

**HEARING OF THE HOUSE PERMANENT SELECT COMMITTEE ON INTELLIGENCE  
ANNUAL THREAT ASSESSMENT**

**WITNESSES:**

JOHN D. NEGROPONTE, DIRECTOR OF NATIONAL INTELLIGENCE;

GENERAL MICHAEL V. HAYDEN, DIRECTOR, CENTRAL INTELLIGENCE AGENCY;

LIEUTENANT GENERAL MICHAEL D. MAPLES, DIRECTOR, DEFENSE INTELLIGENCE AGENCY;

PHILIP MUDD, ASSOCIATE EXECUTIVE ASSISTANT DIRECTOR OF THE NATIONAL SECURITY BRANCH, FEDERAL BUREAU OF INVESTIGATION;

CHARLES E. ALLEN, CHIEF INFORMATION OFFICER, DEPARTMENT OF HOMELAND SECURITY

*CHAired BY: REPRESENTATIVE SILVESTRE REYES (D-TX)*

*LOCATION: 2212 RAYBURN HOUSE OFFICE BUILDING, WASHINGTON, D.C.*

**TIME: 9:32 A.M. EST**

**DATE: THURSDAY, JANUARY 18, 2007**

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REP. REYES: Good morning. The committee will please come to order. Just before we get started and I make my opening statement, I'd like to go over a couple of administrative matters.

First of all, we're going to follow very strictly the five-minute rule. There are a number of members here. And the clock is set for five minutes. With one minute left, the caution light will come on. So I would please ask all members to make sure that you respect the five-minute rule and finish up within that five minutes. That includes responses by the witnesses.

Second point, on our website we will have the witnesses' testimony. It will be available on that website at the close of this hearing.

One last item, a caution on the issue of classified information. This is an open hearing, and I want to caution members and witnesses to be careful not to discuss any classified matters in open session. If there is an indication that one of those issues has come up, please -- the staff will stand up and caution us, and please suspend the discussion until I'm able to make the precautionary note.

So with that, let me welcome everyone. This is the first of what I envision will be many opportunities to have open hearings.

Sixty-two years ago this very month, in the midst of World War II, President Roosevelt addressed the nation by radio, saying the following: "This war must be waged. It is being waged with the greatest and most persistent intensity. Everything we are and have is at stake. Everything that we are and have will be given."

Today, America again finds itself in the midst of a war. The threats facing America are difficult and vitally different than the threats we faced in World War II. This threat is more diffuse and more long term, and there is danger that it will not be recognized for the defining challenge it may pose to our nation. But make no mistake, everything that we have is again at stake, and the American people deserve to know whether everything we have will also be given. That is the essential question that the House Permanent Select Committee on Intelligence will seek to answer in the 110th Congress.

Given the threats to the American national security interests from failed states imploding in violence, to terrorist networks plotting attacks, to rogue dictators seeking nuclear weapons, to rising powers looking to challenge American influence, is everything we have as a nation being devoted to that fight?

What are our threats? And do we have the capabilities we need to protect America?

To help answer those questions, we have invited the director of National Intelligence, John Negroponte, as well as the leaders of our major intelligence organizations -- General Michael Hayden of the CIA, General Michael Maples of the DIA, and Charlie Allen of the Department of Homeland Security, and finally, Philip Mudd of the National Security Branch at the FBI.

These leaders represent the thousands of women and men in the intelligence community, many of whom are serving at this very hour on the front lines. And I want to thank and salute those brave professionals. And I also want to welcome their leadership to today's hearing.

I want to thank Director Negroponte for his service as our nation's first director of National Intelligence. Though we may not have always agreed on the direction of this new enterprise, we certainly commend you, sir, for your service and wish you well in your new endeavor. And we also look forward to meeting with and working with the person nominated to replace you, and that is Admiral McConnell.

I also want to welcome all the members of the committee, those who are returning to serve on this committee as well as our new colleagues that will join us -- Mike Thompson of California, Jan Schakowsky of Illinois, Jim Langevin of Rhode Island, and Patrick Murphy of Pennsylvania. I want to particularly welcome our former chairman, a good friend and colleague, our distinguished ranking member, Mr. Hoekstra.

So with that, my colleagues, I want to make the following pledges to you as we begin our first public hearing. I will endeavor to forge a bipartisan approach and will seek common ground where we can. Where there are differences, I pledge to you that we should air them civilly and professionally. I will work to promote excellence in the intelligence community to sharpen the tip of the spear in this war on terror so that we can produce the most effective intelligence capability for both warfighters and policymakers.

I will focus on oversight and reclaim the power of this committee because the American people expect us to do the job that is required by the Constitution. I will conduct as much business as possible in public,

because, after all, the public is paying for all of this. But where national security must be safeguarded, we will do our work behind closed doors and maintain the secrets of our nation without compromise.

And so to my colleagues and to the public that we serve, I want to say we will never question your patriotism for expressing disagreement with one of us or any other official of our government. In the near future, I will issue a formal committee work plan, but for the moment, let me share some of my personal priorities for this committee.

Our first goal was to implement the 9/11 commission recommendations. Well, we did so by passing H.R. 1 to close the gaps in our homeland security and by creating a new Intelligence Oversight Panel within the Appropriations Committee. This panel will fuse together the intelligence authorization and appropriations processes. This is good news for the House Permanent Select Committee on Intelligence because it is the first time that we'll have a formal seat at the appropriations table, allowing us to contribute the knowledge that we gained from our extensive oversight to decisions on the appropriation of funds. I will work to make certain that this new panel enhances the effectiveness of congressional oversight.

Second, I believe that the Congress must send an intelligence authorization act to the president. We have done so every year since this committee was formed in 1978; that is, until the last Congress. Through not fault of this committee, Congress has not enacted authorizing legislation for the last two years, so I want to get us back on track on that.

Third, the committee must focus on two primary theaters of conflict right now -- Iraq and Afghanistan -- and we must understand why we are having such a problem achieving our objectives in those two theaters. In the coming weeks, I intend to hold a series of hearings on Iraq so that we can fairly assess the situation there and evaluate the president's proposed new course of action. I am eager for our witnesses here today to share their views about whether we are making progress in Iraq and whether the proposed plan on the table will likely stop the sectarian violence that is raging around our some 140,000 American forces in Iraq.

The committee will also continue to work we began in the last Congress to understand the threats posed by Iran and North Korea, two nations that are bent on obtaining a nuclear arsenal in defiance of the world community. But what do we know about these two regimes, how are their decisions made, and perhaps most importantly, what is it that we don't know about those two nations?

We all know that the al Qaeda network has evolved over the past five years. Is al Qaeda still the greatest threat to the U.S. homeland? What about Hezbollah, Hamas or other radical Islamist groups? What about so-called homegrown terrorists?

As the terrorist threat evolves, we need to know more about these threats and what we can do to stop them.

So I plan to direct our committee to focus also on the areas of the world that have received far less attention in the recent past, such as Latin America and Africa. The threats from these regions often appear less urgent, but both of them demonstrate trends that if left unaddressed could seriously threaten core U.S. national security interests.

The committee will explore how we can build a better, stronger corps of intelligence professionals who speak the languages and have the cultural sensitivity to penetrate and understand the hardest targets.

Diversity is not just something that we will pursue to make ourselves feel better. In an intelligence war, it is a matter of national survival. We are going to remain focused on improving analysis by insisting on caveats, dissents, alternative views and the use of open source material, so that we never again allow policy to be based on or justified with flawed or unchallenged analysis.

We are going to carefully and systematically review some of the more controversial and sensitive intelligence programs, such as the NSA surveillance program and the CIA's detainee program.

As I noted yesterday, the administration decision to end the practice of warrantless surveillance and seek court orders from the FISA court is certainly welcome, if not long overdue. I am going to withhold judgment on this until we can review the court orders and the legal memoranda that were provided to that court. We'll look at these issues in a serious, constructive and bipartisan fashion.

The committee will continue to monitor the Office of the Director of National Intelligence, as well the stand-up of the national security branch at the FBI, and also the emerging intelligence tools utilized by the Department of Defense and the Department of Homeland Security. All of these developments are post-9/11 in our world today.

And of course we are going to stay true to the reason that this committee was created nearly three decades ago: to ensure that the intelligence activities of the United States are an effective, appropriate and lawful use of taxpayer resources. Other nations have crown jewels or diamond mines or vast oil fields. Our most precious commodities are the liberties and the constitutional values that bind us, as Americans, together. It is the job of this committee to provide for the common defense, as Article I of the Constitution makes clear, and also defend the Constitution itself when our ideals are threatened.

So I look forward to a productive hearing and a productive Congress.

And now, I'd like to recognize my good friend, our ranking member, Mr. Hoekstra, for any opening statements that he may have.

REP. PETER HOEKSTRA (R-MI): Thank you, Mr. Chairman, and congratulations and thanks for holding this first hearing of the 110th Congress. I wish to welcome everyone here, especially our good friends at the witness table.

As you noted, Mr. Chairman, we welcome back Director of National Intelligence Ambassador Negroponte for what appears may be your last formal appearance in front of this committee before your confirmation as deputy secretary of State. Congratulations on this new appointment. We are going to miss you. Some of us are disappointed that you're leaving so early in your tenure. We've got a lot of blood, sweat and tears, as you do, in the stand-up of the ODNI Office. We're committed to its success, as we know you also were committed to its success. Your personal efforts have made a big

difference in putting in place the -- a framework for what the Office of the DNI will look like. For that, we owe you a great deal of gratitude.

Thank you very much for your service and best wishes in your new position and enjoy your confirmation hearings, where I'm sure that -- (laughter) -- that's something that you're going to look forward to.

The -- I also want to, you know, welcome the other guests that are here; you know, Charlie, Mike, Mr. Maples, Phil. You know, we are -- we're thrilled that you're here. We very much appreciate the service and the relationship that each of you have built with this committee over the last number of years as you've served the country and as you've interacted with this group.

You know, each year this committee starts its work off by getting an understanding as to exactly what the threats are that face America today. You know, it is the framework for which we begin our work and we begin our discussions and our oversight for the year. Because as we understand the threats, we have a better -- we'll have a better idea and an understanding as to exactly what type of framework, what type of capability, what type of resources, and what kind of information that we need as a nation, that we need as policymakers to keep America safe.

You know, each of your organizations doing its job, each of your organizations working together with the other parts of the intelligence community and working with us as policymakers will enable us to develop the strategies and the tactics that will keep America safe.

We look forward to continuing that work. We look forward to continuing to work with you, to provide you with the resources and the oversight that is essential to make sure that we each have our voice and our say in the direction that we're going to go for the intelligence community.

I'll submit the rest of my statement for the record so that we can get to the testimony of each of our witnesses. With that, I'll yield back the balance of my time. Thank you, Mr. Chairman.

REP. REYES: Thank you, Pete. Appreciate that. And just as a matter of administrative business, we're going to be in this open hearing until noon. At noon, we have to leave and go into closed session. So I wanted all the members to know that.

Without objection, all the statements for the record from our witnesses will be made part of the official record of this hearing, and are available to the members in their briefing books. The director will be the only person making an opening statement, but all the witnesses will be available to us for any questions that we might have.

So with that, Director Negroponte, again, welcome. And we certainly concur with our ranking member that we appreciate all the work that you've done. We hate to see you go, but we wish you well in your new endeavor. You're now free to make your opening statement.

AMB. NEGROPONTE: Thank you, Mr. Chairman. Thank you, Ranking Member Hoekstra for your kind comments. It's been a pleasure working with the both of you and other members of the committee during the past almost two years now. And though I leave this -- I will be leaving this position with

regret, I think I'll also be able to look back with some satisfaction at what we were able to start up here, as you mentioned, Mr. Hoekstra. And it's also, for a career -- someone who started his life as a vice consulate in the Foreign Service of the United States of America back in October of 1960, it's obviously a source of excitement for me to be moving back to the State Department, if confirmed by the Senate as deputy secretary of State.

I want to thank you for the invitation to offer the intelligence community's assessment of the threats to our nation. The judgments I will offer the committee are based on the efforts of thousands of patriotic, highly skilled professionals, many of whom serve in harm's way. The United States intelligence community is the best in the world, and I am pleased to report that it is even better than it was last year, as the result of the reforms mandated by the president and the Congress. These reforms promote better information-sharing, the highest standards of analytic rigor, the most innovative techniques of acquiring information, and a stronger sense of community across our 16 agencies.

The nation requires more from our intelligence community than ever before, because America confronts a greater diversity of threats and challenges than ever before. This morning, in the interest of brevity, I will address only a few of the threats and challenges, providing more comprehensive assessments in my unclassified and classified statements for the record.

My comments will focus on, first, our efforts to defeat international terrorist organizations, especially al Qaeda, which is seeking to strengthen its global network of relationships with other violent extremists; the challenges Iraq and Afghanistan confront in forging national institutions in the face of inter-sectarian, insurgent and terrorist violence; the two states most determined to develop weapons of mass destruction, Iran and North Korea; the shadow that Iran has begun to cast over the Middle East; turmoil in Africa; democratization in Latin America; China's economic and military modernization; and energy security and the foreign policy benefits that high prices offer states which are hostile to United States interests.

Terrorism remains the preeminent threat to the homeland, to our national security interests and to our allies. In the last year, we've developed a deeper understanding of the enemy we face. Al Qaeda is the terrorist organization that poses the greatest threat. We have captured or killed numerous senior al Qaeda operatives, but al Qaeda's core elements are resilient. They continue to plot attacks against our homeland and other targets, with the objective of inflicting mass casualties. And they are cultivating stronger operational connections and relationships that radiate outward from their leaders' secure hideout in Pakistan to affiliates throughout the Middle East, North Africa and Europe.

Use of conventional explosives continues to be the most probable al Qaeda attack scenario. Nevertheless, we receive reports indicting that al Qaeda and other terrorist groups are attempting to acquire chemical, biological, radiological and nuclear weapons or material. Their objective, as I have said, is to inflict mass casualties. They will employ any means at their disposal to achieve that objective.

In addition to al Qaeda, its networks and affiliates, I would highlight the terrorist threat from Hezbollah, backed by Iran and Syria. As

a result of last summer's hostilities, Hezbollah's self-confidence and hostility towards the United States as a supporter of Israel could cause the group to increase its contingency planning against United States interests.

We know from experience that since 9/11, countering terrorism depends on effective international cooperation. Our successes so far against al Qaeda and other jihadists and our ability to prevent attacks abroad and at home have been aided considerably by the cooperation of foreign governments - among them Iraq, the U.K., Saudi Arabia, Turkey, Pakistan, Afghanistan and many others. It is important to note our shared successes not to take credit but to demonstrate results. The longer we fight this war, the better we get at inflicting serious setbacks to our adversaries.

For example, in Iraq, we eliminated al Qaeda in Iraq's murderous leader, Abu Musaab al-Zarqawi. Also in Iraq, we have severely damaged Ansar al-Sunna's leadership and operational capacity. In the United Kingdom, a plot to perpetrate the worst terrorist slaughter of innocent civilians since 9/11 was detected and disrupted. And in Pakistan last April, Abdul Rahman al-Muhajir and Abu Bakr al-Suri, two of al Qaeda's top bomb makers, were killed.

Again, I emphasize that we do not and could not accomplish our counterterrorism mission unilaterally. Our role varies from situation to situation. What does not vary is our requirement for good intelligence and committed partners, which we have in all parts of the world.

The two countries where the United States military is engaged in combat, Iraq and Afghanistan, face challenges that are exacerbated by terrorism but not exclusively attributable to it. In Iraq, sectarian divisions are widening, but the multiparty government of Nouri al-Maliki continues to seek ways to bridge the divisions and restore commitment to a unified country. The effort to create a moderate front of major parties from the country's three major ethnosectarian groups to back the prime minister has underscored moderates' interest in bridging the gaps between Iraq's communities. Iraqi security forces have become more numerous and capable since my last threat briefing. Six division headquarters, 30 brigades and more than 90 battalions have taken the lead in their operational areas, have battled insurgents on their own and have stood up the militias -- stood up to the militias, in some cases.

Nonetheless, Iraq is at a precarious juncture. The various parties have not yet shown the ability to compromise effectively on the thorny issues of de-Ba'athification, constitutional reform, federalism and central versus regional control over hydrocarbon revenues. The provision of essential public services is inadequate; oil prices -- oil output remains below prewar levels; hours of electric power have declined and remain far below demand; and inflationary pressures have grown since last year. Increasingly, Iraqis resort to violence. Their conflict over national identity and the distribution of power has eclipsed attacks against the coalition forces as the greatest impediment to Iraq's future as a peaceful, democratic and unified state.

Prospects for increasing stability in Iraq over the next year will depend on several factors. Among them, the extent to which the Iraqi government and political leaders can establish effective national institutions that transcend sectarian or ethnic interests, and within this context, the willingness of Iraqi security forces to pursue extremist

elements of all kinds; the extent to which extremists, most notably al Qaeda in Iraq, can be defeated in their attempts to foment intersectorian struggle between Shi'a and Sunnis; and the extent to which Iraq's neighbors, especially Iran and Syria, can be persuaded to stop the flow of militants and munitions across their borders.

As in Iraq, 2007 will be a pivotal year for Afghanistan. The ability of the Karzai government, NATO and the United States to arrest the resurgence of the Taliban will determine the country's future. At present, the insurgency probably does not directly threaten the government, but it is deterring economic development and undermining popular support for President Karzai.

Afghan leaders must build central and provincial government capacity and confront pervasive drug cultivation and trafficking. Neither task will be easy. The country faces a chronic shortage of resources and of qualified and motivated government officials. The drug trade contributes to endemic corruption at all levels of government and undercuts public confidence, and a dangerous nexus exists between drugs and the insurgents and warlords who derive funds from cultivation and trafficking.

After terrorism, the efforts of nation-states and non-state actors, including terrorists, to develop and/or acquire dangerous weapons and delivery systems constitute the second major threat to the safety of our nation, to our deployed troops and to our friends and interests abroad.

Dual-use technologies circulate easily in our globalized economy. So do the scientific personnel who define and use them. That makes it more difficult for us to track efforts to acquire these widely available components and production technologies, and to adapt them to nefarious purposes.

Iran and North Korea are the states of most concern to us today because their regimes are pursuing nuclear programs in defiance of United Nations Security Council restrictions.

Our assessment is that Tehran is determined to develop nuclear weapons. It is continuing to pursue uranium enrichment and has shown more interest in protracting negotiations than reaching an acceptable diplomatic solution. Iranian nuclear weapons could prompt dangerous and destabilizing countermeasures by other states in a volatile region that is critical to the global economy.

By pressing forward with its nuclear weapons and missile program, North Korea also threatens to destabilize a volatile and vital region, a region that has known several great power conflicts over the last century, and now comprises some of the world's largest economies. As you know, North Korea flight-tested missiles in July, and tested a nuclear device in October. Pyongyang has threatened to test its nuclear weapons and missiles again; indeed, it has already sold ballistic missiles to several Middle Eastern countries.

In the Middle East, Iran's influence is rising in ways that go beyond the menace of its nuclear program. The fall of the Taliban and Saddam, increased oil revenues, Hamas's electoral victory, and Hezbollah's perceived recent success in fighting against Israel all extend Iran's shadow in the region. This disturbs our Arab allies, who are concerned about



worsening tensions between Shi'a and Sunni Islam, and face heightened domestic criticism for maintaining their partnerships with Washington, not to mention, of course, the deep concern about developments in Iran on the part of the state of Israel.

Iran's growing influence has coincided with a generational change in Tehran's leadership. Iranian President Ahmadinejad's administration, staffed in large part by second-generation hard-liners imbued with revolutionary ideology and deeply distrustful of the United States, has stepped up the use of more assertive and offensive tactics to achieve Iran's long-standing goals. Under the Ahmadinejad government, Iran is enhancing its ability to project its military power, primarily through ballistic missiles and naval power, with the goal of dominating the Gulf region and deterring potential adversaries. Iran seeks the capacity to disrupt the operations and reinforcement of U.S. forces based in the region, thereby raising the political, financial and human costs of our presence to the United States and our allies. Tehran views its growing inventory of ballistic missiles as an integral part of its strategy to deter and, if necessary, retaliate against forces in the region, including United States forces.

Another key element of Iran's national security strategy is its ability to conduct terrorist operations abroad. It believes this capability helps safeguard the regime by deterring United States or Israeli attacks, distracting and weakening Israel, enhancing Iran's regional influence through intimidation, and helping to drive the United States from the region.

Lebanese Hezbollah lies at the center of Iran's terrorism strategy. Hezbollah is focused on its agenda in Lebanon and supporting anti-Israeli Palestinian terrorists. But as I indicated earlier, it could decide to conduct attacks against U.S. interests in the event it feels its survival or that of Iran is threatened.

Why would it serve Iran in this way? Because Lebanese Hezbollah sees itself as Tehran's partner, sharing Tehran's world view and relying on Tehran for a substantial part of its annual budget, military equipment and specialized training.

Syria has also strengthened ties with Iran while growing more confident about its regional policies. This is due primarily to what it sees as vindication of its support to Hezbollah and Hamas and its perceptions of success in overcoming international attempts to isolate the regime. Damascus has failed to cut off militant infiltration into Iraq and continues to meddle in Lebanon. As a result, Lebanon remains in a politically dangerous situation, while Damascus, Hezbollah and other pro-Syrian groups attempt to topple the government of Prime Minister Siniora.

In the Palestinian territories interfactional violence has intensified in the Gaza Strip and the West Bank since the establishment of the Hamas-led Palestinian Authority government in March. Absent success in forming a national unity government, this violence threatens to escalate further. Talks have stalled over disputes about the political platform and control of key Cabinet positions. Hamas rejects Quartet and Israeli demands for explicit recognition of Israel, renunciation of armed resistance to Israeli occupation, and acceptance of previous PLO and international agreements.

The Darfur conflict is the world's fastest growing humanitarian crisis with more than 200,000 people killed, 2 million internally displaced and another 234,000 refugees in neighboring Chad. Rebel groups continue to fight against the government because the existing peace agreement fails to satisfy their security concerns and their demands for power sharing and compensation. The Sudanese military has been unable to force the rebels to sign the peace accord, and with assistance from local militias, it is attacking civilian villages suspected of harboring rebels.

In addition, Chadian and Central African Republic rebel groups have become entangled in the Darfur crisis. The spillover of violence in the past 10 months threatens to destabilize already weak regimes in both countries.

The rapid collapse of the Council of Islamic Courts and the arrival of the Transitional Federal Government, the TFG, in Mogadishu has altered the political dynamics of southern Somalia. The TFG faces many of the same obstacles that have kept any single group from establishing a viable government in Somalia since the country collapsed in 1991. Somali society is divided into numerous clans and subclans that resist seeing one group rise above the others. To win the confidence and support of the population and to have any chance of restoring order, the TFG will need to be more inclusive and demonstrate effective governance. More turmoil could enable extremists to regain their footing absent mechanisms to replace the temporary Ethiopian presence with an internationally supported Somali solution. Al Qaeda remains determined to exploit the turmoil in Somalia.

Gradual consolidation of democracy has remained the prevailing tendency in Latin America. Although some commentators have spoken of a lurch to the left in the region, this year's numerous elections point to no dominant ideological trend. Moderate leftists who promote macroeconomic stability, poverty alleviation and the building of democratic institutions fared well, as did able right-of-center leaders. At the same time, individuals who are critical of free-market economics won the presidency in two of Latin America's poorest countries -- Ecuador and Nicaragua.

In Venezuela, Chavez reacted to his sweeping victory of December 3rd by promising to deepen his self-described Bolivarian Revolution and to intensify the struggle against so-called United States imperialism. He is among the most stridently anti-American leaders anywhere in the world and will continue to try to undercut United States influence in Venezuela, in the rest of Latin America and elsewhere internationally. As he does so, he must confront the fact that in Cuba, his close ally, a transition to a post-Castro regime has now begun.

In Mexico, President Felipe Calderon of the Ruling National Action Party was inaugurated on December 1st after a razor-thin majority margin of victory over his closest opponent, leftist populist Andres Manuel Lopez Obrador of the Party of the Democratic Revolution. The July election illustrated the country's polarization along socioeconomic lines. A new government has initiated steps to address problems in northern Mexico that affect both Mexican and U.S. security concerns, including drug smuggling, human trafficking and associated violence. In 2006, Chinese leaders moved to align Beijing's foreign policy with the needs of domestic development, identifying opportunities to strengthen economic growth, gain access to new sources of energy and mitigate what they see as potential external threats to social stability.

At the same time, China places a priority on positive relations with the United States, while strengthening ties to the other major powers, especially the European Union and Russia. Chinese leaders continue to emphasize development of friendly relations with the states on China's periphery to assure peaceful borders and to avoid perceived containment by other powers. In the past year, China achieved notable success in improving relations with Japan under its newly elected Prime Minister Abe, and prospects for cross-straits conflict with Taiwan diminished. In addition to establishing strong bilateral ties, Beijing actively engages with many multilateral organizations, including ASEAN.

Beijing continues its rapid rate of military modernization, initiated in 1999. We assess that China's aspirations for great power status, and its security strategy, would drive this modernization effort even if the Taiwan problem were resolved. The Chinese are developing more capable long-range conventional strike systems, and short and medium-range ballistic missiles with terminally guided maneuverable warheads able to attack U.S. carriers and air bases.

We have entered a new era in which energy security will become an increasing priority for the United States, the West, and fast-developing major energy consumers like China and India. Oil prices have fallen by more than 25 percent since their peak last July, and spare production capacity has grown to more than 2 million barrels per day. But escalating demand for oil and gas has resulted in windfall profits for some producer nations that are openly hostile to United States' interests. Iran and Venezuela fall into this category. Russia, for its part, now sees itself as an energy superpower, a status with broad ramifications that include strongarm tactics in its relations with neighboring states.

Each of the national security challenges I have addressed today is affected by the accelerating technological change and transnational interplay that are the hallmarks of 21st century globalization. Globalization is not a threat in and of itself; it has more positive characteristics than negative characteristics. But globalization does facilitate terrorist operations, it raises the dangers of WMD proliferation; it stimulates regional reconfigurations of power and influence, especially through competition for energy; and it exposes the United States to mounting counterintelligence challenges.

In this maelstrom of change, many nation-states are unable to provide good governance and sustain the rule of law within their borders. This enables non-state actors and hostile states to assault these fundamental building blocks of the international order, creating failed states, hijacked states, and ungoverned regions that endanger the international community and its citizens. More to the point, it also threatens our own national security and support for freedom and democracy, notably in Iraq and Afghanistan, where our troops, those of our allies are helping defend freely elected governments and sovereign peoples.

In the 21st century, the fact is that events anywhere can and often do affect us. This does not mean that all threats and challenges are equally important. At any given point in time, we must pay greater attention to those that are most dangerous.

In our national intelligence enterprise, the military, foreign counterintelligence and domestic dimensions must be seamlessly integrated to provide our policymakers, warfighters and first responders with the time and the insight that they need to make decisions that will help keep Americans safe.

Thank you very much, Mr. Chairman.

REP. REYES: Thank you, Mr. Director, for that opening statement, and the gentlemen that are with you that will be available for any questions that the committee might have.

Perhaps one of the important issues, at least from my perspective, Mr. Director, is what the status is of the National Intelligence Estimate on Iraq, which was originally scheduled to be completed in December. And it occurs to me that that should have been completed before the president concluded his review on Iraq policy, so that they might have benefitted from that NIE in a more comprehensive assessment to put forth his changing strategy, as he recommended to Congress.

Can you tell us what is the status of the NIE and why it wasn't made available to the president prior to him addressing the country?

AMB. NEGROPONTE: First, let me just -- in reply to your first question, the NIE at the moment is out for coordination throughout the community. In other words, there is a draft that's now being circulated for comment and concurrence by various intelligence agencies, and I estimate that it should be completed by the end of the month.

I'd make two other points. NIE's take time. They are -- they represent a large amount of effort and usually take months, sometimes as long as six, seven or eight months to prepare because of the enormous amount of effort involved.

But I want to assure you -- and this is my third point -- Mr. Chairman, that the ongoing judgments and assessments of the intelligence community have been brought to the attention of the president and other policymakers on a constant basis. In other words, the absence of an NIE, this formal document, does not mean that a lot of the thinking and the intelligence and the insights and the viewpoints that are reflected by the intelligence community about a country as important as us -- as vitally important to us as Iraq are not brought to the president or other policymakers' attention on a constant basis.

REP. REYES: Is there at this point any idea when that will be completed --

AMB. NEGROPONTE: At the end of this -- I would expect to have it completed the end of this month.

REP. REYES: The end of this month?

AMB. NEGROPONTE: Yes, sir.

REP. REYES: All right. Thank you.

With that, Mr. Hoekstra, you're recognized.

REP. HOEKSTRA: Thank you, Mr. Chairman, and thank you for that testimony, Ambassador Negroponte.

The question that I have, one of the areas that you have -- you didn't address, and I'd be interested to get maybe some perspectives from the folks at the table that are focused on this issue -- is the threat from militant radical Islam in the homegrown version. You know, I've had an opportunity over the last number of years to visit extensively in Europe, and it is a grave concern by the intelligence organizations, the National Police Organizations in the various European countries. You know, Spain, the U.K., the Dutch -- they've all been in one form or another been hit by homegrown terrorists.

If you could -- if the panel could maybe explain the variations of the face of homegrown terrorism in various countries in Europe and the perceived threat or lack of threat from radical Islamists here inside our borders who may be radical, but have not at this point in time decided to become militant, and how that process may take place.

AMB. NEGROPONTE: I think we can call on several of my colleagues --

REP. HOEKSTRA: Right.

AMB. NEGROPONTE: -- on this one, Mr. Hoekstra.

But just one point I would make, that some of the major incidents that have occurred, like the July 7 incident in the U.K. a year-and-a-half ago, is that while the incidents might be homegrown and the recruitment base, if you will, can often be second-generation immigrants who have a Muslim background, we've always found some kind of linkage back to -- in the instance of the U.K. incident it was to Pakistan, the fact that they trained in militant camps there, and that even might have been some direction coming from al Qaeda over there.

So sometimes it's hard to sort out the wheat from the chaff here, and what is strictly speaking homegrown, and what is homegrown but has the added, sort of, accelerating and guiding impact of al Qaeda itself. But maybe General Hayden and Phil Mudd and perhaps Mr. Allen would like to add something.

GEN. HAYDEN: Yes, sir, Congressman. I think, as you know, because I know you've visited many of these countries, it's uneven in terms of the threat in each of our European allies, especially. They each have different historical experiences, different populations, and so on.

Generalizations are always dangerous and no one is immune, but I think the American historical experience -- an immigrant nation -- our experience with bringing in various groups and giving them, frankly, more opportunity than they might have enjoyed elsewhere, has helped us immeasurably in this regard. And that doesn't mean we can ignore it, but when I talk to our European partners and they talk to me about their special circumstances, they are not in any case mirrored in their totality with regard to our circumstances here in the United States.

And I'll defer to Charlie and Phil, then, to talk more specifically about what it's like in the homeland.

MR. MUDD: A couple comments on the homeland piece. I think that we see similarities and differences between what we have in this country and what we have in Europe. I think we are not immune, but the differences may help explain why we've seen less of an impact of homegrown extremism in this country than you might have heard about and seen in Europe.

A couple thoughts.

The first is it's important to remember in the history of the extremist movement we're following that what's provided to extremists is not limited to what we've seen in the past -- money, training in Afghanistan, radicalization in Afghanistan. What's happened over the past 15 years is the commodity that's most important in some ways is ideas. And what we're seeing, whether it's in Europe or the United States -- the commonality we have is people who are using the Internet or talking among friends who -- are part of what I would characterize as a Pepsi jihad. It's become popular. It's become popular among youth, and we have this phenomenon in the United States.

So in the past, we worried about people and we continue to worry about people who are connected to al Qaeda Central because they were trained or funded by al Qaeda Central. Now we see in this country on the east coast, on the west coast, in the center of this country, kids who have no contact with al Qaeda but who are radicalized by the ideology, and they see the images that radicalize them. So that's a commonality with what you see in Europe.

There are some differences. As was just mentioned, I think we have population differences, population density differences, community differences that are fundamental between this country and Europe.

And I would close by echoing what was just said by General Hayden, and that is that this country has an inclusive aspect to it that is critical, I think, to dampening the effect of global extremism. And this is one of the things I would say, frankly, I personally worry about most, that if we start to lose any sense of the fabric of our cultural inclusiveness of an immigrant culture, this will hurt us.

MR. ALLEN: I would just like to say, Congressman, that I agree totally with Phil on this issue. We've -- working with the bureau, looking at the dynamics of radicalization in this country, recognize -- I'd like to reinforce everything that he has said. We are a different society. We do assimilate and absorb in ways that I think are remarkable, having come from Europe prior to Christmas and spending some days there. You don't see the alienation and the de facto segregation that we see in some places in Europe.

We do pockets of extremism. I think the Internet, the sort of the person-to-person reinforcement of radical ideas are here. But we're looking in Homeland Security bottom-up, working with the bureau, looking at sort of sector by sector across the country. We've already completed some studies on this, and we'd be happy to, once we have some additional studies, come and tell you our views on this.

Frequently, we see a charismatic leader, and that's what we see in Europe frequently, a charismatic leader who selects people for further education, perhaps overseas, particularly into South Asia. But Congressman

Rogers told me I had to read "While Europe Slept," and I've read that book, and it's quite interesting. It has a lot of accuracy to it. We're a very different society, and we must continue to be a very different society.

REP. HOEKSTRA: Well, I'll yield back. Thank you.

REP. REYES: Thank you, Pete.

With that, Mr. Hastings, you're recognized.

REP. ALCEE HASTINGS (D-FL): Thank you very much, Mr. Chairman. And I thank our witnesses.

I'd like to echo the sentiment of both the chair and the ranking member, Ambassador Negroponte, regarding all the exemplary work that you've done in the nearly two years. I especially appreciate your liaison with those of us on the committee, and the kind of different approach that you took. And I especially appreciate your visits with me to give me more informal views regarding the establishment of ODNI.

I, for one, am a bit pleased that you're returning to diplomacy, not because of this job, but because of the challenges that we are confronted with and the knowledge that you have of those challenges; not because of your work here, but for your work before becoming the director of national intelligence, and particularly, listening to your comprehensive overview of threats, it is clear that some hot diplomacy is going to be required to deal with Iran and Syria. And while it may very well be that we try to leverage them until we find a mechanism for serious dialogue, then we are not likely to be able to accomplish very much regarding the multiple problems that they tend to, at this time in our history, proliferate around the world.

Toward that end, there's too little time, too many questions. I have an overriding concern about the Western Hemisphere. It doesn't take one much to pick up a newspaper and see Mr. Ahmadinejad traipsing all over South America, and those liaisons are for reasons that I'm sure are vital to the interests of the United States in terms of their negativity.

But I want to go to two areas, Israel and Palestine, and Lebanon. I'd like to know: Is Hamas gaining or losing popularity as a result of the power struggles and violent clashes in Gaza; and what the sources of Hamas's funds are; and what, if anything, the United States and Israel are doing regarding it.

And very briefly, regarding Lebanon, can you tell us, has Hezbollah rearmed and reestablished itself since the hostilities with Israel last year? And what sort of weaponry, training and funds is Hezbollah receiving from abroad?

I'll leave those questions. Indeed, I have so many, many more. But I ask you, Mr. Director, and if time permits, General Hayden, if you would both reflect on what I have said. Thank you --

AMB. NEGROPONTE: Yes, sir, and I think General Maples might also have an observation with regard to what kind of equipment the Hezbollah are getting.

But on the question of the popularity of Hamas, truly they've not been able to deliver the kind of governance that the Palestinian people would wish of them, so that I would certainly doubt that since they took office, that their popularity has increased. But I'm also reluctant to offer you a judgment as to -- to give you a sort of a day-by-day barometer of whether they're up or down.

There is, of course, the problem of the division between them and the Fatah. And I think that until that is resolved somehow, it's -- it makes it more difficult to have a valid Palestinian interlocutor in the peace process, although that may well go forward, nonetheless.

On the question of their source -- sources of funds, principally the Hamas gets support from Iran -- that's my understanding -- to the tune of maybe as much as -- and these are approximations -- a couple of hundred million dollars a year.

On the Lebanese Hezbollah, I think that they have licked their wounds from the fighting that occurred last summer. I don't think it's been difficult for them to get resupplied. And of course they don't have to now get resupplied at an accelerated rate as when they were actually in a fighting situation where they were burning up ammunition and other supplies. So I think that it's been easier for them to do that, and I have no doubt that the source of that resupply would be from Iran and Syria, and probably not by aircraft the way we saw during the time of conflict, but over land. And the border is porous, and try as one might, it probably is difficult to stop in its entirety.

But I think there is one area where Hezbollah certainly doesn't have as visible a presence as it did before, and that's in the southern part of the country along the Israel border where -- and I've been there in the last couple of months. The outposts there don't have the Hezbollah flag flying anymore, there's a more robust U.N. presence. And for the first time in many, many years, there's also a Lebanese army presence. So they're probably not in quite as advantageous a position in the south as they were previously, although I don't doubt there's a lot of political sympathy for them down there.

But maybe General -- the two -- my two colleagues would have something to add here.

REP. REYES: If you can be as brief as possible, General.

GEN. HAYDEN: You bet. I'd just add, Congressman, in terms of Hamas popularity, I totally agree with the ambassador, it's very much a mixed bag right now. But there is a bedrock of support for them because of their history of providing social services to much of the West Bank population that has not been provided to them by any other government or organization.

And just an additional note on Hezbollah -- Nasrallah, the head of Hezbollah, is a very focused leader, but he's also a very careful one, and I think he understands that after the conflict last summer, he has been in some difficult circumstances. So the ambassador's "licking his wounds/reestablishing himself" is a very accurate portrayal. And despite the current crisis in the Lebanese government, I don't think we want to suggest that Hezbollah is not without limits and cannot be influenced because of those limits.



GEN. MAPLES (?): Sir, just one quick comment. We do assess that Hezbollah is replenishing its military capabilities, particularly those stocks that were either used or destroyed during the conflict. And as a part of that, our expectation is that long-range missile capabilities is probably very high on the list of capabilities that they want to replenish.

REP. HASTINGS: Thank you very much, Mr. Chairman.

REP. REYES: Thank you.

And Mr. Thornberry.

REP. MAC THORNBERRY (R-TX): Thank you, Mr. Chairman.

I was particularly struck, I think, by the concluding section of Director Negroponte's opening statement where he talked about events in one part of the world have consequences and implications for us, some of which are hard to predict. I think that's a hard concept for us to appreciate the way in which the world is interconnected these days.

I guess what I would like to hear is what you all would be concerned about if the violence in Iraq continues to escalate and is not contained. Other than the consequences within the country of Iraq, what would that mean? What concerns would you have -- understanding nobody can predict the future, but what are the kinds of implications that that would generate?

AMB. NEGROPONTE: Well, thank you for the question, Mr. Thornberry. I think if you go back to Zarqawi's letter -- or Zawahiri's letter, bin Laden's deputy, when he wrote in July of '05, I guess it was, a letter to Zarqawi and laid out the strategy, clearly they saw Iraq -- he saw Iraq as a platform for the expansion of al Qaeda's activities elsewhere in the world, particularly towards establishing this so-called caliphate.

And a lot of that -- what was in that letter has been acted out in the last year and a half or so, and it worked pretty much according to script.

So I think I -- the main forecast I would make for you in that eventuality is that al Qaeda would probably secure a base in western Iraq from which it would then use or could use and probably would as a platform initially for expanding its activities into Lebanon, Jordan and Syria, because he mentions in that letter specifically the Levant, but then, of course, I think Western Europe and other parts of the globe would be vulnerable as well.

But I'm sure my colleagues have something to add to this.

GEN. HAYDEN: Just very briefly, Congressman, there are three things if our work in Iraq is not successful. Number one, a living hell for the Iraqi people, as the forces that are now out of control there, the self-sustaining violence continues. Two, spillover into the region, and spillover here may not be the right metaphor because I think what it leads to is others in the region attempting to influence events in Iraq, so that makes it even more complicated. And then I strongly believe it would lead al Qaeda with what it is they said is their goal there, which is the foundations

of the caliphate, and in operational terms for us, a safe haven from which then to plan and conduct attacks against the West.

GEN. MAPLES: I would add the empowerment of the jihadist movement globally. The view that it was successful in Iraq would affect the population, as we heard discussed earlier, and there would be many that would gather onto that around the world and threaten our national interests as a result.

REP. THORNBERRY: If the conflict between Sunni and Shi'a escalates in Iraq, does that increase the motivation for Sunni nations to develop nuclear weapons as they see Iran going down that path? In other words, do the two things -- the tension in Iraq and this proliferation concern we all have -- do they marry-up in some way with events in Iraq?

AMB. NEGROPONTE: I think they're distinct issues in the sense that I believe what motivates concern on the nuclear front is principally Iran's -- the fact that they are determined to develop a nuclear weapon. But I think you're right to suggest that to the extent that Iraq, if the situation deteriorates further there, to the extent that that draws Iran into the Iraq situation, I think that that can probably -- would have the effect of accentuating the fears and concerns of the countries in the region.

So in that sense, I think they are related.

REP. THORNBERRY: Thank you.

Thank you, Mr. Chairman.

REP. REYES: Thank you.

Mr. Cramer?

REP. ROBERT CRAMER (D-AL): Thank you, Mr. Chairman. And I appreciate the opportunity to dialogue with this impressive panel at a public hearing, and I want to congratulate the committee for doing it this way.

I'd like to -- Ambassador Negroponte, in your opening statement that we have here, which is quite detailed -- and unfortunately, I had to miss your presentation and came in late -- I'd like to focus on Iran right now and for you and other members of the panel to give me the benefit of your summary of -- you refer to an emboldened Iran and Iran's increasing influence in the Middle East. And as we see Iraq deteriorate and we see the Shi'a and the Sunni, of course, fighting one another, I'd like to hear more your reaction to how much more emboldened have they become in the last year, how have their finances been with regard to supply lines through Hezbollah to the Shi'a -- how organized is that into Iraq, and where we currently stand right now and how you view this new threat.

AMB. NEGROPONTE: We thought pretty long and hard about what adjective best suited a description of the behavior of Iran, and we selected the word "emboldened." We believe that they've been emboldened in the last couple of years. I think you could perhaps argue that back in 2003, they were more in a defensive posture, but today a combination of factors, I think, have contributed to this emboldened attitude. One is the course of developments in Iraq. I think the other clearly is the advent of Mr.

Ahmadinejad. But today I think they are looking at the region in a much more assertive kind of way.

REP. CRAMER: As things have deteriorated in Iraq, Iran has become stronger.

AMB. NEGROPONTE: Well, I wouldn't say that Iraq is the causative factor. I think it's really a combination of factors. I think it's the new leadership, which is definitely -- you have a generational change in leaders from what was probably somewhat more pragmatic leadership to the sort of hard-line conservative leadership of Mr. Ahmadinejad. I think it's their nuclear ambitions, that predate Iraq.

So I wouldn't try to -- I wouldn't ascribe it to a single cause.

With respect to Iraq itself, I think it's clear that -- it's become clear over the past year or so that they have been providing, through their intelligence services, lethal assistance to some of the extremist Shi'a groups in Iraq, which is a factor contributing to the instability in that country.

REP. CRAMER: How have they been doing that?

AMB. NEGROPONTE: It's mainly through providing the technology, material and training for the use of explosively formed projectiles that have killed both Iraqis and coalition, including United States --

REP. CRAMER: Where is that training done?

AMB. NEGROPONTE: Well, we believe some of it has been done in Iran. But if I could ask my other colleagues to comment --

REP. CRAMER: And I would be interested in the -- to the extent that you can talk about it, the presence of Iranians in Iraq right now.

GEN. HAYDEN: As recent events have shown, there is a substantial Iranian presence in Iraq, and not just diplomatic or commercial, but representatives of the Revolutionary Guard Corps and the Iranian intelligence service as well. If you step back and look at Iranian activity in Iraq, there was a period of time there when I personally, and I think many analysts, would put a less hostile face on it than we would today, where Iranian objectives seemed to be a unitary Iraq, Iraq that was non-threatening to Iran, and Iraq that would be dominated by its majority Shi'a population.

I've come to a much darker interpretation of Iranian actions in the past 12 to 18 months. In addition to those objectives, I think there is a clear line of evidence that points out the Iranians want to punish the United States, hurt the United States in Iraq, tie down the United States in Iraq so that our other options in the region, against other activities the Iranians might have, would be limited, at least from their point of view.

I'd add one other thing. You talked about the Iranians being emboldened. I'd make clear mention of the victory of their surrogate victory -- it's a terrible word -- but the perceived victory of their surrogate Hezbollah in the summer's war with Israel. REP. CRAMER: All right. Further comment?

GEN./MR. : No, I would agree with the comments that have already been made. And I think we do see Iranian influence on multiple groups in Iraq right now. Some of those are traditional -- for instance, with the SCIRI and the Badr, that have been long-standing. Others are developing in other parts of the country. But clearly, it is an effort on the part of Iran to develop events in Iraq for their own benefit or their own interest, and I'd say that that probably extends regionally, as well.

REP. CRAMER: General Maples, could you and General Hayden -- am I out of time?

REP. REYES: Yes, you're out of time.

REP. CRAMER: All right.

REP. REYES: We'll have another --

REP. CRAMER: Another round. Thank you.

REP. REYES: Mr. McHugh.

REP. JOHN MCHUGH (R-NY): Thank you very much, Mr. Chairman.

Gentlemen, welcome. Mr. Director, thank you for your service. Good luck in the future.

I just got back over the weekend from Afghanistan and Iraq, and I hope I can get a question on each. I trust that red light is for Mr. Cramer, not me. (Soft laughter.)

REP. REYES: Yeah.

REP. MCHUGH: During a meeting we had with General Casey, he made the assessment that by the end of 2007, this year, he felt all the Irani -- Irani?! -- the Iraqi army could be in charge of various sectors throughout the country, in the lead.

In a meeting we had thereafter with the prime minister, I asked him if he agreed with that assessment, and he said that's too long. He believed that they could be in charge and fully competent within no more than six -- I was just wondering if you'd have any comments on those rather different views as to the Iraqi capabilities within the next year.

AMB. NEGROPONTE: Well, I'd -- to me, speaking in part as someone who was ambassador out there, I think it reflects, on Mr. Maliki's part, a laudable desire for them, on their part, to take over as much control and as much of the lead as possible. I think I personally believe that the end of 2007 date is realistic, but I think we've got to stress that that -- the operative word is the "lead," doesn't mean necessarily entire control and complete control of these activities. And I think there will still be a need for American support of various kinds, whether it's intelligence or logistics or what have you. But clearly we want to see a shift of weight, and I think that's the thrust of what he's saying.

I'm not sure I'd hold anybody too literally to a time estimate, whether it's six, seven or 12 months, because -- but even with the best of intentions, sometimes these things are a challenge to achieve.

REP. MCHUGH: I guess the better way for me to ask you is, do you feel that this is an achievable goal within 12 months, because if we go back to Operation Together Forward, they were supposed to send six brigades. Only two showed up. I'm just trying to discern what your analysis is as to the likelihood of being able to do that in any reasonable time.

AMB. NEGROPONTE: Well, maybe I'll ask my colleagues --

REP. MCHUGH: Sure.

AMB. NEGROPONTE: They may have done some work on trying to assess this capability.

REP. MCHUGH: General --

GEN. MAPLES: Sir, I think there are two different parts to this. One is, as the ambassador says, the desire on the part of the Iraqi government to have the ability to control operations and to control the armed forces and to employ those armed forces, which they have very clearly stated and they are clearly moving in that direction.

The other part of that is the military assessment of the capabilities of each of those divisions, the brigades and the battalions, what they are capable of doing from a training standpoint, from an equipping standpoint and certainly from the standpoint of the leadership of those organizations.

And I'm sure that that's what General Casey is talking about in that regard.

The assessments that I have seen throughout in terms of the training of the Iraqi armed forces indicate that by the end of 2007, that they will possess the military capability to take the lead in various parts of Iraq. That said, there are still issues with the Iraqi armed forces in terms of manning and some equipping issues that are associated with those brigades.

REP. MCHUGH: Let me move to Afghanistan. In our meetings with General Freakley, General Ikenberry, we got a pretty bleak assessment of the upcoming spring in terms of the likelihood, the belief of increased activity across border, Taliban and al Qaeda based. They were very concerned about the apparent lack of -- well, let me rephrase it -- about the North Waziristan agreement between the tribal area leaders and President Musharraf just not working, to put it kindly.

We met with President Musharraf. He said he recognized that, that he would attempt to work on it. But given his political circumstance there, coupled with really a lack of traditional influence in that region, I'm just curious to what your assessment is of any way of his being able to effectively establish an interdiction program in that region.

AMB. NEGROPONTE: Well, first of all, I'd like to say I think that President Musharraf is a very committed partner in the war on terror. And if you look at the Pakistani record over the past several years, they have put a lot of al Qaeda and foreign fighters out of commission during that period of time. So I've no doubt whatsoever about their commitment to this war.

With respect to --

REP. MCHUGH: I don't mean to interrupt, but just for the record, I don't either. I'm curious about (ability ?).

AMB. NEGROPONTE: Right. But it's in that context that I wanted to address your question, Congressman.

REP. MCHUGH: Thank you.

AMB. NEGROPONTE: With respect to the border, I think we all recognize and we all would agree that the question of a sanctuary for the Taliban in Afghanistan -- in Pakistan is problematic, and it is a subject that we discuss, is on our agenda with the government of Pakistan, with great, great regularity, and more work needs to be done on that. And I think there's a recognition that until -- unless and until something is done to more definitively address that question, it's always going to be more of a challenge to address the security problems that arise in Afghanistan.

But this is a problem that we're actively working, and perhaps in closed session we can address the question a little bit more with you.

REP. REYES: Very good. Thank you.

Oh, General Hayden, did you have a comment?

GEN. HAYDEN: No, Mr. Chairman. I think we can add a lot more in closed session on that. I appreciate it.

REP. REYES: Okay. Good.

REP. MCHUGH: Thank you, gentlemen.

REP. REYES: Ms. Eshoo.

REP. ANNA G. ESHOO (D-CA): Thank you, Mr. Chairman. And let me begin by congratulating you on your chairmanship and I think the really outstanding comments that you made in your opening statement today.

We all look forward to working with you and to seeing you succeed in your leadership of the committee.

And to everyone that's here today testifying, it's good to see you. And blessings in the new year for each one of you and for our country.

As Congressman Hastings said, very little time, many questions. I want to get to something that has been of concern to me and other members of the committee over the last year and a half or so, and that is the issue of FISA. I myself thought that it was an extraordinary turnaround on the part of the administration with the announcement of the attorney general to say essentially that we've changed our minds.

So as someone said, the administration was against it before they were for it. So it's -- I welcomed the change, as the chairman noted in his opening comments.

To Director Negroponte, since we do have jurisdiction in this area, what I'd like to ask you is, will the administration provide this committee with copies of the FISA Court orders approved last week? That's my first question.

And my second question is, can you assure this committee that all electronic surveillance of Americans is being conducted under the applicable statutes passed by Congress and not pursuant to acclaimed inherent presidential war power?

AMB. NEGROPONTE: I don't know. Subject to advice from my counsel, I just don't know the answer to your first question about the court document. But I --

REP. ESHOO: Will you get that information back to the committee?

AMB. NEGROPONTE: Yes, I certainly will. I certainly will.

REP. ESHOO: Please?

AMB. NEGROPONTE: Mm-hmm.

With regard to your second question -- and perhaps I could just back up here a bit, Congresswoman Eshoo -- this is a really vital program to the national security of the United States, and I've always felt that, and I think it's been a really instrumental, a really useful tool in our war on terror, very important. And the discussion of whether to bring this matter and try to work something out with the FISA Court is something that predated the public revelations of the program in December of 2005; in fact, as far back as the spring of 2005, some tentative discussions had been held with the FISA Court, because there's always been a feeling that if one could avail oneself of the FISA statute, that we ought to look at those opportunities.

But one thing the intelligence community always insisted on, and maybe that's one of the reasons it's taken the time it has to work something out to bring the program that the president described to the American public under a FISA court order, was our insistence, the intelligence community's insistence, that whatever is done, the program -- nothing should be done to impede the speed, the agility and the sources and methods of this program. And that was absolutely crucial.

REP. ESHOO: So what is your answer to my second question?

AMB. NEGROPONTE: As far as the program that was described to you by the president of the United States, that is -- all comes under this FISA order. That's my answer to that question.

REP. ESHOO: So all -- but I'm being very specific, and I -- maybe you don't want to answer the question. Perhaps it's something that should be brought up in closed session. My question is about all electronic surveillance that's being conducted. Is it being conducted under the applicable statutes and not under the previous stand of the administration's of claimed inherent presidential war power? There is a difference.

AMB. NEGROPONTE: The short answer is yes. I mean, if you're referring to the program that we have described here. I -- you know -- you're asking me -- I'm not aware of any other --

GEN. HAYDEN: And I can offer that -- a new -- as we've said in several sessions with the committee, the NSA conducted its electronic surveillance under three authorities: Executive Order 12333, any authority granted to it by the FISA court, and then for the life of this program, the authorities granted to the agency under the president's authorization --

REP. ESHOO: The administration's program was being operated outside of FISA, so -- and it was being operated outside of FISA because of the claimed inherent presidential war power.

GEN. HAYDEN: Well, I'm just trying --

REP. ESHOO: And so now that it's gone back to FISA, the announcement of the attorney general, I'd like to know what -- under what circumstance this is.

GEN. HAYDEN: Well, as I was trying to say, we had the three authorities. The president has indicated he will not extend the presidential authorization, and everything NSA has been doing has been under one authority or another. With the president's decision not to extend the authorization, all the activity of the National Security Agency will be conducted under its authorities from Executive Order 12333 or from FISA court warrants.

REP. ESHOO: Well, Mr. Chairman, I think your comments in your opening statement still apply. It is an area of -- I think it still is an area of concern and obviously, I think the committee is going to have to follow up with the appropriate oversight. Thank you.

REP. REYES: Thank you. Thank you.

AMB. NEGROPONTE: Could I just -- on your other question about the orders being made available, we're looking into that to see if the orders can be made available. There's a separation of powers issue here.

REP. REYES: Okay. Thank you.

REP. ESHOO: Thank you.

REP. REYES: Thank you, Mr. Director.

There's a 15-minute vote on. We've got about a little under 10 minutes. I think we've got time to get Mr. Rogers' questions in.

So you're recognized.

REP. MIKE ROGERS (R-MI): Thank you, Mr. Chairman. I appreciate the opportunity. Thanks for being here.

Quickly, Director Negroponte, I was a little concerned about almost a sense -- a lack of sense of urgency on NIEs. We use those as policymakers. This country is at war.

We haven't had an NIE for Iran in over a year. We certainly haven't had any good look at an NIE for Iraq. I'm not sure how we don't think that's a bit of a failure on the new organization of the DNI to provide policymakers



with relevant, prompt and accurate information on which we can base decisions.

Welcome to the committee, and good luck with -- (laughter).

But I don't know if you can help us out on that. Is there any plan to give us prompt NIEs on issues of interest?

AMB. NEGROPONTE: Well, I'd be happy to send you, under separate cover, just the workload, the very substantial record of accomplishment of the National Intelligence Council and the national intelligence officers. It's not a large body of people. There are less than a hundred analysts that cover the entire world. Of course they work and coordinate with the rest of the community. I think they have a very good record.

Secondly, as I said earlier, in addition to preparing these formal NIEs, we've been doing an awful lot of other work, analytic work on Iraq, including, I might say, in the past two months when the president was developing this new approach to Iraq, the intelligence community was completely embedded in that process. We were in all the working groups, and so forth. So I think we've played our role, and I think we've acquitted ourselves well in that task.

REP. ROGERS: I happen to agree with you, Mr. Chairman, I do believe that we ought to have more timely and accurate NIEs, just in the sense that we've got some serious decisions to make here as well. And committees is not the way probably for us to process that information best.

Secondly, on the North Waziristan agreement, I see that as a fundamental failure for our national security interests. It just didn't work. I happened to be there at the time they were inking the deal. There was a lot of promise for it. I, at least, had some hope for it myself. It's not working. And I think it's working to, probably, our detriment. And I have not seen -- or at least from my perspective -- a lot of pressure being placed on Pakistan to at least get some reversal, at least get troops back in the North Waziristan, Pakistani troops. And I understand there are some political problems. But what are the efforts to correct the North Waziristan agreement and the trouble I believe it's causing for safe haven in that area for al Qaeda and other terrorist leaders?

AMB. NEGROPONTE: What I would say to that is that the issue is front and center. It's one of these issues that's right on the front burner, as far as we're concerned, in terms of security preoccupations in the Pakistan-Afghanistan border. It's a subject that we discuss frequently in our dialogue with the government of Pakistan. And as I indicated earlier, I think in closed session I'd be willing to talk to you a little bit further about some of the things we're undertaking.

REP. ROGERS: I'll look forward to a better dialogue under closed session.

The sectarian violence, we certainly know by the Zawahiri-Zarqawi letter, was initiated by al Qaeda.

It was certainly in their planning phase. To me, it seems like it went exactly as planned -- initiated by al Qaeda, nourished by Iran and now is self-sustaining. Would you agree that it has now reached the level and is

self-sustaining, it doesn't need al Qaeda action in order to continue sectarian violence that's occurring in Baghdad today?

AMB. NEGROPONTE: Well, that's a tough question to answer because I think that it's so clear, and we even see today when -- in the recent incidents in Baghdad, we see indications of direct al Qaeda involvement in precipitating these incidents and bringing in the suicide bombers, in directing these attacks, which are clearly intended to aggravate whatever underlying sectarian tensions might exist in that country.

So it's a little hard to disentangle these things, and it's sure a problem we would like to have; i.e. if al Qaeda could be cut off from this conflict and could be eliminated as a factor, I think that would be helpful to stabilizing the situation.

REP. ROGERS: Just lastly and quickly, Maliki has said publicly before that he did not believe the Shi'a militias, which is a part of the problem of violence and sectarian violence in Baghdad, he did not believe that we should engage them militarily and said that fairly recently.

What has changed? Has his position changed, as according to the intelligence community? And does he honestly and truly believe that military action is now the course of action with Shi'a militias in -- under the Muqtada army, the al-Sadr?

AMB. NEGROPONTE: But I think he's -- the way he's articulated it publicly is talking about their commitment to going after criminal elements and people who are not carrying weapons in an authorized manner. I do believe that we're seeing indications that he is moving more towards the position that sooner or later they're going to have to do something about the most extremist elements.

REP. ROGERS: The intelligence community's perspective, then, is that he is moving that way. He has not come to that conclusion as of yet.

AMB. NEGROPONTE: That'd be my best shot at it, yes, sir. I don't know if others --

MR./GEN. : I would say that he is supporting activities that are going on against Jaish al-Mahdi currently. So I would take it a step further.

REP. ROGERS: You would -- and --

MR./GEN. : I would take it a step further --

REP. ROGERS: So you say --

MR./GEN. : -- and say they're not just thinking about; that, in fact, the Iraqi government and armed forces are taking actions against Jaish al-Mahdi.

REP. ROGERS: They're engaging the militia as a strategy or as a piecemeal event by intelligence gathered in targeting -- that's probably something we ought to talk about in closed session.

Okay. Thank you.

REP. HARMAN (?): At this juncture, it doesn't look like anyone is left to ask any other questions because there are votes on the floor. We're going to recess, take the votes and then return to you.

AMB. NEGROPONTE: Thank you.

(Recess.)

REP. REYES: All right. (Strikes gavel.) The hearing will come back to order.

With that, Mr. Tiahrt.

REP. TODD TIAHRT (R-KS): Thank you, Mr. Chairman.

I wanted to just review a conversation that I had with Director Negroponte yesterday about a success that we've had on the global war on terror in the Philippines. I don't think we have very many metrics to determine how well we are progressing in this global war against terror. And one of the things that I think that has transpired that's been good news and shows the effectiveness of having allies in the global war on terror is what has happened in the Philippines in the last 48 hours. A -- the mastermind of a kidnapping of Americans back in 2001, a guy named Abu Sulaiman, I think, or -- (changing pronunciation) -- Sulaiman, was taken down. And potentially the leader -- the spiritual leader of the Abu Sayyaf, an Islamic trained group in the Philippines, may possibly have also been taken down.

And I just want to say that I know in the past that players -- General Maples and General Hayden's group and -- has been involved indirectly and directly at times in bringing down this group, and it's a success. And I don't know how much we can talk about as far as the details, but I do know that we've been after these people.

The two Kansas missionaries were taken hostage by this group on May 27th, 2001. They were held captive till June 7th, 2007 (sic). The group of Philippine military that rescued them in a firefight ended up -- we lost one missionary.

Martin Burnham was killed; Gracia Burnham was wounded. Another hostage -- Deborah Yap, I think her name was -- was also killed in that incident. But since then, we have trained the Philippine military and we've given them tools necessary to make that country safer. And this is a success story, and I think we should acknowledge it publicly that we have had some successes in this global war on terror. And I think, General Hayden, in our conversation, you said that you believe that it's getting down to a level where it's not as -- the threat level that it has been over the last five years. This is a significant accomplishment. If you could just give us some kind of idea about what you think the level of success is here in the Philippines, not necessarily worldwide, but at least in the Philippines.

GEN. HAYDEN: No, I understand, Congressman. And I agree with your analysis. This has been one of theaters in the global war on terrorism where we -- and that is a very collective "we" -- ourselves, the Philippine government, the Philippine military, other allies in the area -- have contributed greatly to strengthening the capacity of the Philippine armed

forces and the Philippine security services to do exactly the kinds of things that you've just described.

I was talking to one of our allies in the area, oh, about two months ago, and they had the same analysis of the region that you have. And I need to be cautious. I mean, you need to keep pressure on, you need to be ever vigilant. But they believe they -- we have been successful to pushing the level of violence down, and I'll use the phrase "they use" to the ambient level of local violence that seems to be -- that will be inherent in the region until we can do long-term economic development kinds of things. And so in terms of what intelligence and military power can do, it's done it in this part of the global war.

REP. TIAHRT: Fine. I think that's a congratulations that we need to publicly state, because I think it's been very important.

The other thing -- it's been five years, four months and seven days, if my calculations are correct, since our homeland has been attacked. Congratulations on keeping this country safe for such a long period of time. When we talk about ambient levels of violence in countries like the Philippines, where they have a lot of remote areas, a lot of islands, a lot of jungles where people can hide out -- we've got a lot of places where you can hide out here in America, too, sometimes in broad daylight. And this country hasn't been attacked, and I know it's been because you guys have been vigilant, and we don't say thank you enough for the safety that you've provided to us, so I want to say publicly thank you for the job you've done.

There is an ongoing effort to try to reform our intelligence community, and Director Negroponte's going to move on to a wonderful position where I think he's going to blossom once again.

I hope that we can continue the reforms necessary to break down stovepipes, do the things we hope to do to make better communications and continue this chain of success.

Is there a plan that's being left behind, that's being followed, or how -- I think you guys have some kind of a road map, don't you, to complete the task that's set before you?

AMB. NEGROPONTE: Yes, sir. I'd say several things. First of all, there is -- we have a national intelligence strategy. We've got -- we've put together a team now of the key -- the top seven agencies that help execute the law. I think our main road map really is the law itself, on the one hand, and the WMD commission recommendations on the other, the Robb-Silberman commission.

But lastly I'd say -- and I think very often when it comes down, Congressman, to the question of modifying cultures, which I think this is in part what intelligence reform is about -- getting more integration, more information sharing and more speed and agility in the system -- I think people are very important. And I'm satisfied as I prepare to leave this job that the people who are either in or about to be -- become leaders in the various intelligence agencies of the federal government are committed to the reform process. I think that's very, very important.

REP. TIAHRT: Good. Thank you, Mr. Chairman.

REP. REYES: Thank you, Mr. Tiahart.

Mr. Ruppertsberger.

REP. C.A. DUTCH RUPPERSBERGER (D-MD): First I want to thank you all for being here. There's a lot of experience and talent at this table.

With that said, my question is to -- let me see -- FBI Associate Executive Assistant Director Mudd, formerly from the CIA. That's a big title.

MR. MUDD: Yes, sir, longest title in Washington.

REP. RUPPERSBERGER: And that also means that you are one of the ones standing up the National Security Branch. MR. MUDD: That's correct. Right.

REP. RUPPERSBERGER: Good.

Now, FBI Mueller and other officials have asserted that al Qaeda is seeking to infiltrate the United States. First, have we witnessed an increasingly dangerous threat from the radicalization of homegrown terrorists? Do we know if al Qaeda has succeeded in the effort to infiltrate the United States? And how likely is it that U.S. intelligence and law enforcement agencies will be able to identify such operatives? And tell me what you can that is not classified.

MR. MUDD: Right. I obviously can do a little more in the classified session. Let me see if I can parse this quickly on both the homegrown and the foreign piece.

I think you see two things happening in parallel, and that is, despite the successes against the core al Qaeda, I think sometimes it's hard to understand in this country the commitment of our adversaries.

So, despite the successes we've had in taking down things like financial infrastructure, safe haven in Afghanistan, training, they have a very difficult operational environment, despite -- I agree there are problems with the North Waziristan agreement -- but difficult operational environment to send people to the homeland, which is what I'm worried about. But they are still looking every day to come after us. So I think we have to maintain vigilance and concern both in the bureau and my partners at the table, about the capabilities and commitment of what remains of al Qaeda because they are committed and, frankly, talented.

Let me go to the homegrown issue for a moment. I think this will be a problem for the long term. I think because the spread of the idea, that al Qaeda meant to spread 15 years ago among people who are starting to think that way, who never met an al Qaeda, you get 18-year-olds, 17-year-olds, 16-year-olds in Western Europe, in Britain, in North Africa, in Southeast Asia, Indonesia, Malaysia, Philippines, and because of the success of al Qaeda ideology, because of the Internet, these people think alike. So that you have a kid in Georgia, a kid in California, a kid in Kansas, he may see the same images from Iraq, from Palestine, from Afghanistan, from Pakistan, that someone in Indonesia or Saudi Arabia sees, and he may be infected the same way with an ideology that says the use of violence against innocents is okay. We see this every day. We see it among kids who are not, I would say,

extremely educated in some ways about what Islam is all about and what the ideals of Islam are all about. And I think because of the magnitude of the problem that we've seen in countries like Europe, and sometimes in the United States, that we're going to be at this for a long time.

REP. RUPPERSBERGER: I'll give you an example. In today's Washington Post, page four, there's an article about a homegrown from Baltimore, my area. The Post says, "U.S. officials say Khan, a Pakistani national, took orders from Khalid Sheik Mohammed, the man accused of orchestrating the September 11 (2001) attacks, and who is also a high-value detainee at Guantanamo. Khan was allegedly asked to research the poisoning of U.S. reservoirs and the blowing up of U.S. gas stations, and was considered for an operation to assassinate the Pakistani president."

I think the issue of homegrown is very serious, as you know. If you look at Great Britain, what they're concerned about with homegrown and the infiltration. And one of the things that I would think is very important is that we work with the Islamic community to get them to stand up and to say: Look, God doesn't want you to kill other people, to blow yourself up, or whatever.

And are we focusing at all on working with the Islamic community to deal with that issue?

MR. MUDD: We do have an aggressive outreach program through a couple of mechanisms with the community in the United States. Some of that is directed by our special agents in charge and our field agents, each of whom, or each office we have of the 56 has a responsibility to reach out. We also have a centralized program from our public affairs office to reach out to the community.

I will tell you that you're talking about something that's critical to our success. If we are depending on state and local tribal law enforcement and on federal agencies like the FBI, on DHS, to find three or four kids who are talking about doing something in this country, we are not going to succeed. We need people in communities who see radicalization happening to raise their hands and call our JTTF, our Joint Terrorism Task Force. We need help from people who see their kids going astray.

REP. RUPPERSBERGER: I want to change the subject matter to an extent, because you really need tools to deal with terrorism today.

A recent FBI intelligence report on homegrown Islamic extremists suggested that existing laws on electronic surveillance are inadequate for addressing these groups, and that they fall between the cracks of Title III, criminal wiretaps, of the Foreign Intelligence Surveillance Act. What tools do we -- and whoever would answer this -- we need to get together with Justice and U.S. Attorney and determine what laws -- we are a country of laws. I think one of the issues that happened with NSA was a problem. My red light's coming, so I've got to move quick.

We want to try to be effective and give you the tools pursuant to the law. What laws do you feel we need to change to make sure that when we do wiretap, whatever it is, that it's legal? And it could be from an NSA point of view, or from a domestic point of view.

AMB. NEGROPONTE: Well, I'd say certainly from a foreign intelligence point of view, I think that we've got the authorities that we need. But I'd be reluctant to comment on the purely domestic part, and I think there are plenty of authorities there with respect --

REP. RUPPERSBERGER: Let me say this. My red light is on. I know you're not going to be able to do it. We need, Mr. Chairman -- I think it's very important that we get with you all, and with the attorney general, to really evaluate our electronic surveillance laws and update them to where we are in modern-day technology. Do you agree?

AMB. NEGROPONTE: Well, we certainly think that one of the issues on the table is the modernization of the FISA statute generally, to take into account some of the changes in technology that have occurred over the years.

REP. REYES: All right. Thank you, Mr. Ruppertsberger.

Mr. Renzi?

(Note: Mr. Renzi's comments are not on mike.)

REP. RICK RENZI (R-AZ): Thank you, Mr. Chairman.

I appreciate Director Negroponte -- (off mike.) I appreciate your testimony. On page 11 of your testimony, you talked about President Calderon and Mexico, and the new issues and the steps that he's taken to address problems in Northern Mexico -- (off mike) -- drug trafficking -- (off mike) -- violence. What specific steps are you referring to that Calderon has taken?

AMB. NEGROPONTE: I could get more specifics up to you for the record.

But the one thing I would say is I do know that he has used --

REP. RENZI: Federales.

AMB. NEGROPONTE: Yeah, the Federales more, and I think he wants to use the army more in some of these activities and deploy more force against criminal elements. And I --

REP. RENZI: (Off mike) -- operations (of ?) the Tijuana Cartel?

Charlie --

AMB. NEGROPONTE: Yeah.

REP. RENZI: -- (off mike) --

MR. ALLEN: Well, as you know -- and you and I have talked, Congressman, about the northern states and the need. There are essentially some ungoverned areas in the far north where they really are not in control of the governors or the central government. I see enormous new energy out of the Calderon government, and we need to take full advantage of it. Our Border Patrol and other people are working certainly with the Mexican side --

REP. RENZI: I want to applaud you because you're the first guy I've heard come into this room and talk about safe havens on government territories on the American border, okay. We talk about safe havens around the world. We've got people on this committee have traveled all over the world, unregulated safe havens, but you're the first guy I've heard with the courage to come in here. And I give you credit, Director Negroponte, for giving enough leeway to say that; recognize the fact there are safe havens -- (off mike).

Charlie, you and I talked about mass migration and modeling of what could possibly occur in Mexico that could cause a shockwave effect or a mass migration into America. I think what we've already seen is a demographic shift because of lack of a middle class in Mexico, a slow migrational shift into America. And I welcome much of those folks who have come here legally and who've added to our country.

But what model and has there been any modeling done that would significantly show us what could occur south, with our neighbors and brothers now that would cause that shockwave effect or a mass migration; talking about -- are we talking about avian flu, are we talking about violence, what are we talking about that would cause that?

MR. ALLEN: I think we could probably more candidly in a classified session.

REP. RENZI: Okay.

MR. ALLEN: But as you know, the pandemic flu and others -- we've taken a look at that, and there is some modeling with our chief medical officer. And we have contributed to it from an intelligence perspective.

REP. RENZI: I look forward to the discussion. Let me make my final question, and I'll come back to Director Negroponte.

On page four of your testimony, you talked about central control verse, I guess, a free state sharing of hydrocarbon revenues. I was getting the feeling that with the new agreement that was (incurred with Maliki ?) that one of the leverage points that I think you and I both agree on is that in order for Maliki to be able to engage the Kurds in the north, use their brigades in the nine sectors, in order for Maliki to be able to have an influence over Sadr's JAM forces, buy some of them off once he starts (fulfilling it ?), in order for Maliki to be able to have leverage on the Iranian-Syrian border, he's got to have -- be able to offer those oil revenues to the three major entities in Iraq.

Where do you feel we are on that? Does he have that leverage with those revenues? And I get the feeling that you feel -- or that you're -- let me not read into your statement. Let me go ahead -- I know you've got a good picture of (objects ?) on the ground.

AMB. NEGROPONTE: What's pending is legislation that further defines the question of central versus local control, and apparently, that law is -- has worked its way through the national assembly and maybe acted upon in the fairly near future. So that's a plus.

But in terms of right now, all the revenues from the -- Iraq's oil production and exports comes to the central government, and I think it's very



-- I mean, it's been very important in supporting their budget and enabling them to fund various activities.

REP. RENZI: Do you agree, though, that that gives him the leverage -- (off mike) -- the ability to eventually distribute that --

AMB. NEGROPONTE: Yes, I do.

REP. RENZI: That's critical, right?

AMB. NEGROPONTE: It's important that it be a national tool.

REP. RENZI: Okay. Okay. Thank you so much, Ambassador. Appreciate it.

AMB. NEGROPONTE: Thank you.

REP. RENZI: Thank you, Mr. Chairman.

REP. REYES: Thank you, Mr. Renzi.

Mr. Holt.

REP. RUSH HOLT (D-NJ): Thank you, Mr. Chairman.

And Mr. Director, let me join with the others in wishing you great success in your new position.

AMB. NEGROPONTE: Thank you.

REP. HOLT: A couple of questions. Two of the things that we have harped on in this committee have to do with foreign language capabilities. General Alexander has spoken about that again recently. In fact we all hear about it all the time.

The other is open source -- the use -- the full use, the full integration of open source information in our analysis -- collection and analysis.

Now that you have this perspective of, well, some time in this overarching position, can you address why we haven't done better? Maybe I'm prejudging -- maybe I'm -- this is too much of a leading question, suggests that we haven't done as well as we could have, but I believe we have not done as well as we could have in either area. Can you tell us why we haven't done so well or, if you prefer to say, why we have done well? AMB. NEGROPONTE: Right. Right. First of all, on the question of foreign language capabilities, it's a high priority for the community as a whole, and it's something that we stress with great frequency. And I'm going to ask General Hayden to talk to the issue of some of the specifics, and if General Maples wishes to add something as well, since DIA has a piece of this, I think he should comment.

On open source, just let me point out that we have doubled the budget of open source. We've made it a separate, kind of free-standing directorate. And I think we really are on the road to exploiting open source a lot better than we did in the past, and to giving it the kind of standing within our work in the intelligence community that it deserves.

One example: simply the number of -- increased number of articles -  
- open source articles that get into the President's Daily Brief.

GEN. HAYDEN: Yeah, I'll just add a few notes, since the ambassador has made CIA the executive agent for the Open Source Center, because, very briefly, Congressman, in terms of our organizational structure, the Open Source Center now comes to our meetings as if it were one of our directorates, DI, DO, DS, DS&T, and so on. So we elevated it within the agency.

I'll repeat what the ambassador said in terms of open source products now being a matter of routine in the President's Daily Brief. Production is really expanding on the Open Source Center.

Finally, the Open Source Center is opening up what they're calling franchises throughout the intelligence and the security community, so that they take Open Source Center personnel, expertise, technology, IT, tactics techniques, procedures, and deploy them to DHS, in the Southwest border; the New York City Police Department; STRATCOM in Omaha; and the Department of State.

So this is actually, I think, a good news story, Congressman.

Oh, in terms of language, it is a challenge. We do everything we can to make it better. We have several initiatives under way. They will benefit us only in the long term, as you know, because of the difficulty here. The numbers are better, Congressman, but the slope of the line isn't very comforting, and we will just promise you we'll continue to work on it.

REP. HOLT: I'd like to ask a question of Mr. Allen, if I may, about how well you think, Mr. Allen, that we are using intelligence and disseminating that. Obviously, there is a difficulty in disseminating hard-won, classified information throughout local and state officials. But because of the vulnerability of soft targets, we must do that. I just wonder, now that you've had a period of time to work under in Homeland Security, what your assessment of dealing with this perspective now is and our success in doing that and whether it has cost us more than we've gained.

MR. ALLEN: It has -- Congressman, I've been there a little over a year as head of Homeland Security Intelligence. We have made great gains. We've got a lot of -- a long way to go. We are sharing information. We're getting it out to the state and local fusion centers. As you know, the FBI has their JTTS. We are also embedding officers as well as the FBI in the state fusion centers. We have officers now in 16. At this time last year, we had zero.

So we are getting the information out. And we can get it, and we're also getting a classified network at the secret level Homeland Security Data Network. So we can the data out there at the lowest common denominator. And we're writing for the consumer, as General Hayden would refer it, but we're getting it down to the official use only level. I am pleased, but we have just begun, sir.

I'm going to UNYRIC tomorrow up in Albany, New York, spend the day with them and talk with Colonel Bart Johnson and others and the new homeland security adviser in New York State. We've got to reach out further and

faster. And as I told the homeland security adviser of California, Matt Bettenhausen, recently, there is no intelligence -- if there's a threat, we will get it to the person that needs it down at the lowest possible level, whether it's the Border Patrol or whether it's the policeman on the beat.

We are determined to do that. Secretary Chertoff is. And the DNI has been a tremendous supporter, and so has General Hayden with his open-source center of support.

REP. HOLT: Thank you.

And just in 10 seconds, I would like to put on the record for Mr. Mudd the request that our committee be briefed on the matter of the anthrax investigation. This is something with potential international terrorism connections. To the extent that that's true, we need to know. And I know that there was an exchange today in the other body, on the other side, with Mr. Gonzales, and I just want to have it on the record here that we need that briefing.

REP. REYES: Thank you, Mr. Holt.

Mr. Issa.

REP. DARRELL ISSA (R-CA): Thank you, Mr. Chairman,

You know, when I looked at the panel and said, "Oh, this is an open hearing," I thought I'd have no questions and perhaps you'll have no answers, but I've discovered that there probably are a lot of questions that my constituents back home aren't going to get another opportunity to have a sense of confidence in, so if you don't mind, that's generally the direction I want to go.

Ambassador Negroponte, most importantly in the likely current event is the change in leadership in Cuba. Of all the things that we're not necessarily looking at front and center, it is clear that there will be in the foreseeable future a change in leadership in Cuba after decades of a unique relationship, or lack thereof, between two nations separated by so few miles that actually they drill oil closer to this country than we allow ourselves to drill under the new law. And that's not a slam, but it is a reality of how close we are.

Can you assure -- and I really mean this. It's a question of the committee, but it's really a question for the public. Can you assure us that every possible outreach scenario and every bit of information that you can glean you are gleaning so that we will be prepared to take advantage of any opportunity that avails itself to reengage? And I ask you this both as the outgoing DNI but also as an incoming leader at State. Are you prepared to make that change that may happen? AMB. NEGROPONTE: Thank you, Congressman. You're really talking about an overall government-wide effort here. This really is not -- the intelligence community is not in the lead.

REP. ISSA: But you've got two hats on. This is the great opportunity. Do you have the information, and will State have those scenarios?

AMB. NEGROPONTE: Well, what I was going to say precisely is that it is in the State Department where an office has been established to look at issues concerning Cuba transition.

And there is very, very wide government participation in that.

The intel community role -- so I can certainly assure you that it's got a lot of attention. And you're right, the transition is already happening.

Secondly, at the request of the president, we established an Office of the Cuba, Venezuela Mission Manager within the intelligence community to heighten our attention to these issues. So we have increased the priority that we're attaching to the subject of Cuba at this time, although we have suffered some setbacks in the past, as you may know, from counterintelligence concerns, and so forth. But it's gone substantially up in priority, and we I think are positioning ourselves well to support the policymakers on this issue.

REP. ISSA: Following up on that -- and you perfectly teed it up for me -- when we look at Chavez and Venezuela, we obviously have, in my opinion, an emerging Fidel Castro the sequel; somebody different in that although the politics seems to be somewhat similar, the financial base is dramatically different. This is a country of huge wealth, huge capability, so it's an exporter of money, not an importer of money.

What can you share -- and, obviously, General Hayden, I'm sure you can add to this -- in this environment, what can you share with us how we're dealing with that, how the American people can be assured that in spite of Iraq and Afghanistan, Iran, Hezbollah, Hamas, all the other areas that you have to look at, that this is not somehow being taken less than as a serious threat in our own hemisphere?

AMB. NEGROPONTE: Again, that is probably the one other country in the hemisphere where we really have ratcheted up both our intelligence collection and analytic efforts. And I think you're right to be concerned about Mr. Chavez. He spends literally billions of dollars supporting his extremists ideas in various parts of the world. But I think we're positioned well from an intelligence point of view. And I would add also that he spends these billions of dollars abroad notwithstanding the fact that there is enormous poverty in his own country that sorely needs to be dealt with.

But maybe there's something that General Hayden would like to add.

GEN. HAYDEN: We have, at the direction of the president, increased our focus on Venezuela. I think it's already a matter of public record that he's asked the ambassador to appoint a mission manager for Venezuela, Cuba, so as to harvest and organize all the works of all the intelligence agencies.

And, Congressman, maybe in closed session just give you a few notes on some of the steps we've taken to improve our posture there.

REP. ISSA: I'm going to run out of time very quickly, so my final question I'm going to switch to Russia. All of you are Cold War warriors, by definition. Today Russia has reemerged with a new weapon; it's not nuclear, it's oil. What can you assure the public -- in the no time remaining, with

the indulgence of the chairman -- we are able to do to know and to be able to quantify and to be able to have scenarios to empower the rest of government, should oil be used more broadly as a weapon by Russia.

AMB. NEGROPONTE: Right. I think -- well, first of all, energy issues generally are issues that are followed closely by the community. We do a lot of analytic work on that. And of course Russia has got a very, very strong analytic cadre, if you will, within the intelligence community.

My own view is that the problem principally relates to the near abroad of Russia, the countries near Russia's borders and Western Europe in general. I think it is they who have the more significant problem than we do. But I think we're -- we share a common concern with Western Europe about trying to help them find ways to establish some greater energy independence from Russia, since more than half of their energy needs, imported energy needs, are met by Russia. And that is a critical dependency for them.

REP. ISSA: Thank you. Thank you for your indulgence, Mr. Chairman.

REP. REYES: Thank you. Thank you, Mr. Issa.

Mr. Tierney?

REP. JOHN TIERNEY (D-MA): Thank you, Mr. Chairman.

Mr. Negroponte, if -- I understand that I missed some of the questioning, and I apologize for that. I had a conflict. But I'm going to go through a series of questions here. If they've been asked and answered, or if they're better answered in classified, would you just quickly indicate that and we'll move on?

AMB. NEGROPONTE: Yeah.

REP. TIERNEY: You talk in your written testimony about al Qaeda leaders securing a hideout in Pakistan. Better dealt with in classified?

AMB. NEGROPONTE: Probably.

REP. TIERNEY: Okay.

AMB. NEGROPONTE: Yes.

REP. TIERNEY: Given that Prime Minister al-Maliki is a member of the Supreme Council of Islamic Revolution in Iraq -- hardly a democracy group, and that was a party formed in Iran in the early '80s -- if we want to talk about our support for his being in office right now, and what intelligence leads us to believe that he'll be acting more in our interest than in the Shi'ite militias or Iran's interest? Better discussed in classified?

AMB. NEGROPONTE: Well, except for the record to make a small correction there, which is that he's actually a member of the Da'wa party --

REP. TIERNEY: Da'wa party, you're right.

AMB. NEGROPONTE: -- he's not a member of SCIRI.

REP. TIERNEY: You're right. I'm sorry on that.

AMB. NEGROPONTE: And also I would add, lest we leave the wrong impression, these people who run the government of Iraq were popularly elected. I mean, this Shi'a --

REP. TIERNEY: Right.

AMB. NEGROPONTE: He emerges from this Shi'a majority that was --

REP. TIERNEY: But if we want to explore that in depth, we'd best do it in classified?

AMB. NEGROPONTE: Yes.

REP TIERNEY: Thank you.

The -- what do you say to the criticism that I've heard from some agents that the value of the intelligence in Iraq is somewhat diluted by the fact that many of our agents are bottled up in the Green Zone, that their deployments may be too short turning over cycle, that there are too few Arabists and that in some instances it's claimed that we don't even fully identify the number of different insurgent groups or be able to identify which insurgent groups might be responsible for which insurgent acts?

AMB. NEGROPONTE: Well, first of all, an enormous amount of analytic effort and collection effort is devoted to Iraq, so I think we're actually -- our posture is sometimes better than we're given credit for. Secondly, not everybody's bottled up in the Green Zone, and perhaps I'll let General Hayden and/or General Maples comment on this; although they may want to differ some of it for the closed session.

REP TIERNEY: Thank you. With respect to Somalia, are you able to talk to us about the use of United States air assets there in that attack? What intelligence justified the use of our materials and give us an assessment of the results.

AMB. NEGROPONTE: (Off mike) -- in closed session.

REP TIERNEY: Closed session. With respect to the stand-up of the DNI, can you leave us with an assessment of whether or not you think it's going at about the right numbers; whether there are too few, too many people involved; whether or not we have the right number of layers between people in the field and the DNI or something needs to be done about decreasing the number there? How is that working out, and what recommendations do you have?

AMB. NEGROPONTE: I'm satisfied that it's working pretty well. I certainly don't think it needs to be increased, and I also -- obviously, Admiral McConnell is going to want to make some judgments of his own, so I don't want to try and prejudge or preempt what he decides.

But I'm delighted to be -- I think someone has been appointed to succeed me who has so much experience in the intelligence community.

REP. TIERNEY: Well, lastly, do we have enough intelligence about what's going on in Darfur to help us and guide us in the policy that we need to deal with that situation?

AMB. NEGROPONTE: That has been a problem. It's been a shortcoming in the past, but we made a -- we've surged our effort, if you will, in the past several months. Both multiple agencies, including the European Command and -- we're in a much better place with respect to Darfur today than we were about six months ago, and the special negotiator for Darfur, Ambassador Natsios, has taken the opportunity to commend the intelligence community on a number of occasions for the work we've done in that area.

REP. TIERNEY: Also, I want to talk a little bit about what's going on in Latin America and some of the concerns we have about the way we treat some governments, like Egypt and others, differently than perhaps we're treating Venezuela and Cuba, but I think it's probably best reserved for classified as well, as well as the discussion on the militarization -- or alleged by some militarization of intelligence and the relationship between the DIA and the CIA of things of that nature. But I'll reserve all those other questions for the classified session and yield back the balance of my time in the open session.

GEN. MAPLES (?): May I jump in, though, on the militarization issue?

REP. TIERNEY: Certainly.

GEN. MAPLES (?): I don't believe that's the case. And in fact, I think the cooperation between the civilian and military elements of our intelligence establishment have been very good in the time that I've been in this position. The work between the FBI and the CIA, for example -- a memorandum of understanding, the work between the CIA and the DOD -- the fact, as I alluded to earlier, that all the key players now who are going to be in these jobs are all committed to intelligence reform. So I think we're in a pretty good place there as far as civilian-military intelligence relationships are concerned.

And the last point I would make is that their work is almost inexplicably linked in any event, since a large part of our job, after all, is to support the warfighter. So that -- it's kind of hard to disentangle or desegregate the work that's done. And I've been impressed -- truly impressed, Congressman -- when I go to places like Iraq or Afghanistan, at the integration of effort between our civilian and military intelligence elements. It is truly remarkable what they -- the way they work together and what they have been able to accomplish working together. And I think probably the disabling of Zarqawi is one of the best examples of that.

REP. TIERNEY: Well, thank you for that answer and your others as well.

I yield back, Mr. Chairman.

REP. REYES: Thank you.

Ms. Wilson.

REP. HEATHER WILSON (R-NM): Thank you, Mr. Chairman. Gentlemen, thank you very much for being here today.

General Maples, I was struck by the starkness of your assessment in your testimony of the situation and the gravity of the situation that we face in Iraq, particularly the deterioration over the last quarter of 2006. I guess I have a question both for you, General Maples, and also General Hayden. How does the CIA and DIA forecast Sadr and the Jaish al-Mahdi militia will respond to an increase of Iraqi army and U.S. troops in Baghdad?

What do you think they will do?

GEN. MAPLES (?): I think that Sadr and Jaish al-Mahdi will still follow their principal objectives that they have laid out as an organization. They are attempting to build, I think, a state within the state in Iraq. They want to influence government by participating in it. And I think that Sadr will continue to want to establish his own personal presence and that of the Sadrist movement in looking after Shi'a Iraqis. So I think he will continue to take actions that will further that cause.

To that end, what I think that means in the short term, particularly with the Jaish al-Mahdi -- that they will probably reduce their level of activity in the near term in order to see what's going to happen, how it's going to happen, particularly in Baghdad. And I think they will continue to operate in other parts of Iraq to further establish their influence over the Shi'a population.

REP. WILSON: (Inaudible.)

GEN. HAYDEN: Yeah. You ask a tough question. In the past, when we've gone toe to toe with them, they've backed down. So there's a track record of Sadr being cautious. There's a clear indication at the present time he's not looking for contacts with coalition forces. And to the degree he controls Jaish al-Mahdi -- and that's a very important factor -- to the degree that he controls this, he's trying not to bait us or confront us into confrontation.

I think a lot will depend on his view of what it is we -- and we plural; that has to include the Maliki government -- are attempting to do. Are we moving against, at the lower end of the scale, just raw lawlessness; or are we moving against militias; or are we moving against the organization of Muqtada Sadr, OMS, which is a Hamas/Hezbollah social service organization; or is this personal? You know, is this an attempt to disenfranchise him and his movement?

Where we come out on that scale, how we act, how we characterize our actions, how the Maliki government supports our actions and characterizes our action are going to have a lot to do with deciding some of these unknowns.

REP. WILSON: Do -- again, for both the generals, do you assess that the Maliki government has the will and the capability to take the actions necessary to secure Baghdad and particularly taking on the Shi'ite militias and the violent elements of JAM? GEN. HAYDEN: In the president's speech last week, I think there are several passages there that lay out very quick - - very clearly that this is what is required.

REP. WILSON: General, I understand what's required. I'm asking whether as an intelligence professional you assess that the Maliki government has the will and the capability.



GEN. HAYDEN: Ma'am, it's an unknown, and we have to create the circumstances for success for the government. You asked two questions, will and capability, and they are both interlinked. As we build capability, we also have to make sure the government has the will to do the right thing. And in fact, I will tell you, as recently as yesterday, I talked to our Iraqi analysts and tasked them -- analysts for Iraq -- and tasked them to look for all the early indicators as to what the government has (strapped ?) on, what the government has decided to do.

This plan can succeed, in my personal view. It's the best possibility for success, but it is conditional. And the most important condition is the behavior of the government.

REP. WILSON: And so we have no forecast at all on the will of the Maliki government?

GEN. HAYDEN: We have not made a forecast.

REP. WILSON: So it's completely unknown, and we have no sources, no -- nothing that can tell us that?

GEN. HAYDEN: Oh, we can offer judgments, we can offer assessments, and I'll do more -- do so more completely in closed session. But at the end of the day, it's a very important factor, and as the president pointed out in his speech, the plan is dependent on the government.

REP. WILSON: Maybe we could do this more in closed session, but it is amazing to me we're about to commit 21,000 troops to Baghdad, and we don't have an assessment of the key long pole in his tent, which is the will of the Iraqi government to do what it has to do.

GEN. HAYDEN: Can I just point out on this subject, our judgment is -- and collectively with the analysts at my agency, not just me personally -- that the plan as laid out does offer the best hope for success.

REP. WILSON: One final --

AMB. NEGROPONTE: And I'd just note, if I could, the judgment --

REP. WILSON: Actually, I'd like to ask you a different question, Ambassador, and that is, I wanted to make clear that this committee was -- as a member I was informed that there was a new FISA order, but I have not been briefed, nor do I believe any member of this committee has been briefed on those new orders, which is an important thing. And I heard you say in response to Mrs. Eshoo that there is some separation of powers issue that may have to be resolved with respect to whether this committee can be provided a court order. And I am also formally -- in fact, I did this morning -- directly to the Department of Justice asked to be briefed and to be given a copy of the court order and the memorandum of law supporting it.

If there is a separation of powers issue, could you explain a little more exactly what you mean?

AMB. NEGROPONTE: I just meant that the order is sealed and that the court has to -- it has to be made available with their consent.

REP. WILSON: Mr. Chairman, I have to say that if we have communications that are classified between the executive branch and the judicial branch of government, which has to do with the implementation of laws that this committee oversees, we sure as heck better get a copy of that memorandum of law. And it would be amazing to me if it is refused to this committee.

REP. REYES: And just to reassure both gentleladies, committee staff is already working on that. We will continue to pursue that.

REP. WILSON: Thank you, Mr. Chairman.

REP. REYES: And with that, let me make a couple of points here. First of all, we have to leave this room by agreement by noon, which is in about three minutes.

And I wanted to first inform all the members, as I stated last night, there is lunch available, and also to the witnesses, in 405. We're going to recess and reconvene in 405 for the closed session. For the members that have not had an opportunity to ask a question, we're going to start with you in closed session and then move on to the other members.

So with that, again publicly thanking you, Director Negro Ponte and General Hayden, Mr. Allen, General --

REP. HOEKSTRA: Mr. Chairman, is staff going to take -- (inaudible)?

REP. REYES: Yes, they'll take care of it.

We appreciate the hard work that you all do, General, Mr. Mudd.

And we will stand in recess. We will reconvene in about 30 minutes. I should also tell the members that there are two votes that are pending that are about to be called, so as soon as the second vote is over, we'll reconvene in 405.

Thank you. And the hearing is in recess.

(END OF OPEN SESSION)