, which have been particularly harmful for emerging market economies, with the exception of net commodity importers, such as China and India. A collapsing economy in Venezuela—the result of the oil-price decline and years of flawed economic policy and profligate government spending—will leave Caracas struggling to avoid default in 2017. Saudi Arabia and other Persian Gulf oil exporters, who generally have more substantial financial reserves, have nonetheless seen a sharp increase in budget deficits that have forced politically unpopular fiscal reforms such as cuts to subsidies, government spending, and government jobs. In Africa, declining oil revenues, past mismanagement, and inadequate policy responses to oil price shock have contributed to Angolan and Nigerian fiscal problems, currency strains, and deteriorating foreign exchange reserves. The World Bank forecasts that prices for most commodities, however, will increase slightly in 2017 as markets continue to rebalance, albeit at lower levels than earlier in the decade.

Sluggish growth of global demand for oil and low prices continue to discourage plans to develop new resources and expand existing projects—particularly in high-cost areas such as the Arctic, Brazilian pre-salt region, or West Africa's deepwater. Projects already under development will probably be completed during the next five years, but longer-term prospects have been slashed, potentially setting the stage for shortfalls and higher prices when demand recovers.

The Arctic

Arctic countries face an array of challenges and opportunities as diminishing sea ice increases commercial shipping prospects and possible competition over undersea resources in coming decades. In August 2016, the first large-capacity cruise ship traversed the Northwest Passage, and more such trips are planned. In September 2016, NASA measured the Arctic sea ice minimum extent at roughly 900,000 square miles less than the 1981-2010 average. Relatively low economic stakes in the past and fairly well established exclusive economic zones (EEZs) among the Arctic states have facilitated cooperation in pursuit of shared interests in the region, even as polar ice has receded and Arctic-capable technology has improved. However, as the Arctic becomes more open to shipping and commercial exploitation, we assess that risk of competition over access to sea routes and resources, including fish, will include countries traditionally active in the Arctic as well as other countries that do not border on the region but increasingly look to advance their economic interests there.

HUMAN SECURITY

Environmental Risks and Climate Change

The trend toward a warming climate is forecast to continue in 2017. The UN World Meteorological Organization (WMO) is warning that 2017 is likely to be among the hottest years on record—although slightly less warm than 2016 as the strong El Niño conditions that influenced that year have abated. The US National Oceanic and Atmospheric Administration (NOAA) and the National Aeronautics and Space Administration (NASA) reported that 2016 was the hottest year since modern measurements began in 1880. This warming is projected to fuel more intense and frequent extreme weather events that will be distributed unequally in time and geography. Countries with large populations in coastal areas are particularly vulnerable to tropical weather events and storm surges, especially in Asia and Africa.

Global air pollution is worsening as more countries experience rapid industrialization, urbanization, forest burning, and agricultural waste incineration, according to the World Health Organization (WHO). An estimated 92 percent of the world's population live in areas where WHO air quality standards are not met, according to 2014 information compiled by the WHO. People in low-income cities are most affected, with the most polluted cities located in the Middle East, Asia, and Africa. Public dissatisfaction with air quality might drive protests against authorities, such as those seen in recent years in China, India, and Iran.

Heightened tensions over shared water resources are likely in some regions. The dispute between Egypt and Ethiopia over the construction of the massive Grand Ethiopian Renaissance Dam (GERD) on the Nile is likely to intensify because Ethiopia plans to begin filling the reservoir in 2017.

Global biodiversity will likely continue to decline due to habitat loss, overexploitation, pollution, and invasive species, according to a study by a nongovernmental conservation organization, disrupting ecosystems that support life, including humans. Since 1970, vertebrate populations have declined an estimated 60 percent, according to the same study, whereas populations in freshwater systems declined

more than 80 percent. The rate of species loss worldwide is estimated at 100 to 1,000 times higher than the natural background extinction rate, according to peer-reviewed scientific literature.

We assess national security implications of climate change but do not adjudicate the science of climate change. In assessing these implications, we rely on US government-coordinated scientific reports, peer-reviewed literature, and reports produced by the Intergovernmental Panel on Climate Change (IPCC), which is the leading international body responsible for assessing the science related to climate change.

Health

The Zika virus is likely to continue to affect the Western Hemisphere through 2017. Although it is causing minor or no illness for most infected people, it is producing severe birth defects in about 10 percent of babies born to mothers who were infected while pregnant and is likely causing neurological symptoms for a small number of infected adults. A separate strain of the virus will likely continue to affect Southeast Asia, where scientists believe it has circulated since the 1960s. However, scientists do not know whether the virus will cause a spike in birth defects there. Previous outbreaks in Asia and Africa might provide at least partial immunity and hinder the virus's spread in those regions.

The continued rise of antimicrobial resistance—the ability of pathogens, including viruses, fungi, and bacteria, to resist drug treatment—is likely to outpace development of new antimicrobial drugs. This resistance will result in increasingly difficult or impossible-to-cure infections of previously curable diseases. Drug-resistant forms of malaria and tuberculosis are on the rise, threatening progress in controlling these diseases. Meanwhile, some strains of gonorrhea are showing resistance to nearly all classes of antibiotics, leaving only treatments of last resort, greatly increasing the risk of incurable strains.

HIV/AIDS, malaria, and tuberculosis continue to kill millions of people annually and hinder development in many resource-constrained countries despite significant progress to alleviate the global burden of infectious diseases. Stagnating or declining funding for global health initiatives and lack of domestic resources threaten the continued progress against health threats despite the availability of more cost-effective treatments. Rapidly expanding populations, particularly in Sub-Saharan Africa, put additional stress on scarce resources. Malnutrition, weak healthcare systems, conflict, migration, poor governance, and urbanization will worsen the emergence, spread, and severity of disease outbreaks.

The emergence of a severe global public health emergency is possible in any given year and can have negative impacts on the security and stability of a nation or region. A novel or reemerging microbe that is easily transmissible between humans and is highly pathogenic remains a major threat because such an organism has the potential to spread rapidly and kill millions. Threats such as avian influenza and Middle East Respiratory Syndrome Coronavirus (MERS-CoV) have pandemic potential. The World Bank has estimated that a severe global influenza pandemic could cost the equivalent of 4.8 percent of global GDP, or more than \$3 trillion, during the course of an outbreak.

Atrocities and Instability

Risk of large-scale, violent or regime-threatening instability and atrocities will remain elevated in 2017. Poor governance, weak national political institutions, economic inequality, and the rise of violent non-state actors all undermine states' abilities to project authority.

- Weak state capacity can heighten the risk for atrocities, including arbitrary arrests, extrajudicial killings, rape, and torture.

Groups that promote civil society and democratization are likely to continue to face restrictions in 2017. Freedom House reported the eleventh consecutive year of decline in “global freedom” in 2017. Middle East and North Africa had ratings as one of the worst regions in the world in 2015.

Global Displacement

In 2015, the number of people forcibly displaced reached the highest levels ever recorded by the UN. In many cases, US partners and allies were either the source of refugees and other migrants—such as Afghanistan and South Sudan—or hosted them—such as Ethiopia, Europe, Jordan, Kenya, Lebanon, Turkey, and Uganda. These countries and others will look to the United States, the UN, and other international donors to help meet unprecedented assistance demands in 2017. Ongoing conflicts will continue to displace people, keeping displacement at record highs because few people can safely return home and family members seek to join those who left. Europe and other host countries will face accommodation and integration challenges in 2017, and refugees and economic migrants will probably continue to seek to transit to Europe.

- Primary drivers of global displacement include: conflicts, such as those in Afghanistan, Somalia, South Sudan, and Syria; weak border controls, such as in Libya, which broadened a route from Africa to Europe; relatively easy and affordable access to routes and information; endemic violence, such as in parts of Burundi, Central America, Nigeria, and Pakistan; and persecution, such as in Burma and Eritrea.
- The UN estimated that 65.3 million persons had been forcibly displaced worldwide at the end of 2015, including approximately 21.3 million refugees, 40.8 million IDPs, and 3.2 million asylum seekers. Refugees displaced for five or more years are more likely to remain in their host communities than to return home, according to academic research.
- In 2016, thousands of Syrian, Somali, Sudanese, and Afghan refugees who had fled their countries in preceding years were returned to their countries of origin, which are still undergoing intense conflict. These returnees are now internally displaced in areas still in conflict.

The scale of human displacement in 2017 will continue to strain the response capacity of the international community and drive record requests for humanitarian funding. Host and transit countries will struggle to develop effective policies and manage domestic concerns of terrorists exploiting migrant flows, particularly after attacks in 2016 by foreigners in Belgium, France, Germany, and Turkey.

REGIONAL THREATS

EAST ASIA

China

China will continue to pursue an active foreign policy—especially within the Asia Pacific region—highlighted by a firm stance on competing territorial claims in the East China Sea (ECS) and South China Sea (SCS), relations with Taiwan, and its pursuit of economic engagement across East Asia. Regional tension will persist as China completes construction at its expanded outposts in the SCS despite an overwhelmingly strong ruling against it by a UN Convention on the Law of the Sea (UNCLOS) arbitral tribunal in July 2016. China will also pursue efforts aimed at fulfilling its ambitious “One Belt, One Road” initiative to expand China’s economic role and outreach across Asia through infrastructure projects.

China will seek to build on its hosting of the G20 Summit in Hangzhou in September 2016, its “One-Belt, One-Road” initiative, and progress on launching the Asia Infrastructure Investment Bank to increase its global presence on international economic issues. China will increasingly be a factor in global responses to emerging problems, as illustrated by China’s participation in UN peacekeeping operations, its expanding counterterrorism cooperation, and infrastructure construction in Africa and Pakistan as part of the China-Pakistan Economic Corridor.

Domestically, Chinese leaders will move cautiously on their ambitious reform agenda, maintain their anti-corruption campaign, and try to manage China’s slowing economy. China’s economic growth continues to be driven by unsustainable debt accumulation, but Beijing has made limited progress on reforms needed to boost economic efficiencies. Debates among Chinese leaders over policy and personnel choices will intensify before the leadership transition at the 19th Party Congress in fall 2017 when Chinese President Xi Jinping will begin his second term as the head of the Chinese Communist Party.

North Korea

North Korea’s weapons of mass destruction program, public threats, defiance of the international community, confrontational military posturing, cyber activities, and potential for internal instability pose a complex and increasingly grave national security threat to the United States and its interests.

North Korea’s unprecedented level of testing and displays of strategic weapons in 2016 indicate that Kim is intent on proving he has the capability to strike the US mainland with nuclear weapons. In 2016, the regime conducted two nuclear tests—including one that was claimed to be of a standardized warhead design—and an unprecedented number of missile launches, including a space launch that put a satellite into orbit. These ballistic missile tests probably shortened North Korea’s pathway toward a reliable ICBM, which largely uses the same technology. Kim was also photographed beside a nuclear warhead design and missile airframes to show that North Korea has warheads small enough to fit on a missile, examining a reentry-vehicle nosecone after a simulated reentry, and overseeing launches from a submarine and from mobile launchers in the field, purportedly simulating nuclear use in warfighting scenarios. North

Korea is poised to conduct its first ICBM flight test in 2017 based on public comments that preparations to do so are almost complete and would serve as a milestone toward a more reliable threat to the US mainland. Pyongyang's enshrinement of the possession of nuclear weapons in its constitution, while repeatedly stating that nuclear weapons are the basis for its survival, suggests that Kim does not intend to negotiate them away at any price.

North Korea has long posed a credible and evolving military threat to South Korea and, to a lesser extent, Japan. North Korea possesses a substantial number of proven mobile ballistic missiles, capable of striking a variety of targets in both countries, as demonstrated in successful launches in 2016. Kim has further expanded the regime's conventional strike options in recent years, with more realistic training, artillery upgrades, and new close-range ballistic missiles that enable precision fire at ranges that can reach more US and allied targets in South Korea.

After five years in power, North Korean leader Kim Jong Un continues to defy international sanctions for his country's behavior and reinforce his authority through purges, executions, and leadership shuffles, restricting fundamental freedoms, and enforcing controls on information. He notably unveiled new ruling structures in conjunction with the first Korean Workers Party Congress in a generation, held in May 2016.

Southeast Asia

Democracy in many Southeast Asian countries will remain fragile in 2017. Elites—rather than the populace—retain a significant level of control and often shape governance reforms to benefit their individual interests rather than to promote democratic values. Corruption and cronyism continue to be rampant in the region, and the threat of ISIS and domestic terrorist groups might provide some governments with a new rationale to address not only the terrorist threat but also to curb political opposition movements, as some regional leaders did in the post-9/11 environment.

In the **Philippines**, aggressive campaigns against corruption, crime, and drugs will probably continue despite charges by Filipino critics and international organizations that it is fostering a permissive environment for extrajudicial killings. Philippine efforts to diversify Manila's foreign relations away from the United States have increased uncertainty about the future of Philippine-US security ties. **Thailand** is undergoing its most significant transition in 70 years following the death of the king. In **Burma**, the government led by the National League for Democracy (NLD) seeks to continue the country's democratic transition process, but the military, which has retained significant political and economic power and exclusive control over the security forces, sometimes undermines the civilian government's objectives. In addition, the NLD will be challenged by its lack of governing experience and provisions of the 2008 Constitution that do not align with democratic norms. Burma's Government will continued to be challenged in dealing with the status of the Muslim minority Rohingya in western Burma.

Cohesion of the Association of Southeast Asian Nations (ASEAN) on economic and security issues will continue to be challenged by differing development levels among ASEAN members, their varying economic dependencies on China, and their views of the threat of Beijing's regional ambitions and assertiveness in the SCS. Southeast Asian SCS claimants will continue to seek various ways to strengthen cooperation in the region and, in some cases, with the United States on maritime security issues.

RUSSIA AND EURASIA

Russia

In 2017, Russia is likely to be more assertive in global affairs, more unpredictable in its approach to the United States, and more authoritarian in its approach to domestic politics. Emboldened by Moscow's ability to affect battlefield dynamics in Syria and by the emergence of populist and more pro-Russian governments in Europe, President Vladimir Putin is likely to take proactive actions that advance Russia's great power status.

Putin will seek to prevent any challenges to his rule in the runup to presidential elections scheduled for 2018. Putin remains popular at home, but low turnout in the Duma elections in 2016 and sustained economic hardship will probably enhance Putin's concerns about his ability to maintain control. Putin is likely to continue to rely on repression, state control over media outlets, and harsh tactics to control the political elite and stifle public dissent.

Russia is likely to emerge from its two-year recession in 2017, but the prospects for a strong recovery are slim. Russia is likely to achieve 1.3 percent GDP growth in 2017 and 1.7 percent in 2018, according to commercial forecasts. Putin has long sought to avoid structural reforms that would weaken his control of the country and is unlikely to implement substantial reforms before the presidential elections.

We assess that Russia will continue to look to leverage its military support to the Asad regime to drive a political settlement process in Syria on its terms. Moscow has demonstrated that it can sustain a modest force at a high-operations tempo in a permissive, expeditionary setting while minimizing Russian casualties and economic costs. Moscow is also likely to use Russia's military intervention in Syria, in conjunction with efforts to capitalize on fears of a growing ISIS and extremist threat, to expand its role in the Middle East.

We assess that Moscow's strategic objectives in Ukraine—maintaining long-term influence over Kyiv and frustrating Ukraine's attempts to integrate into Western institutions—will remain unchanged in 2017. Putin is likely to maintain pressure on Kyiv through multiple channels, including through Russia's actions in eastern Ukraine, where Russia arms so-called "separatists. Moscow also seeks to undermine Ukraine's fragile economic system and divided political situation to create opportunities to rebuild and consolidate Russian influence in Ukrainian decisionmaking.

Moscow will also seek to exploit Europe's fissures and growing populist sentiment in an effort to thwart EU sanctions renewal, justify or at least obfuscate Russian actions in Ukraine and Syria, and weaken the attraction of Western integration for countries on Russia's periphery. In particular, Russia is likely to sustain or increase its propaganda campaigns. Russia is likely to continue to financially and politically support populist and extremist parties to sow discord within European states and reduce popular support for the European Union.

The Kremlin is also likely to continue to see defense modernization as a top national priority even as the cumulative effect on the economy of low oil prices, sanctions, and systemic problems serves as a drag on key military goals. Moscow is pursuing a wide range of nuclear, conventional, and asymmetric

capabilities designed to achieve qualitative parity with the United States. These capabilities will give Moscow more options to counter US forces and weapons systems.

Ukraine, Belarus, and Moldova

Russia's military intervention in eastern **Ukraine** continues more than two years after the "Minsk II" agreement concluded in February 2015. Russia continues to exert military and diplomatic pressure to coerce Ukraine into implementing Moscow's interpretation of the political provisions of the agreement—among them, constitutional amendments that would effectively give Moscow a veto over Kyiv's strategic decisions. Domestic Ukrainian opposition to making political concessions to Russia—especially while fighting continues in eastern Ukraine—will limit Kyiv's willingness and ability to compromise, complicating prospects for implementing the Minsk agreement. Russia largely controls the level of violence, which it uses to exert pressure on Kyiv and the negotiating process, and fluctuating levels of violence will probably continue along the front line. The struggle of Ukraine to reform its corrupt institutions will determine whether it can remain on a European path or fall victim again to elite infighting and Russian influence.

Rising popular discontent in **Belarus** will probably complicate the government's efforts to maintain its improved relations with the United States and the EU, which are aimed at bolstering its flagging economy and preserving some diplomatic maneuvering room with Russia. Minsk will continue close security cooperation with Moscow but will probably continue to oppose the establishment of Russian military bases in Belarus.

Moldova will probably also seek to balance its relations with Russia and the West rather than pursue a major shift in either direction. The Moldovan Government will almost certainly seek to move forward on implementing Moldova's EU Association Agreement despite the election of a more pro-Russian president. Settlement talks over the breakaway region of Transnistria will continue, but any progress is likely to be limited to smaller issues.

The Caucasus and Central Asia

In **Georgia**, the ruling Georgian Dream (GD) coalition's decisive electoral victory in 2016 is likely to facilitate GD's efforts to target the former ruling United National Movement and expand political control. GD will continue to pursue greater Euro-Atlantic integration by attempting to cement ties with NATO and the EU.

Tensions between **Armenia** and **Azerbaijan** over the separatist region of Nagorno-Karabakh flared in April 2016, and both sides' unwillingness to compromise and mounting domestic pressures suggest that the potential for large-scale hostilities will remain in 2017. In **Azerbaijan**, ongoing economic difficulties are likely to challenge the regime and increase its tendency to repress dissent to maintain power while it continues to try to balance relations with Russia, Iran, and the West.

Central Asian states will continue to balance their relations among Russia, China, and the West to pursue economic and security assistance and protect their regimes' hold on power. They remain concerned about the threat of extremism to their stability, particularly in light of a reduced Coalition presence in Afghanistan. Russia and China share these concerns and are likely to use the threat of instability in Afghanistan to try to increase their involvement in Central Asian security affairs. Economic

challenges stemming from official mismanagement, low commodity prices, declining trade and remittances associated with weakening economies of Russia and China, ethnic tensions, and political repression are likely to present the most significant threats to stability in these countries.

EUROPE

Key Partners

The severity of multiple crises facing Europe—irregular migration, security threats, slow economic growth, and protracted debt issues—will challenge European policy cohesion and common action. Additionally, the form and substance of the UK's exit (Brexit) from the European Union will distract European policymakers.

Migration

The EU-Turkey Statement addressing migration issues concluded in March 2016 and that tightened border controls in the Balkans will continue to limit migration to Europe. Preserving the EU-Turkey agreement, completing trade deals and making investments offered to five African countries, and ensuring the success of a repatriation deal with Afghanistan will likely remain a focus for Europe.

Security

Terrorists have taken advantage of the influx of migrants and a potential rise in returning foreign fighters from the conflicts in Iraq and Syria might compound the problem. Europe will remain vulnerable to terrorist attacks, and elements of both ISIS and al-Qa'ida are likely to continue to direct and enable plots against targets in Europe

Some European states see Russia as less of a threat to Europe than others do, even as the Baltic states and Poland begin to host multinational battalions as part of NATO's enhanced Forward Presence.

Economic/Financial Issues

The European Commission projects that euro-zone growth will be about 1.6 percent in 2017. Its projections are based on weak investment growth, uncertainty stemming from Brexit, potential disruptions to trade, and political and practical limits to expanding monetary and fiscal efforts to support growth.

Turkey

President Recep Tayyip Erdogan's narrow win in the mid-April popular referendum on expanding his powers and the ruling Justice and Development Party's (AKP's) post-coup crackdowns are increasing societal and political tension in Turkey.

Turkey's relations with the United States are strained because Ankara calculates that the United States has empowered Turkey's primary security threat—the Kurdistan Workers' Party (PKK)—by partnering

with the Syrian Kurdish People's Protection Units (YPG), which Turkey alleges is aligned with the PKK. European admonition of Turkey's conduct during the referendum—including limitations European countries placed on Turkish campaigning on their soil—is further straining Turkish ties to the EU.

- Two major Turkish complaints are Washington's unwillingness to meet Turkish demands to extradite US-person Fethullah Gulen—accused by the Turkish Government of orchestrating the failed coup in July 2016—and US support to the YPG in Syria.
- In November 2016, the Turkish president indicated that he would be willing to consider joining the Russian-led Shanghai Cooperation Organization (SCO) as an alternative to the EU.

MIDDLE EAST AND NORTH AFRICA

Syria

We assess that the Syrian regime, backed by Russia and Iran, will maintain its momentum on the battlefield but that the regime and the opposition are not likely to agree on a political settlement in 2017. Damascus has committed to participate in peace talks but is unlikely to offer more than cosmetic concessions to the opposition. The opposition, although on the defensive, is able to counterattack, which will probably prevent the regime from asserting territorial control over western and southern Syria, and remains committed to President Bashar al-Asad's departure.

The Islamic State of Iraq and ash-Sham (ISIS) has lost about 45 percent of the territory it held in Syria in August 2014, but it still controls much of the eastern section of the country, including the city of Ar Raqqa. ISIS will likely have enough resources and fighters to sustain insurgency operations and plan terrorists attacks in the region and internationally.

Asad's foreign supporters—Russia, Iran, and Lebanese Hizballah—want to keep an allied regime in power and maintain their influence in Syria. Moscow's deployment of combat assets to Syria in late 2015 helped change the momentum of the conflict; Russia has provided combat aircraft, warships, artillery, arms, and ammunition. Iran provides military advice, fighters, weaponry, fuel, and Shia militants. Lebanese Hizballah provides fighters and helps control the Lebanon-Syria border.

Most opposition backers maintain their support, in part by linking Asad's regime to Iran's malign influence in the region, but their lack of unity will hamper their effectiveness.

Syrian Kurdish People's Protection Units (YPG) control much of northern Syria and have worked closely with coalition forces to seize terrain from ISIS. The YPG's goal to unite its "cantons" across northern Syria is opposed by most Syrian Arabs and by Turkey, which views these Kurdish aspirations as a threat to its security. To weaken ISIS and check the Kurds, Ankara has used Syrian opposition groups, backed by Turkish artillery, aircraft, and armored vehicles, to establish a border security zone in Syria.

The continuation of the Syrian conflict will worsen already-disastrous conditions for Syrians and regional states and maintain migration pressure on Europe. As of late March 2017, more than 4.9 million Syrians

have left the country from a pre-conflict population of approximately 23 million, and an additional 6.3 million were internally displaced. ISIS's presence in Syria and ability to stage cross-border attacks will continue to jeopardize Iraq's stability.

Iraq

The Iraqi Government's primary focus through 2017 will be recapturing and stabilizing Mosul, the largest urban ISIS stronghold in Iraq, and other ISIS-held territory. The Iraqi Security Forces (ISF) and Kurdish Peshmerga with coalition support and forces of the Shia-dominated Popular Mobilization Committee (PMC) are all involved in the Mosul campaign. Faced with the eventual loss of Mosul, ISIS is preparing to regroup and continue an insurgency and terrorist campaign.

- As the Mosul campaign progresses, Baghdad faces potential tensions between the Kurds and the Iranian-backed PMC members over disputed territory while also managing the Turkish presence in northern Iraq. Baghdad has rebuked Ankara for its presence at Bashiqa and warned of potential conflict if Turkey intervenes any farther in northern Iraq. Tensions might persist well after major counter-ISIS combat operations cease as external actors continue to pursue their political and strategic goals in Iraq.

Meanwhile, the Iraqi prime minister is trying to fend off political challenges and cope with an economy weakened by the fight with ISIS and depressed oil prices. A loose "reform" coalition in the Council of Representatives (COR) exploited political divisions in fall 2016 to remove the defense and finance ministers. Political factionalism has prevented the passage of needed political reform, heightened distrust among sectarian groups, and undermined governance.

- Iraq will probably need international financial support throughout 2017, but Iraq's finances could stabilize if oil prices continue to slowly rise and Baghdad makes progress on its reform program. In 2016, Iraq's revenue from crude oil sales averaged \$3.3 billion per month, less than half the monthly revenue in 2014, despite a rise in the number of barrels of oil exported. Oil sales account for about 90 percent of government revenues and make up almost 50 percent of Iraq's GDP. The United States and Iraq concluded a sovereign loan agreement in late January 2017 that could help Baghdad access international funds that it sorely needs to reconstruct areas liberated from ISIS.

Iraq will face serious challenges to its stability, political viability, and territorial integrity after control of Mosul is wrested from ISIS. More than 200,000 individuals have been displaced from Mosul due to the fighting. However, about a third have since returned to their homes, and as many as 1 million civilians might be eventually displaced, adding to the 3 million displaced persons in Iraq as of February 2016.

- Reconstruction of infrastructure and tens of thousands of civilian structures destroyed by fighting in Sunni areas once occupied by ISIS will cost billions of dollars and take years.
- Ethnosectarian reconciliation will also be an enduring challenge. Iraqi Shia, Sunnis, and Kurds increasingly view themselves as having diverging futures. ISIS will seek to exploit any Sunni discontent with Baghdad and try to regain Iraqi territory, whereas the Kurds will probably continue efforts to establish an independent state.

Iran

The Islamic Republic of Iran remains an enduring threat to US national interests because of Iranian support to anti-US terrorist groups and militants, the Asad regime, Huthi rebels in Yemen, and because of Iran's development of advanced military capabilities. Despite Supreme Leader Khamenei's conditional support for the JCPOA nuclear deal implemented in January 2016, he is highly distrustful of US intentions. Iran's leaders remain focused on thwarting US and Israeli influence and countering what they perceive as a Saudi-led effort to fuel Sunni extremism and terrorism against Iran and Shia communities throughout the region.

Iran is immersed in ongoing conflicts in Iraq, Syria, and Yemen. Iranian officials believe that engaging adversaries away from Iran's borders will help prevent instability from spilling into Iran and reduce ISIS's threat to Iran and its regional partners. Iran's involvement in these conflicts, including sending hundreds of its own forces plus arming, financing, and training thousands of Iraqi, Afghan, and Pakistani Shia fighters to support the Asad regime, has aggravated sectarianism and increased tensions with other regional states. Tehran's provision of aid to the Huthis, including unmanned aerial vehicles (UAVs), explosive boat technology, and missile support, risks expanding and intensifying the conflict in Yemen and the broader Iranian-Saudi dispute. We assess that Iran's leaders intend to leverage their ties to local actors in Iraq, Syria, and Yemen to build long-term Iranian influence in the region. Iran will also utilize its relationship with Moscow to try to expand Iranian influence and counter US pressure.

Hardliners, who believe that the West is attempting to infiltrate Iran to undermine the regime, have driven the increase of arrests of citizens since 2014 who are dual nationals. The Islamic Revolutionary Guard Corps (IRGC) will likely continue to scrutinize, arrest, and detain individuals with ties to the West, particularly dual US-Iranian and UK-Iranian citizens. This practice will weaken prospects of attracting foreign investment into Iran's economy.

Iran continues to develop a range of new military capabilities to monitor and target US and allied military assets in the region, including armed UAVs, ballistic missiles, advanced naval mines, unmanned explosive boats, submarines and advanced torpedoes, and anti-ship and land-attack cruise missiles. Iran has the largest ballistic missile force in the Middle East and can strike targets up to 2,000 kilometers from Iran's borders. Russia's delivery of the SA-20c surface-to-air missile system in 2016 provides Iran with its most advanced long-range air defense system.

IRGC Navy forces operating aggressively in the Persian Gulf and Strait of Hormuz pose a risk to the US Navy. Most IRGC interactions with US ships are professional, although US Navy operators consider approximately 10 percent to be unsafe, abnormal, or unprofessional. We assess that limited aggressive interactions will continue and are probably intended to project an image of strength and possibly to gauge US responses.

Yemen

Fighting in Yemen will almost certainly persist in 2017 despite international attempts to forge cease-fires between Huthi-aligned forces, trained by Iran, and the Yemeni Government, backed by a Saudi-led coalition. Neither the alliance between the Huthis and former Yemeni President Ali Abdallah Salih nor the government of Yemeni President Abd Rabuh Mansur Hadi has been able to achieve decisive results through military force, despite their prominent international backers. Efforts at peace talks are nascent, and both sides remain wary of the other's intentions.

As of late 2016, the fighting had displaced more than 2 million people and left 82 percent of Yemen's population in need of humanitarian aid. Temporary cease-fires have allowed for some increased access for humanitarian organizations, but relief operations are hindered by lack of security, bureaucratic constraints, and funding shortages. More than half the population is experiencing crisis or emergency levels of food insecurity.

AQAP and ISIS's branch in Yemen have exploited the conflict and the collapse of government authority to gain new recruits and allies and expand their influence. Both groups threaten Western interests in Yemen and have conducted attacks on Huthi, Yemeni Government, and Saudi-led coalition targets.

SOUTH ASIA

Afghanistan

The overall situation in Afghanistan will very likely continue to deteriorate, even if international support is sustained. Endemic state weaknesses, the government's political fragility, deficiencies of the Afghan National Security Forces (ANSF), Taliban persistence, and regional interference will remain key impediments to improvement. Kabul's political dysfunction and ineffectiveness will almost certainly be the greatest vulnerability to stability in 2017. ANSF performance will probably worsen due to a combination of Taliban operations, ANSF combat casualties, desertions, poor logistics support, and weak leadership. The ANSF will almost certainly remain heavily dependent on foreign military and financial support to sustain themselves and preclude their collapse. Although the Taliban was unsuccessful in seizing a provincial capital in 2016, it effectively navigated its second leadership transition in two years following the death of its former chief, Mansur, and is likely to make gains in 2017. The fighting will also continue to threaten US personnel, allies, and partners, particularly in Kabul and urban population centers. ISIS's Khorasan branch (ISIS-K)—which constitutes ISIS's most significant presence in South Asia—will probably remain a low-level developing threat to Afghan stability as well as to US and Western interests in the region in 2017.

Pakistan

Pakistani-based terrorist groups will present a sustained threat to US interests in the region and continue to plan and conduct attacks in India and Afghanistan. The threat to the United States and the West from Pakistani-based terrorist groups will be persistent but diffuse. Plotting against the US homeland will be conducted on a more opportunistic basis or driven by individual members within these groups.

Pakistan will probably be able to manage its internal security. Anti-Pakistan groups will probably focus more on soft targets. The groups we judge will pose the greatest threat to Pakistan's internal security include Tehrik-e Taliban Pakistan, Jamaat ul-Ahrar, al-Qa'ida in the Indian Subcontinent, ISIS-K, Lashkar-e Jhangvi, and Lashkar-e Jhangvi al-Alami. The emerging China Pakistan Economic Corridor will probably offer militants and terrorists additional targets.

Pakistan's pursuit of tactical nuclear weapons potentially lowers the threshold for their use. Early deployment during a crisis of smaller, more mobile nuclear weapons would increase the amount of time that systems would be outside the relative security of a storage site, increasing the risk that a coordinated attack by non-state actors might succeed in capturing a complete nuclear weapon.

India-Pakistan

Relations between India and Pakistan remain tense following two major terrorist attacks in 2016 by militants crossing into India from Pakistan. They might deteriorate further in 2017, especially in the event of another high-profile terrorist attack in India that New Delhi attributes to originating in or receiving assistance from Pakistan. Islamabad's failure to curb support to anti-India militants and New Delhi's growing intolerance of this policy, coupled with a perceived lack of progress in Pakistan's investigations into the January 2016 Pathankot cross-border attack, set the stage for a deterioration of bilateral relations in 2016. Increasing numbers of firefights along the Line of Control, including the use of artillery and mortars, might exacerbate the risk of unintended escalation between these nuclear-armed neighbors. Easing of heightened Indo-Pakistani tension, including negotiations to renew official dialogue, will probably hinge in 2017 on a sharp and sustained reduction of cross-border attacks by terrorist groups based in Pakistan and progress in the Pathankot investigation.

SUB-SAHARAN AFRICA

South Sudan

Clashes between Juba and the armed opposition will continue, heightening ethnic tensions and exacerbating the humanitarian crisis and famine amid a declining economy. Both sides' use of ethnic militias, hate speech, and the government's crackdown against ethnic minorities raise the risk of additional mass atrocities. The government will probably continue to restrict political freedoms and civil liberties and obstruct humanitarian assistance.

Sudan

Khartoum probably hopes to continue constructive engagement with the United States following Washington's decision in January 2017 to suspend some sanctions on Sudan. The regime will probably largely adhere to a cessation of hostilities in conflict areas—required to receive sanctions relief—but skirmishing between the Sudanese military and rebel forces is likely to result in low levels of violence and population displacement. The regime's military gains since March 2016 and divisions among armed opponents will almost certainly inhibit the insurgents' ability to make significant political or military gains.

Public dissatisfaction over a weakened economy and austerity measures, however, will test the government's ability to maintain order.

Nigeria

The Nigerian Government will confront a wide range of challenges in 2017, many of which are deeply rooted and have no "quick fix." Despite Nigeria's progress in 2016 reclaiming territory from ISIS in West Africa (ISIS-WA) and Boko Haram, both terrorist groups will remain a threat to military and civilians in northeastern Nigeria, as well as in neighboring Cameroon, Chad, and Niger. Moreover, Nigeria, with Africa's largest economy, is suffering a recession brought on by low oil prices and militant attacks on its oil infrastructure. This recession is handicapping Abuja's efforts to combat the terrorists and respond to a growing humanitarian crisis in the northeast.

Sahel

Governments in Africa's Sahel region—particularly Chad, Mali, Mauritania, and Niger—will remain at risk of internal conflict and terrorist attacks in 2017. The region's shared geography, ethnic and religious connections, and a pervasive lack of border security have facilitated a rise in extremist groups, traffickers, and antigovernment militias since the collapse of Libya in 2011 and the northern Mali uprising in 2012. Al-Qa'ida in the Lands of the Islamic Maghreb (AQIM), al-Murabitun, Ansar al-Din, and other violent extremist groups will continue attacking Western and local interests in the region.

Somalia

The Somali Government will continue to rely on international assistance, including in the areas of civilian protection, service provision, dispute resolution, security, and humanitarian relief. Progress in these areas is critical to maintain support from troop-contributing countries of the African Union Mission in Somalia (AMISOM), which plans to begin withdrawing from Somalia in 2018.

Ethiopia

Ethiopia has faced widespread public protests and ethnic tensions and will struggle to address the underlying grievances while preserving the power of the ruling party. The risk of instability is high. Addis Ababa declared a state of emergency in October 2016 and continues mass arrests, targeting opposition leaders.

Democratic Republic of the Congo

A deal between the government of the Democratic Republic of the Congo (DRC) and Congolese opposition and civil society over President Joseph Kabila's term extension has bought the regime time. Kabila named an opposition member as prime minister in April, but elections are unlikely to be held by the end of 2017 as called for under the agreement. Meanwhile, armed conflict in the east perpetrated by militia groups will exacerbate serious humanitarian challenges.

WESTERN HEMISPHERE

Mexico

The Mexican Government will focus on domestic priorities to help position the country for the presidential election in 2018 while also seeking to limit fallout from potential shifts in the bilateral relationship with the United States. Mexico will be challenged to make gains against corruption and rising crime and will continue to rely on the military to stymie criminal violence. Its \$1.1 trillion economy has benefitted from strong economic fundamentals and robust exports, but changes in trade relationships might weaken the export sector and slow economic growth. Mexican migration to the United States, which has decreased in recent years, might increase if economic opportunity at home declines. Apprehensions of undocumented Mexicans fell from about 268,000 in FY 2013 to 193,000 in FY 2016, according to DHS statistics.

Central America

Insecurity, lack of economic opportunities, desire for family reunification, and views of US immigration policy are likely to remain the principal drivers of migration from the Northern Triangle countries of El Salvador, Guatemala, and Honduras to the United States. Human smuggling networks will continue to help migrants navigate travel routes and security at the US and Mexican border. Homicide rates in these countries remain high despite a decline in 2016, and gang-related violence is still prompting Central Americans to flee. DHS apprehensions along the southwest border of migrants from the Northern Triangle reached nearly 200,000 in FY 2016 but have declined sharply since February 2017.

Colombia

The Colombian Government's ability to implement its historic peace deal with the Revolutionary Armed Forces of Colombia (FARC) in 2017 will be key to the country's prospects for fully harnessing economic and investment opportunities. The peace deal ended the country's 52-year civil war with the FARC and demobilized the Western Hemisphere's largest and longest-running insurgency. Colombia was already politically stable and markedly less violent than 20 years ago. Even so, some immediate post-conflict challenges will include stemming rising drug production and addressing social and economic inequality in rural areas.

Cuba

As Cuba heads into the final year of preparations for its planned historic leadership transition in early 2018, the government's focus will be on preserving the regime's hold on power and dealing with the falling economic growth rate. Cuba blames its slowing economy on lower global commodity prices, the US embargo, and the economic crisis in Venezuela, a top trade partner and important source of political support and petroleum at generous financing terms. Havana, however, has stalled implementation of its own reform program, including changes to investment laws needed to address longstanding investor concerns and plans to unify its dual currency and exchange rate system.

Some Cuban migration to the United States via land routes through Central America and Mexico—especially by Cubans already in transit—is likely to continue despite a significant decrease following the end of the US “Wet Foot, Dry Foot” policy in January 2017. That policy allowed most undocumented Cubans who reached US soil—as opposed to being intercepted at sea—to remain in the United States and then apply for lawful permanent residency status after one year under the Cuban Adjustment Act of 1966. In FY 2016, some 42,000 Cuban migrants arrived at the US southwest border and maritime flows exceeded 7,300 migrants because of poor economic prospects in Cuba and apprehension about potential US policy shifts.

Venezuela

Venezuela’s regime and the political opposition will remain at odds in 2017 as Venezuela’s domestic political and economic tensions intensify. The regime is struggling to contain spiraling inflation and finance imports, creating shortages of foodstuffs and medicines in the oil-rich country. The unpopular government charges that the opposition is waging an economic war and trying to stage a political coup and will probably ratchet up repression to maintain power. Shortages of food, medicine, and basic supplies will probably continue to stoke tensions through 2017.

STATEMENT FOR THE RECORD

WORLDWIDE THREAT ASSESSMENT

ARMED SERVICES COMMITTEE

UNITED STATES SENATE



Vincent R. Stewart, Lieutenant General, U.S. Marine Corps

Director, Defense Intelligence Agency

23 May 2017

Information available as of May 17, 2017 was used in the preparation of this assessment.

INTRODUCTION

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

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

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

REGIONAL THREATS

EUROPE/EURASIA

RUSSIA

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EAST ASIA

China

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

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

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

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

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

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

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

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

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

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

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

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

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

North Korea

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

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

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

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

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

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

SOUTH ASIA

Afghanistan and the Taliban

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

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

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

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

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

Pakistan

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

India

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

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

MIDDLE EAST/NORTH AFRICA

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

Syria

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

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

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

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

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

Iraq

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

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

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

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

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

ISIS Developments in Syria and Iraq

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

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

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

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

Iran

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

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

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

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

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

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

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

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

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

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

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

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

Yemen

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

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

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

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

North Africa

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

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

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

AFRICA SUBCONTINENT

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

West Africa and the Sahel

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

East Africa

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

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

Central Africa

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

Southern Africa

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

LATIN AMERICA

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

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

Mexico

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

Central America

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

Colombia

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

Venezuela

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

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

Trinidad and Tobago

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

TRANSNATIONAL THREATS

CYBER

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

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

TERRORISM

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

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

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

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

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

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

FOREIGN INTELLIGENCE THREAT

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

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

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

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

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